

Honolulu, Hawaii

Feb 5, 2008

RE: H.B. No. 2739  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Sir:

Your Committees on Economic Development & Business Concerns  
and Agriculture, to which was referred H.B. No. 2739 entitled:

"A BILL FOR AN ACT RELATING TO STATE ENTERPRISE ZONES,"

beg leave to report as follows:

The purpose of this bill is to support the growth of Hawaii's  
agriculture industry by amending the enterprise zones (EZ) law to  
recognize the unique challenges faced by this industry and allow  
more farmers to qualify for EZ tax incentives. Specifically, this  
bill:

- (1) Provides continued EZ eligibility for farmers whose  
businesses are damaged by natural disasters, i.e.,  
"force majeure events," and extends the seven-year  
eligibility period for the duration of the loss;
- (2) Allows business engaged in processing agricultural  
products to qualify for EZ incentives;
- (3) Recognizes as full-time employees, employees hired under  
leased employee and joint employment hiring practices  
that allow the agriculture industry to cope with  
seasonal workforce needs and worker shortages;
- (4) Changes the timing of employee increases required for  
businesses in an area that becomes an EZ, but not the  
total number of new employees required, to ten percent



in the first year, followed by 15 percent increases during the fourth through seventh years of operation;

- (5) Allows agricultural businesses to count retail sales of value-added products made from crops grown within the EZ, towards the minimum 50 percent of gross receipts from business within the zone needed to qualify for EZ incentives; and
- (6) Provides that an agricultural business' retail sales do not qualify for the EZ general excise tax exemption for gross business receipts.

The Hawaii Agricultural Research Center, Hawaii Crop Improvement Association, and Hawaii Farm Bureau Federation supported this bill. The Department of Business, Economic Development, and Tourism, Hawaii Department of Agriculture, Hawaii Aquaculture Association and a concerned individual supported the intent of this measure. The Department of Taxation submitted comments.

Your Committee finds that currently there are more than 5,500 farms in Hawaii, but as of 2006, only 44 participated in the EZ program. In 2005 only 12 of these 44 qualified for benefits. This bill would allow more farmers to participate in EZ benefits by adjusting EZ qualification criteria to recognize some of the unique weather and employment challenges that agricultural businesses face.

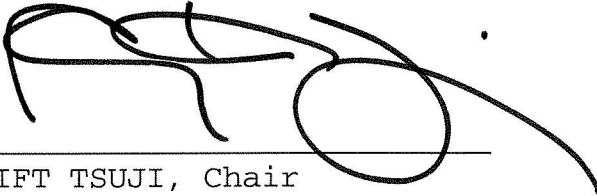
Your Committee has amended this bill by:

- (1) Defining the term "force majeure event;"
- (2) Changing its effective date to July 1, 2034, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Economic Development & Business Concerns and Agriculture that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2739, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2739, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committees on Economic  
Development & Business Concerns  
and Agriculture,



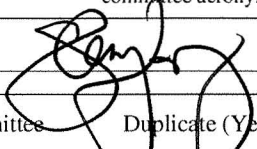
CLIFT TSUJI, Chair



KYLE T. YAMASHITA, Chair



**Record of Votes of the Committee on Economic Development & Business Concerns**

<b>Bill/Resolution No.:</b> HB 2739	<b>Committee Referral:</b> EDB/AGR, FIN	<b>Date:</b> 1/29/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
<b>EDB Members</b>	<b>Ayes</b>	<b>Ayes (WR)</b>	<b>Nays</b>	<b>Excused</b>
1. YAMASHITA, Kyle T. (C)	✓			
2. WAKAI, Glenn (VC)	✓			
3. BERG, Lyla B., Ph.D.	✓			
4. BROWER, Tom	✓			
5. CHANG, Jerry L.	✓			
6. HANOHANO, Faye P.	✓			
7. HERKES, Robert N.	✓			
8. MANAHAN, Joey	✓			
9. TSUJI, Clift	✓			
10. YAMANE, Ryan I.	✓			
11. CHING, Corinne W.L.	✓			
12. MARUMOTO, Barbara C.	✓			
<b>TOTAL (12)</b>	12	0	0	0
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ committee acronym(s) did not support recommendation.				
<b>Vice Chair's or designee's signature:</b> _____ 				
<b>Distribution:</b> Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				

State of Hawaii  
House of Representatives  
The Twenty-fourth Legislature

HSCR 133-08

**Record of Votes of the Committee on Agriculture**

<b>Bill/Resolution No.:</b> HB 2739	<b>Committee Referral:</b> EDB/AGR	<b>Date:</b> 01/29/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
<b>AGR Members</b>	<b>Ayes</b>	<b>Ayes (WR)</b>	<b>Nays</b>	<b>Excused</b>
1. TSUJI, Clift (C)	/			
2. BROWER, Tom (VC)	/			
3. BERG, Lyla B., Ph.D.	/			
4. CHANG, Jerry L.	/			
5. HANOHANO, Faye P.	/			
6. HERKES, Robert N.	/			
7. MANAHAN, Joey	/			
8. WAKAI, Glenn	/			
9. YAMANE, Ryan I.	/			
10. YAMASHITA, Kyle T.	/			
11. CHING, Corinne W.L.	/			
12. MEYER, Colleen Rose	/			
<b>TOTAL (12)</b>	12			
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
<b>Vice Chair's or designee's signature:</b> <u>Tom Bunn</u>				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office				