STAND. COM. REP. NO. 1238

Honolulu, Hawaii , 2025

MAR 14

S.B. No. 125 \* RE: S.D. 2 H.D. 1

Honorable Nadine K. Nakamura Speaker, House of Representatives Thirty-Third State Legislature Regular Session of 2025 State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred S.B. No. 125, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- Expand the definition of "eligible business activity" (1)for purposes of the State Enterprise Zone Program by including:
  - The sale of tangible personal property manufactured (A) and sold at retail in an enterprise zone for consumption or use by the purchaser and not for resale;
  - The processing of value-added agricultural (B) products, all or some of which were grown within an enterprise zone; and
  - (C) The provision of professional services by health care professionals in health-care-related sectors;



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- (2) Extend from seven years to nine years the eligibility period of the state business tax credit and general excise tax exemption for qualified businesses within enterprise zones; and
- (3) Extend from ten years to twelve years the eligibility period of the general excise tax exemption for qualified businesses within enterprise zones engaged in the manufacturing of tangible personal property or the producing or processing of agricultural products.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Agribusiness Development Corporation; Holomua Collaborative; Mana Up; Hawai'i Community Foundation; Title Guaranty of Hawai'i; HPM Building Supply; Tori Richard; Hawaii Food Industry Association; Maui Chamber of Commerce; Hawai'i Forest Industry Association; Hawai'i Farm Bureau; Grassroot Institute of Hawaii; Hawaii Military Affairs Council; Chamber of Commerce of Hawaii; and two individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the State Enterprise Zone Program, which provides tax incentives and other benefits to businesses that engage in eligible business activities in designated enterprise zones, excludes certain manufacturers that sell directly to consumers, which is now a common business model among manufacturers. Your Committee further finds that there is a need to expand the eligibility periods for tax incentives provided to certain qualified businesses within enterprise zones. This measure allows additional activities within an enterprise zone to qualify for State Enterprise Zone Program benefits and extends the eligibility period for the state business tax credit and general excise tax exemption for certain qualified businesses.

Your Committee has amended this measure by:

 Expanding the definition of "eligible business activity" to include the use of advanced manufacturing to produce products and the development of cybersecurity technology;

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- (2) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 125, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 125, S.D. 2, H.D. 1, and be referred to your Committees on Agriculture & Food Systems and Health.

> Respectfully submitted on behalf of the members of the Committee on Economic Development & Technology,



State of Hawaii House of Representatives The Thirty-third Legislature

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Record of Votes of the Committee on Economic Development & Technology

Bill/Resolution No.:     Committee Referral:     Date:       SB 125     SD2     ECD, AGR/HUT, FIN     Date:				
The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <ul> <li>Pass, unamended (as is)</li> <li>Pass, with amendments (HD)</li> <li>Hold</li> <li>Pass short form bill with HD to recommit for future public hearing (recommit)</li> </ul>				
ECD Members	Ayes	Ayes (WR)	Nays	Excused
1. ILAGAN, Greggor (C)		Assentational Mark 1		
2 HUSSEY Itaika (VC)		Selection of the		
2. HUSSEY, Ikaika (VC)				
3. HOLT, Daniel		1		
4. TAM, Adrian K.			er	
5. TEMPLO, Shirley Ann				
6. TODD, Chris				
7. MATSUMOTO, Lauren				
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TOTAL (7)	6		<u> </u>	
The recommendation is: Adopted V D Not Adopted If joint referral, did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				