

Honolulu, Hawaii

FEB 28 2025

RE: S.B. No. 125
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 125, S.D. 1, 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 amend the state Enterprise Zone program.

More specifically, this measure:

- (1) Amends the definition of "eligible business activity" to include:
 - (A) The sale of certain property at retail within the Enterprise Zone;
 - (B) The processing of value-added agricultural products; and
 - (C) The provision of professional services by health care professionals in health-care related sectors;
- (2) Extends from seven years to nine years the eligibility period of the state business tax credit and general excise tax exemption for qualified businesses within state Enterprise Zones; and



- (3) Extends from ten years to twelve years the eligibility period of the 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.

Your Committee received written comments in support of this measure from the Department of Business, Economic Development, and Tourism; Agribusiness Development Corporation; Hawaii Community Foundation; Hawaii Farm Bureau; Hawaii Food Industry Association; Holomua Collaborative; HPM Building Supply; Mana Up; Maui Chamber of Commerce; Title Guaranty of Hawaii; and Tori Richard.

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

Your Committee finds that the Enterprise Zone program was established in 1986 for the purpose of stimulating business, agricultural, and industrial growth in areas to revitalize neighborhoods by providing public benefits to local companies. Your Committee also finds that, for decades, a manufacturer of tangible products has only been eligible for Enterprise Zone program benefits if more than one-half of the gross sales of its products are to wholesalers and the sale takes place within the Enterprise Zone. Your Committee further finds that, since the program's establishment, business models have significantly changed, and local manufacturers now often skip wholesalers and make direct retail sales, making those manufacturers ineligible to participate in the Enterprise Zone program.

Your Committee has amended this measure by:

- (1) Adding a definition for the term "value-added agricultural product"; and
- (2) Clarifying that the extension of the eligibility period of the general excise tax exemption for qualified businesses within state Enterprise Zones shall take effect on January 1, 2027.



As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 125, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 125, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DONOVAN M. DELA CRUZ, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB125 SD1	Committee Referral: EDT, WAM	Date: 2-18-2025		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn				X
ELEFANTE, Brandon J.C.	X			
HASHIMOTO, Troy N.	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	12	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes