

JAN 15 2025

A BILL FOR AN ACT

RELATING TO STATE ENTERPRISE ZONES.

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

1 SECTION 1. Section 209E-9, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) A business firm may also be eligible to be designated
4 a qualified business for purposes of this chapter if the
5 business:

6 (1) Is actively engaged in the conduct of a trade or
7 business in an eligible business activity in an area
8 immediately prior to the area being designated an
9 enterprise zone;

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

11 (3) Either:

12 (A) Increases its average annual number of full-time
13 employees employed at the business' establishment
14 or establishments within enterprise zones located
15 within the same county by at least ten per cent
16 by the end of the first year of operation, and by
17 at least fifteen per cent by the end of each of



1 the fourth, fifth, sixth, [~~and~~] seventh, eighth,
2 and ninth years of operation, and for businesses
3 eligible for tax credits extending past the
4 [~~seventh~~] ninth year, at least maintains that
5 higher level of employment during each subsequent
6 taxable year; provided that the percentage
7 increase shall be based upon the employee count
8 at the beginning of the initial year of operation
9 within the enterprise zone or zones; or

10 (B) Increases its gross sales of agricultural crops
11 produced, or agricultural products processed
12 within enterprise zones located within the same
13 county by two per cent annually."

14 SECTION 2. Section 209E-10, Hawaii Revised Statutes, is
15 amended as follows:

16 1. By amending subsection (a) to read:

17 "(a) The department shall certify annually to the
18 department of taxation the applicability of the tax credit
19 provided in this chapter for a qualified business against any
20 taxes due the State. Except for the general excise tax, the
21 credit shall be eighty per cent of the tax due for the first tax



1 year, seventy per cent of the tax due for the second tax year,
2 sixty per cent of the tax due for the third tax year, fifty per
3 cent of the tax due for the fourth tax year, forty per cent of
4 the tax due for the fifth tax year, thirty per cent of the tax
5 due for the sixth tax year, and twenty per cent of the taxes due
6 for each of the seventh [year-], eighth, and ninth tax years.

7 For qualified businesses engaged in the manufacturing of
8 tangible personal property or the producing or processing of
9 agricultural products, the credit shall continue after the
10 [~~seventh~~] ninth tax year at the rate of twenty per cent of the
11 tax due for each of the subsequent three tax years. Any tax
12 credit not usable shall not be applied to future tax years."

13 2. By amending subsection (c) to read:

14 "(c) In addition to any tax credit authorized under this
15 section, any qualified business shall be entitled to a tax
16 credit against any taxes due the State in an amount equal to a
17 percentage of unemployment taxes paid. The amount of the credit
18 shall be equal to eighty per cent of the unemployment taxes paid
19 during the first year, seventy per cent of the taxes paid during
20 the second year, sixty per cent of the taxes paid during the
21 third year, fifty per cent of the taxes paid during the fourth



1 year, forty per cent of the taxes paid during the fifth year,
2 thirty per cent of the taxes paid during the sixth year, and
3 twenty per cent of the taxes paid during each of the seventh
4 [~~year.~~], eighth, and ninth years. For qualified businesses
5 engaged in the manufacturing of tangible personal property or
6 the producing or processing of agricultural products, the credit
7 shall continue after the [~~seventh~~] ninth year in an amount equal
8 to twenty per cent of the taxes paid during each of the
9 subsequent three tax years."

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

12 "**§209E-11 State general excise exemptions.** The department
13 shall certify annually to the department of taxation that any
14 qualified business is exempt from the payment of general excise
15 taxes on the gross proceeds from an eligible business activity
16 as defined in this chapter; provided that agricultural
17 businesses other than those engaged in the production of
18 genetically-engineered agricultural products shall not be exempt
19 from the payment of general excise taxes on the gross proceeds
20 of agricultural retail sales. The gross proceeds received by a
21 contractor licensed under chapter 444 shall be exempt from the



1 general excise tax for construction within an enterprise zone
2 performed for a qualified business within an enterprise zone or
3 a business that has been approved by the department to enroll
4 into the enterprise zone program. The exemption shall extend
5 for a period not to exceed [~~seven~~] nine years; provided that for
6 qualified businesses engaged in the manufacturing of tangible
7 personal property or the producing or processing of agricultural
8 products, the exemption shall extend for a period not to exceed
9 [~~ten~~] twelve years; provided further that if a force majeure
10 event occurs, then the period of time shall be tolled until the
11 force majeure event ceases."

12 SECTION 4. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 5. This Act, upon its approval, shall apply to
15 taxable years beginning after December 31, 2025.

16

INTRODUCED BY:

Lynne Dubois



S.B. NO. 125

Report Title:

State Enterprise Zones; Qualified Business; State Business Tax Credit; General Excise Tax; Exemption; Extension

Description:

Extends the eligibility period of the State business tax credit and general excise tax exemption for qualified businesses within State Enterprise Zones from seven years to nine years. Extends the eligibility period of the State business tax credit and general excise tax exemption for qualified businesses within State Enterprise Zones engaged in the manufacturing of tangible personal property or the producing or processing of agricultural products from ten years to twelve years. Applies to taxable years beginning after 12/31/2025.

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

