

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKAI

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Statement of
James Kunane Tokioka
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Thursday, January 30, 2025
1:00 PM
State Capitol, Conference Room 229

In consideration of
SB729
RELATING TO ENTERPRISE ZONES.

Chair DeCoite, Vice Chair Wakai and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of **SB729** and offers comments on this bill 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.

DBEDT agrees that new manufacturing and agricultural production business models have evolved since the Enterprise Zones program was established. Specifically, many manufacturers and growers sell directly to consumers, i.e., direct to retail and thus do not benefit from this program even though they may be creating jobs in economically challenged areas of the state.

DBEDT understands that health care services are a growing sector of our economy and that supporting this sector with incentives might help provide our state with these vital services.

DBEDT defers to the State Department of Taxation for revenue implications, compliance, and administrative issues, e.g., the state tax form N-756 Enterprise Zone Tax Credit would need to be modified.

Thank you for the opportunity to testify.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 729, Relating to Enterprise Zones

BEFORE THE:

Senate Committee on Economic Development and Tourism

DATE: Thursday, January 30, 2025

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 229

Chair DeCoite, Vice-Chair Wakai, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 729 for your consideration.

Section 2 of S.B. 729 adds a new definition for "tangible personal property", and amends the definition of "eligible business activity" within an enterprise zone under section 209E-2, HRS, to include (1) the retail sale of "tangible personal property," (2) the processing of "value-added agricultural products," and (3) the providing of certain health care professional services. As a result, if these activities are performed in an enterprise zone, they would be entitled to the tax benefits associated with the enterprise zone program.

This measure is effective upon approval.

DOTAX can implement this bill as written by the stated effective date.

Thank you for the opportunity to provide comments on this measure.

OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

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Josh Wisch
President & Executive Director

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HolomuaCollaborative.org

Committee:

Senate Committee on Economic Development and Tourism

Bill Number:

SB 729, Relating to Enterprise Zones

Hearing Date and Time: January 30, 2025 at 1:00pm (Room 229)

Re:

Testimony of Holomua Collaborative in support

Aloha Chair DeCoite, Vice Chair Wakai, and Committee Members:

We write in support of Senate Bill 729, Relating to Enterprise Zones. The purpose of SB 729 is to modernize the enterprise zone program by allowing additional activities within an enterprise zone to qualify for enterprise zone benefits, specifically:

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

Holomua supports initiatives that help keep all local working families in Hawai'i by addressing issues of affordability. We are especially interested in fostering cross-sector collaboration and supporting policies that are evidence-based.

In order for Hawai'i to be affordable for local working families, we need to ensure that our local business community is provided with the opportunities necessary to expand and succeed in an uncertain economy. Only 21% of respondents in a recent survey of 1500 local residents agree that "Hawai'i is a good place to do business." This statement also shows a high percentage of disagreement, with 43 percent *disagreeing* that Hawai'i is a good place to do business. A still larger portion of respondents agree that Hawai'i needs to recruit and retain critical workforce members.¹

One way to improve the business climate in Hawai'i—which should result in more opportunities for recruitment and retention for local employers—is through enhancing the Enterprise Zone program.

Currently, the Enterprise Zone program provides public benefits to local companies to stimulate business activity, job preservation, and job creation in areas where they are most appropriate or most needed. Benefits for local companies include permitting and zoning assistance, fee waivers, tax relief, and more—in geographic regions selected by the County and approved by the Governor.

¹ 2024 Affordability Survey, Holomua Collective.

The most common eligible industries currently in the Enterprise Zone Program are: Agricultural production or processing; Manufacturing; and Wholesaling/Distribution.² Other eligible industries include: Aviation or maritime repair or maintenance; Telecommunications switching and delivery systems; Information technology design and production; Medical research and clinical trials; For-profit training programs in international business management or environmental remediation; Biotechnology research, development, production, or sales; Repair or maintenance of assisted technology equipment; Certain call centers; and Wind energy producers.

Local manufacturing (and society overall) has undergone a sea change since the law was first enacted in the late 1980s. In particular, the invention of the internet has altered business models for many local manufacturers. For decades, manufacturers of tangible products have only been eligible for Enterprise Zone benefits if 50.1% of the gross sales of their products are to wholesalers and the sale takes place within the Enterprise Zone. Now, manufacturers go directly to retail and miss out on these benefits of the program.

Additionally, farmers and agricultural producers are eligible for the Enterprise Zone Program, and most *but not all* value-added agricultural processing companies are accepted into the program. Clarifying specifically that the processing of value-added agricultural products is an eligible business activity for the Enterprise Zone Program will provide the certainty for our agricultural workers need to continue working on value-add products.

Expanding the impact of the Enterprise Zone Program is a cost-effective way to help local businesses thrive with a considerable return on investment. Small local businesses are key in keeping Hawaii's economy strong. They provide different ways for people to earn money, create job opportunities, and ensure that money stays within the community. Plus, they help support the special culture of Hawai'i. We ask that you support SB 729.

Sincerely,



Josh Wisch
President & Executive Director

² Hawaii Enterprise Zones Program, Calendar Year Report for Tax Year 2023, Department of Business, Economic Development, and Tourism.



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Eddie Asato, Pint Size Hawaii, *Advisor*

Gary Okimoto, Safeway, *Immediate Past Chair*

TO: Committee on Economic Development and Tourism

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: January 30, 2025

TIME: 1pm

RE: SB729 Relating to Enterprise Zones

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA supports this measure. As the measure notes the way that many businesses sell has evolved since the enterprise zone program was created. In order to continue to fulfill its mission to stimulate economic growth and promote local manufacturing the rules governing the program should evolve as well. Amends the definition of "eligible business activity" for enterprise zone program will ensure that more of the intended businesses are able to access the benefits of this program. We encourage the Committee to pass this measure and we thank you for the opportunity to testify.



LATE

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e-mail info@hfbf.org; www.hfbf.org

January 30, 2025

HEARING BEFORE THE
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

TESTIMONY ON SB 729
RELATING TO STATE ENTERPRISE ZONES

Conference Room 229 & Videoconference
1:00 PM

Aloha Chair DeCoite, Vice-Chair Wakai, and Members of the Committees:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports SB 729, which expands the definition of "eligible business activity" under the Enterprise Zone (EZ) Program to include the processing of value-added agricultural products grown within an enterprise zone. This amendment is a critical step in supporting local farmers, strengthening Hawai'i's agricultural economy, and enhancing the viability of value-added agriculture.

The Hawai'i Enterprise Zone Program was established to stimulate certain types of business activity and increase employment in targeted areas of the State via tax and other incentives. The EZ program is one of the few State programs that incentivizes economic development in the most rural and distressed communities where agriculture is often the main business activity. Agricultural-related businesses account for roughly half of all businesses in the EZ program.

Agriculture is more than just growing crops—it includes processing, packaging, and distributing products. Many farms and ranches rely on value-added manufacturing to remain viable. Encouraging value-added production strengthens Hawai'i's agricultural sector by diversifying revenue streams and reducing reliance on raw commodity sales.

The ability to process value-added agricultural products creates new job opportunities in food production, manufacturing, and distribution, particularly in rural areas where farming is the primary industry. Expanding the EZ Program to include value-added agriculture attracts investment in agricultural infrastructure, such as processing facilities and commercial kitchens.

SB 789 strengthens Hawai'i's agricultural sector by expanding the Enterprise Zone Program to support value-added agricultural processing. This encourages economic diversification, job creation, and greater self-sufficiency in food production, all while benefiting local farmers and ranchers.

Thank you for the opportunity to testify on this important matter.

Statement of
Meli James and Brittany Heyd
Cofounders
Mana Up

LATE

SB 729, Relating to Enterprise Zones

Aloha Chair DeCoite, Vice Chair Wakai, and committee members,

We support SB 729, which expands the types of business activity which is eligible for the Enterprise Zone Program.

Mana Up is a statewide initiative that helps provide entrepreneurs in Hawai'i with the resources and tools to grow their business and scale globally. As these entrepreneurs continue to grow, they also help contribute to our expanding our local economy. As part of our mission, we aim to sustain the local economy through economic diversification, local job creation, community giveback, investment, and a regenerative culture of entrepreneurship – providing a better future for generations to come here in Hawai'i.

Since its inception in 1986, the Enterprise Zone Program has been a vital tool for stimulating business activity, revitalizing communities, and creating and preserving jobs. By offering benefits such as tax incentives, fee waivers, and permitting assistance, the program has successfully supported industries essential to Hawaii's economy, including agriculture, technology, and manufacturing. However, to remain effective, the program must evolve to reflect the realities of today's business environment.

A critical gap in the current law prevents many local manufacturers from accessing the program's benefits simply because they sell directly to consumers rather than through wholesalers. This outdated requirement does not reflect modern business practices, where e-commerce, direct-to-consumer sales, and small-scale retail operations are key to survival and growth. By updating the eligibility criteria to include manufacturers who sell directly to retail, the state can provide much-needed support to local businesses, ensuring they have the resources to expand, create jobs, and contribute to a stronger, more diversified economy. We urge you to pass this legislation and help Hawaii's manufacturers thrive.

Sincerely,

Meli James | Cofounder, Mana Up
Brittany Heyd | Cofounder, Mana Up



LATE

Testimony in Support of SB 729 Relating to Small Business Loans

From: Micah Kāne, Chief Executive Officer & President - Hawai'i Community Foundation

Re: Support for Expanding the Enterprise Zone Program

The Hawai'i Community Foundation (HCF) supports SB 729, which expands the Enterprise Zone Program to include additional activities within an enterprise zone to qualify for enterprise zone benefits, specifically:

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

HCF created the CHANGE Framework to better understand and address the most critical, complex challenges facing our community. By categorizing the needs of Hawai'i's people and places into six essential sectors, the community can identify how and where financial resources, expertise, and collective effort can make the most significant impact in improving outcomes across our state.

The "C" sector of the CHANGE Framework represents Community Centered Economy, and expanding the Enterprise Zone Program will lead to direct benefits for local businesses and consumers.

The Enterprise Zone Program was established in 1986 with the intent of creating and expanding jobs and businesses in local communities that need economic revitalization. The Program provides businesses in these designated areas with access to vital incentives, such as tax exemptions and priority permit processing. Expanding the Enterprise Zone Program to meet the modern needs of our economy and society, such as allowing manufacturers to sell directly to retail, encouraging the production of value-added agricultural products, or supporting health care professionals in struggling communities is an investment both in this economy and our people. This support will encourage investment and job creation in areas that need it most, fostering economic stability and improving the quality of life for residents. HCF strongly encourages the passage of this legislation to revitalize our communities and promote equitable economic development.



TITLE GUARANTY
HAWAII



January 30, 2025

Testimony in support of SB 729, Relating to Small Business Loans

Aloha Chair DeCoite, Vice Chair Wakai, and Committee Members,

We write in support of SB 729, Relating to Enterprise Zones, which modernizes the Enterprise Zone Program to reflect today's economic realities. This bill expands program eligibility to:

- (1) Local manufacturers engaging in retail and wholesale activities within an enterprise zone;
- (2) Businesses involved in processing value-added agricultural products;
- (3) Health care professionals offering essential services.

Title Guaranty of Hawai'i is the oldest and largest title company in the state. We have been owned and operated by a kama'āina family since 1896 and we are proud to employ over 250 residents who work in our branches across the state.

The Enterprise Zone Program was originally designed to create jobs and stimulate economic development in areas that need it most. However, outdated restrictions prevent many qualified businesses from benefiting, particularly local manufacturers who sell directly to retail customers. By updating the program, we can better support small businesses, strengthen Hawai'i's agricultural sector, and improve health care access in underserved communities. These changes will not only generate jobs but also ensure a more resilient and diversified economy.

Small businesses are the backbone of Hawai'i's economy, yet many face unnecessary hurdles that limit their ability to grow. The exclusion of direct-to-retail manufacturers from enterprise zone benefits is a clear example of how outdated policies can stifle economic progress. By passing SB 729, we can remove these barriers and allow businesses to adapt to modern market trends. This will not only help individual businesses succeed but will also contribute to a stronger, more self-sufficient Hawai'i. We respectfully urge the passage of SB 729 to help local businesses and communities thrive.

Sincerely,

Mike B. Pietsch
President and Chief Operating Officer
Title Guaranty of Hawai'i



Title and Escrow is our business. Hawaii is our home.





BUILDBETTER.LIVEBETTER.®

LATE

January 30, 2025

Committee: Senate Committee on Economic Development and Tourism
Bill Number: SB 729, Relating to Enterprise Zones
Hearing Date and Time: January 30, 2025, 1:00pm
Re: Testimony of HPM Building Supply in Support

Dear Chair DeCoite, Vice Chair Wakai, and Committee Members:

I would like to submit this testimony in support of SB 729, Relating to Enterprise Zones. The purpose of SB 729 is to expand the eligibility for the Enterprise Zone Program to include direct to consumer manufacturer sales, the processing of value-added agricultural products, and the provision of professional services by health care professionals in health care related sectors.

HPM Building Supply is a 100% employee-owned company serving Hawaii's home improvement market and building industry for over 100 years since 1921. With 18 locations across Hawai'i and Washington State, HPM offers various services and products, including retail stores, building supply and lumber yards, home design centers, drafting and design services, and manufacturing facilities. HPM is dedicated to enhancing homes, improving lives, and transforming communities.

Hawai'i's economy is at a crossroads. As the cost of living continues to rise and businesses face mounting challenges, we must take action to support the industries that keep our local economy diverse and sustainable. By modernizing the Enterprise Zone Program, we provide businesses with the incentives that will help them expand, create jobs, and invest in their communities. SB 729 will help ensure that economic opportunity is available in all regions of the state, not just in urban centers.

In Hawai'i's competitive market, where costs can be extremely high, it's vital that we offer the support needed for businesses to launch and expand successfully. This support could create a significant positive impact, generating jobs and helping to strengthen the local economy from the ground up.

We ask that you support SB 729.

Sincerely,

Jason Fujimoto
Chairman & CEO



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TORI RICHARD

LATE

January 30, 2025

Aloha Chair DeCoite, Vice Chair Wakai, and members of the Committee,

We write in support SB 729 and the expansion of the Enterprise Zone Program.

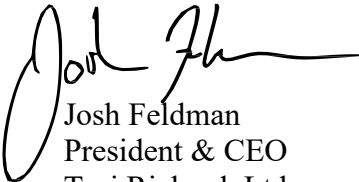
Tori Richard has manufactured in Honolulu for nearly 70 years, and we continue to proudly do so today. As a long-time medium-sized Hawai'i employer, we recognize the struggles facing new and expanding businesses.

Since it started in 1986, the Enterprise Zone Program has been important in helping local economies grow by giving businesses tax breaks and quicker approvals for permits. However, as businesses change, the program needs to change too. Nowadays, many manufacturers sell their products directly to consumers instead of through wholesalers, but they still miss out on these benefits. This new legislation is a smart way to promote job growth, support businesses, and help communities that need an economic boost.

Hawai'i has its own economic challenges, including high living and business costs. By expanding the Enterprise Zone Program to fit modern business practices, we can help small businesses thrive, keep and hire new employees, and strengthen the local economy. Without these updates, local manufacturers will continue missing opportunities to help them expand and flourish due to outdated limitations that don't match today's market. SB 729 is an important step to keep Hawai'i competitive and make sure economic opportunities are available throughout our state.

Please support this bill to help local businesses thrive in Hawai'i.

Sincerely,



Josh Feldman
President & CEO
Tori Richard, Ltd.

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