

A Bill for an Act Relating to State Enterprise Zones.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Section 209E-2, Hawaii Revised Statutes, is amended:

1. By adding the definitions of “education and training services”, “full-time employee”, “information technology design and production services”, “medical and health care services”, and “telecommunication services” to be appropriately inserted and to read as follows:

“‘Education and training services’ include courses and programs for business executives in international business management, marketing, financial services, human resources, risk management, and for technicians in environmental sciences and remediation.

“‘Full-time employee’ means any employee for whom the employer is legally required to provide employee fringe benefits.

“‘Information technology design and production services’ means computer software development, imagery creation, and data compilation, but not consumer sales or service businesses.

“‘Medical and health care services’ includes research, clinical trials, telemedicine, and related consulting services, but not routine medical treatment or services.

“‘Telecommunication services’ include terrestrial (copper and optical fiber cable) and satellite information delivery systems, switching systems, ground stations, and related consulting services, but not consumer services.”

2. By amending the definition of “qualified business” to read as follows:

“‘Qualified business’ means any corporation, partnership, or sole proprietorship authorized to do business in the State which is qualified under section 209E-9 and is:

- (1) Subject to the state corporate or individual income tax under chapter 235;
- (2) Engaged in manufacturing, the wholesale sale of tangible personal property[,] as defined in section 237-4, or a service business [or calling;] as defined in this chapter; or
- (3) Engaged in producing agricultural products where the business is a producer as defined in section 237-5.”

3. By amending the definition of “service business” to read as follows:

“‘Service business [or calling]’ for the purposes of this chapter means any corporation, partnership, or sole proprietorship that [acts upon or processes tangible personal property, such as cleaning, repair and maintenance and does not mean activities which are not performed upon tangible personal property.] repairs ships or aircraft, provides telecommunication services, information technology design and production services, medical and health care services, or education and training services as defined in this chapter.”

4. By repealing the definition of “low income employee”.

[“‘Low-income employee’ means a person whose family income during the twelve months prior to being hired by a qualified business is less than the most recently published federal Department of Labor lower living standard income levels for the county in which the person is hired.”]

5. By repealing the definition of “wholesale”.

[“‘Wholesale’ means those activities defined in section 237-4.”]

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

“§209E-9 Eligibility. (a) Any business firm may be designated a “qualified business” for purposes of this chapter if the business:

- (1) Begins the operation of a trade or business within an enterprise zone;
- (2) During each taxable year has at least fifty per cent of its enterprise zone establishment’s gross receipts attributable to the active conduct of trade or business within the enterprise zone; [and]
- (3) [Has forty per cent or more of the average annual number of full-time employees employed at the business’ establishment or establishments located within the enterprise zone who are low-income employees.] Increases its average annual number of full-time employees by at least ten per cent by the end of its first tax year of participation; and
- (4) During each subsequent taxable year at least maintains that higher level of employment.

(b) A business also may be designated a “qualified business” for purposes of this chapter if the business:

- (1) Is actively engaged in the conduct of a trade or business in an area immediately prior to an area being designated an enterprise zone;
- (2) Meets the requirements of subsection (a)(2);
- (3) Increases [the] its average annual number of full-time employees employed at the business’ establishment or establishments located within the enterprise zone by at least [five] ten per cent [over the preceding year’s employment with not less than forty per cent of the increase being low-income employees and during each subsequent taxable year maintains that higher level of employment; and
- (4) Increases by at least five per cent during each taxable year the average number of full-time low-income employees.] annually.

(c) Subsections (a)(1), (a)(3), (a)(4), and (b)(1) shall not apply to agriculture producers in any county with a population of one-hundred thousand or less.

[(c)] (d) After designation as an enterprise zone, each qualified business firm in the zone shall submit annually to the department [a statement requesting one or more of the tax incentives provided in this chapter. The statement shall be accompanied by] an approved form supplied by the department [and completed by an independent accountant which states that] which provides the information necessary for the department to determine if the business firm meets the definition of a “qualified business”. [A copy of the statement] The approved form shall be submitted by each business to the [department shall be forwarded to the] governing body of the county in which the enterprise zone is located[.], then forwarded to the department by the governing body of the county.

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

[(e)] (f) Tangible personal property must be sold by an establishment of a qualified business within an enterprise zone and the transfer of title and delivery to the buyer of the tangible personal property must take place in the same enterprise zone in which the tangible personal property is sold. Services must be sold by an establishment of a qualified business engaged in a service business or calling within an enterprise zone and the services must be delivered in the same enterprise zone in which sold. Any services rendered outside of an enterprise zone shall not be deemed to be the services of a qualified business.”

SECTION 3. Section 209E-11, Hawaii Revised Statutes, is amended to read as follows:

“§209E-11 State general excise tax exemptions. The department shall certify annually to the department of taxation that any qualified business is exempt from the payment of general excise taxes on the gross proceeds from the manufac-

ture of tangible personal property, the wholesale sale of tangible personal property, or the engaging in a service business [or calling] by a qualified business in the enterprise zone. The exemption shall extend for a period not to exceed seven years.”

SECTION 4. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval; provided that on June 30, 1998, section 209E-9(c), Hawaii Revised Statutes, shall be repealed and the remaining subsections in section 209E-9, Hawaii Revised Statutes, shall be re-numbered accordingly.

(Approved June 18, 1996.)