
A BILL FOR AN ACT

RELATING TO HAWAIIAN HOME LANDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds the current structure for
2 state enterprise zones undermines planning for native Hawaiian
3 communities. The legislature also finds that the great
4 disparity in income is per capita income between native
5 Hawaiians and the state population, leading to higher poverty
6 rates for native Hawaiians. In 2020, the median household
7 income of lessees of Hawaiian home lands was lower than the
8 State's median household income by approximately \$8,000.

9 The legislature finds that the current designated
10 enterprise zones exclude the majority of homestead lots awarded
11 pursuant to the Hawaiian Homes Commission Act 1920, as amended.
12 Businesses on homestead lots are unable to derive the benefits
13 and incentives provided for businesses authorized and situated
14 in an enterprise zone, including one hundred per cent exemption
15 from the general excise tax, non-refundable income tax credits,
16 priority business permit processing, and waiver of permit fees.
17 On account of lack of business incentives, most individuals



1 living on homestead lots opt to work outside their community in
2 the construction, public administration, and education sectors.

3 The legislature finds that expanding the state enterprise
4 zone program to homestead lots will promote new businesses in
5 areas where economic stimulation is most needed. The purpose of
6 this Act is to provide incentives to start businesses on
7 homestead lots by (1) designating eligible homestead lots as a
8 state enterprise zone; (2) exempting businesses on homestead lots
9 from the existing eligibility and qualification requirements for
10 the state enterprise zone program, and (3) creating separate
11 eligibility and qualification requirements for businesses on
12 homestead lots.

13 SECTION 2. Section 209E-4, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "**§209E-4 Enterprise zone designation.** (a) The governing
16 body of any county may apply in writing to the department to
17 have an area declared to be an enterprise zone. The application
18 shall include a description of the location of the area or areas
19 in question, and a general statement identifying proposed local
20 incentives to complement the state and any federal incentives.



1 (b) The governor, upon the recommendation of the director,
2 shall approve the designation of up to six areas in each county
3 as enterprise zones for a period of twenty years. Any such area
4 shall be located in one United States census tract or two or
5 more contiguous United States census tracts in accordance with
6 the most recent decennial United States Census. The census
7 tract or tracts within which each enterprise zone is located
8 also shall meet at least one of the following criteria:

9 (1) Twenty-five per cent or more of the population have
10 incomes below eighty per cent of the median family
11 income of the county; or

12 (2) The unemployment rate is 1.5 times the state average.

13 (c) In addition to the areas approved under (b), the
14 governor, upon the recommendation of the director, shall approve
15 the designation of all eligible homestead lots as enterprise
16 zones for a period of twenty years.

17 "Homestead lot" means a lot of residential, agricultural,
18 or pastoral use to be awarded pursuant to the Hawaiian Homes
19 Commission Act, 1920, as amended, including but not limited to
20 on- and off-site infrastructure requirements, appurtenances, and
21 dwelling units."



1 SECTION 3. Section 209E-9, Hawaii Revised Statutes, is
2 amended to read as follows:

3 **"§209E-9 Eligibility; qualified business; sale of property**
4 **or services.** (a) Any business firm may be eligible to be
5 designated a qualified business for purposes of this chapter if
6 the business:

7 (1) Begins the operation of a trade or business in an
8 eligible business activity within an enterprise zone;

9 (2) During each taxable year has at least fifty per cent
10 of its enterprise zone establishments' gross receipts
11 attributable to the active conduct of trade or
12 business within enterprise zones located within the
13 same county; and

14 (3) Either:

15 (A) Increases its average annual number of full-time
16 employees employed at the business' establishment
17 or establishments within enterprise zones located
18 within the same county by at least ten per cent
19 by the end of its first tax year of
20 participation, and during each subsequent taxable



1 year at least maintains that higher level of
2 employment; or

3 (B) Increases its gross sales of agricultural crops
4 produced, or agricultural products processed
5 within enterprise zones located within the same
6 county by two per cent annually.

7 For business firms engaged in producing or processing
8 agricultural products, receipts from value-added products made
9 from crops grown within enterprise zones located within the same
10 county and sold at retail pursuant to the limits of subsection
11 (e) shall count toward the gross receipts requirement under
12 paragraph (2).

13 (b) A business firm may also be eligible to be designated
14 a qualified business for purposes of this chapter if the
15 business:

16 (1) Is actively engaged in the conduct of a trade or
17 business in an eligible business activity in an area
18 immediately prior to the area being designated an
19 enterprise zone;

20 (2) Meets the requirements of subsection (a) (2); and

21 (3) Either:



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1 (A) Increases its average annual number of full-time
2 employees employed at the business' establishment
3 or establishments within enterprise zones located
4 within the same county by at least ten per cent
5 by the end of the first year of operation, and by
6 at least fifteen per cent by the end of each of
7 the fourth, fifth, sixth, and seventh years of
8 operation, and for businesses eligible for tax
9 credits extending past the seventh year, at least
10 maintains that higher level of employment during
11 each subsequent taxable year; provided that the
12 percentage increase shall be based upon the
13 employee count at the beginning of the initial
14 year of operation within the enterprise zone or
15 zones; or

16 (B) Increases its gross sales of agricultural crops
17 produced, or agricultural products processed
18 within enterprise zones located within the same
19 county by two per cent annually.

20 (c) After designation of an enterprise zone, each
21 qualified business firm in the zone shall submit annually to the



1 department an approved form supplied by the department that
2 provides the information necessary for the department to
3 determine if it may certify the applicability of the tax credits
4 and exemptions provided in this chapter for the business firm.
5 The approved form shall be submitted by each business to the
6 governing body of the county in which the enterprise zone is
7 located, then forwarded to the department by the governing body
8 of the county.

9 (d) The form referred to in subsection (c) shall be prima
10 facie evidence of the eligibility of a business for the purposes
11 of this section.

12 (e) Tangible personal property shall be sold at an
13 establishment of a qualified business within an enterprise zone
14 and the transfer of title to the buyer of the tangible personal
15 property shall take place in an enterprise zone located within
16 the same county in which the tangible personal property is sold.
17 Services shall be sold at an establishment of a qualified
18 business engaged in a service business within an enterprise
19 zone.

20 (f) For any fiscal year that includes September 11, 2001,
21 a business may use its average annual number of full-time



1 employees as of August 31, 2001--rather than its average annual
 2 number at the end of its fiscal year including September 11,
 3 2001--if necessary to meet the requirements of subsection (a) (3)
 4 and (4) or (b) (3). A business may also use its average annual
 5 number of full-time employees at the end of its fiscal year that
 6 includes September 11, 2001, as its base number of full-time
 7 employees if necessary to meet the requirements of subsection
 8 (a) (3) and (4) or (b) (3) in future fiscal years.

9 (g) This section shall not apply to the homestead lots
 10 designated under § 209E-4(c)."

11 SECTION 4. Chapter 209E, Hawaii Revised Statutes, is
 12 amended by adding a new section to be appropriately designated
 13 and to read as follows:

14 "§ 209E- Hawaiian home lands. (a) Any business firm on
 15 homestead lots may be eligible to be designated a qualified
 16 business for purposes of this section if the business:

- 17 (1) Begins the operation of a trade or business in an
- 18 eligible business activity within an enterprise zone;
- 19 and
- 20 (2) During each taxable year has at least fifty per cent
- 21 of its enterprise zone establishments' gross receipts



1 attributable to the active conduct of trade or
2 business within enterprise zones located within the
3 same county.

4 (b) A business firm on homestead lots may also be eligible
5 to be designated a qualified business for purposes of this
6 section if the business is actively engaged in the conduct of a
7 trade or business in an eligible business activity in an area
8 immediately prior to the area being designated an enterprise
9 zone.

10 (c) After designation of an enterprise zone, each
11 qualified business firm in the zone shall submit annually to the
12 department an approved form supplied by the department that
13 provides the information necessary for the department to
14 determine if it may certify the applicability of the tax credits
15 and exemptions provided in this chapter for the business firm.
16 The approved form shall be submitted by each business to the
17 governing body of the county in which the enterprise zone is
18 located, then forwarded to the department by the governing body
19 of the county.



1 (d) The form referred to in subsection (c) shall be prima
2 facie evidence of the eligibility of a business for the purposes
3 of this section.

4 (e) Tangible personal property shall be sold at an
5 establishment of a qualified business within an enterprise zone
6 and the transfer of title to the buyer of the tangible personal
7 property shall take place in an enterprise zone located within
8 the same county in which the tangible personal property is sold.
9 Services shall be sold at an establishment of a qualified
10 business engaged in a service business within an enterprise
11 zone."

12 SECTION 5. New statutory material is underscored.

13 SECTION 6. This Act shall take effect upon its approval.

14

INTRODUCED BY: *[Signature]*
[Signature]
[Signature]
[Signature]



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Report Title:

Minority Caucus Package; Hawaiian Home Lands; Enterprise Zone

Description:

Allows designation of eligible homestead lots as enterprise zones for a period of twenty years. Provides state and local incentives to qualified businesses on homestead lots.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

