

ACT 118

S.B NO. 2779

A Bill for an Act Relating to State Enterprise Zones.

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

SECTION 1. The legislature finds that the state enterprise zones law offers state and county tax and other incentives to certain types of businesses that increase their hiring in the zones selected by the counties and approved by the governor. Enterprise zones are intended to stimulate business and industrial growth in low-income or high unemployment areas to help revitalize those areas. The legislature further finds that it is necessary to make several changes to the enterprise zones law to accomplish the law’s intended purpose.

The purpose of this Act is to enhance the effectiveness of, clarify the administration of, and expand the enterprise zones law.

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

1. By adding a new definition to be appropriately inserted and to read:

““Call center” means a business providing service at an establishment in which customer and technical support service for manufacturing companies, computer hardware and software companies, credit collection services, product fulfillment services, or disaster management services, are provided by telephone; provided that the business shall not include telemarketing or sales.”

2. By amending the definitions of “enterprise zone”, “qualified business”, “service business”, and “telecommunication services” to read:

““Enterprise zone” means an area nominated by, and within the jurisdiction of, a county government, and subsequently declared by the governor to be eligible for the benefits of this chapter.

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

- (1) Subject], subject to the state corporate or individual income tax under chapter 235[;], and:
- [(2)] (1) Engaged in manufacturing, the wholesale sale of tangible personal property as defined in section 237-4, or a service business as defined in this chapter; or
- [(3)] (2) Engaged in producing agricultural products where the business is a producer as defined in section 237-5[.]; or
- (3) Engaged in research, development, sale, or production of all types of genetically-engineered medical, agricultural, or maritime biotechnology products.

“Service business” [for the purposes of this chapter] means any corporation, partnership, or sole proprietorship that repairs ships [or], aircraft, or assisted technology equipment, provides telecommunication services, information technology design and production services, medical and health care services, or education and training services as defined in this chapter.

“Telecommunication services” means terrestrial (copper and optical fiber cable) and satellite information delivery systems, switching systems, [and] ground stations, and call centers, but not consumer services.”

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

“§209E-9 Eligibility[.]; qualified business; sale of property or services.

(a) Any business firm may be eligible to be designated a [“qualified business”] 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;
- (3) 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 firm also may be eligible to be designated a [“qualified business”] 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); and
- (3) Increases its average annual number of full-time employees employed at the business’ establishment or establishments located within the enterprise zone by at least ten per cent annually.

(c) After designation as an enterprise zone, each qualified business firm in the zone shall submit annually to the department an approved form supplied by the department [which] that provides the information necessary for the department to determine if the business firm [meets the definition of a “qualified business”.] qualifies as a qualified business. The approved form shall be submitted by each business 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) The form referred to in subsection (c) shall be prima facie evidence of the eligibility of a business for the purposes of this section.

ACT 118

(e) Tangible personal property [must] shall be sold [by] at an establishment of a qualified business within an enterprise zone and the transfer of title to the buyer of the tangible personal property [must] shall take place in the same enterprise zone in which the tangible personal property is sold. Services [must] shall be sold [by] at an establishment of a qualified business engaged in a service business within an enterprise zone and the services [must] shall 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 4. Section 209E-11, Hawaii Revised Statutes, is amended to read as follows:

“**§209E-11 State general excise and use 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 manufacture of tangible personal property, the wholesale sale of tangible personal property, [or] the engaging in a service business by a qualified business [in the enterprise zone and], or the engaging in research, development, sale, or production of all types of genetically-engineered medical, agricultural, or maritime biotechnology products. The department shall also certify annually to the department of taxation that any qualified business is exempt from the use tax for purchases by [a] the qualified business. The gross proceeds received by a contractor licensed under chapter 444 shall be exempt from the general excise tax for construction within an enterprise zone performed for a qualified business within an enterprise zone. The exemption shall extend for a period not to exceed seven years.”

SECTION 5. Statutory material to be repealed is bracketed. New statutory material is underscored.

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

(Approved May 22, 2000.)