

JAN 17 2025

A BILL FOR AN ACT

RELATING TO ENTERPRISE ZONES.

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

1 SECTION 1. The legislature finds that the enterprise zone
2 program was established in 1986 for the purpose of stimulating
3 business, agricultural, and industrial growth in areas to
4 revitalize neighborhoods by providing public benefits to local
5 companies. In addition to stimulating business activity, the
6 enterprise zone program also promotes job preservation and job
7 creation in areas designated by the counties and approved by the
8 governor. Benefits for local companies include permitting and
9 zoning assistance, fee waivers, tax relief, and more.

10 The legislature further finds that the most common
11 industries participating in the enterprise zone program are
12 agricultural production or processing, manufacturing, and
13 wholesaling and distribution. Other eligible industries include
14 aviation or maritime repair or maintenance; telecommunications
15 switching and delivery systems; information technology design
16 and production; medical research and clinical trials; for-profit
17 training programs in international business management or



1 environmental remediation; biotechnology research, development,
2 production, or sales; repair or maintenance of assisted
3 technology equipment; certain call centers; and wind energy
4 producers.

5 The legislature further finds that, for decades, a
6 manufacturer of tangible products has only been eligible for
7 enterprise zone program benefits if over one-half of the gross
8 sales of its products are to wholesalers and the sale takes
9 place within the enterprise zone. This qualification was
10 established before modern revolutions in manufacturing and
11 retail sales. Since the program's establishment, business
12 models have significantly changed, and local manufacturers now
13 often skip selling to wholesalers and go directly to retail,
14 making those manufacturers ineligible to participate in the
15 enterprise zone program. Allowing local manufacturers that sell
16 directly to retail to be eligible for the enterprise zone
17 program will help lift local businesses and promote job creation
18 and job preservation for local families looking to thrive in
19 Hawaii.

20 Accordingly, the purpose of this Act is to modernize the
21 enterprise zone program by allowing additional activities within



1 an enterprise zone to qualify for enterprise zone benefits,
2 specifically:

- 3 (1) Retail and wholesale activity by a local manufacturer
4 made within the enterprise zone;
- 5 (2) The processing of value-added agriculture products;
6 and
- 7 (3) The provision of professional services by health care
8 professionals in health care related sectors.

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

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

13 "Tangible personal property" means property that can be
14 touched or felt and can be relocated. "Tangible personal
15 property" does not include electricity, real property, or
16 intellectual property."

17 2. By amending the definition of "eligible business
18 activity" to read:

19 "Eligible business activity" means the:

- 20 (1) Manufacture of tangible personal property, the
21 wholesale sale of tangible personal property as



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- 1 described in section 237-4, the sale of tangible
2 personal property manufactured and sold at retail in
3 the enterprise zone for consumption or use by the
4 purchaser and not for resale, or a service business as
5 defined in this section;
- 6 (2) Production of agricultural products where the business
7 is a producer as defined in section 237-5, [~~or~~] the
8 processing of agricultural products[~~7~~] or value-added
9 agricultural products, all or some of which were grown
10 within an enterprise zone;
- 11 (3) Research, development, sale, or production of all
12 types of genetically-engineered medical, agricultural,
13 or maritime biotechnology products; [~~or~~]
- 14 (4) Production of electric power from wind energy for sale
15 primarily to a public utility company for resale to
16 the public; or
- 17 (5) The provision of professional services by health care
18 professionals in health care related sectors,
19 including but not limited to home health care
20 agencies, specialized care practices, and health
21 coaching;



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1 provided that medical cannabis dispensary activities pursuant to
2 chapter 329D shall not be considered an eligible business
3 activity for the purposes of this chapter."

4 SECTION 3. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:

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Report Title:

Enterprise Zones; Eligible Business Activities; Retail Sales;
Value-added Agricultural Products; Health Care Services

Description:

Amends the definition of "eligible business activity" for enterprise zone program purposes to include retail sales of tangible personal property manufactured and sold in the enterprise zone that is to be used or consumed by the purchaser and not for resale, the processing of value-added agricultural products grown within an enterprise zone, and the provision of professional services by health care professionals in health care related sectors.

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