

STAND. COM. REP. NO.

123

Honolulu, Hawaii

FEB 10 2025

RE: S.B. No. 125
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Economic Development and Tourism, to which was referred S.B. No. 125 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Extend the eligibility periods of the State business tax credit and general excise tax exemption for qualified businesses within State Enterprise Zones from seven years to nine years; and
- (2) Extend the eligibility periods 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.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Hawaii Food Industry Association; Hawai'i Farm Bureau; and Hawai'i Farmers Union United.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.



Your Committee finds that the State's Enterprise Zone Program (EZ Program) was established and tasked with the role of stimulating certain types of business activity, particularly by developing and encouraging businesses and employment opportunities to the residents of less affluent areas within the State. To achieve this directive, qualified businesses obtain benefits through the EZ program that include but are not limited to permitting and zoning assistance, fee waivers, and tax exemptions and relief. By extending the eligibility period for business tax credit and general excise tax exemption for qualified businesses under the EZ Program, this measure provides much needed support for wide variety of businesses to grow, support the local economy, and create job opportunities for the local community.

Your Committee further finds that the language of S.B. No. 729, Regular Session of 2025, also relates to qualified businesses under the EZ Program. The purpose and intent of S.B. No. 729, is to expand the types of local businesses that would qualify for the EZ program. Your Committee believes that a singular measure that combines the contents of this measure and S.B. No. 729 is preferable to effectively enhance the EZ Program to better serve businesses and communities within the state enterprise zones.

Accordingly, your Committee has amended this measure by:

- (1) Inserting as Part I, the contents of S.B. No. 729, a measure which 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;
- (2) Specifying that the extension of the eligibility periods for the State business tax credit and general excise tax exemption applies only to business firms that are designated as a qualified business on or after July 1, 2025;



- (3) Making the extension of the general excise tax exemption eligible period applicable to taxable years beginning after December 31, 2026, rather than December 31, 2025;
- (4) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 125, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 125, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Tourism,


LYNN DECOITE, Chair



