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# A BILL FOR AN ACT

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RELATING TO HAWAIIAN HOME LANDS.

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

1       SECTION 1. The legislature finds that the great disparity  
2 in income is per capita income between native Hawaiians and the  
3 state population, leading to higher poverty rates for native  
4 Hawaiians. In 2020, the median household income of lessees of  
5 Hawaiian home lands was lower than the State's median household  
6 income by approximately \$8,000.

7       The legislature finds the current structure for state  
8 enterprise zones undermines planning for native Hawaiian  
9 communities. The current designated enterprise zones exclude  
10 the majority of homestead lots awarded pursuant to the Hawaiian  
11 Homes Commission Act 1920, as amended. Businesses on homestead  
12 lots are unable to derive the benefits and incentives provided  
13 for businesses authorized and situated in an enterprise zone,  
14 including one hundred per cent exemption from the general excise  
15 tax, non-refundable income tax credits, priority business permit  
16 processing, and waiver of permit fees.



1       On account of lack of business incentives, most individuals  
2       living on homestead lots opt to work outside their community in  
3       the construction, public administration, and education sectors.  
4       The legislature finds that expanding the state enterprise zone  
5       program to homestead lots will promote new businesses in areas  
6       where economic stimulation is most needed.

7       The purpose of this Act is to provide incentives to start  
8       businesses on homestead lots by (1) designating eligible  
9       homestead lots as a state enterprise zone; (2) exempting  
10      businesses on homestead lots from the existing eligibility and  
11      qualification requirements for the state enterprise zone  
12      program, and (3) creating separate eligibility and qualification  
13      requirements for businesses on homestead lots.

14      SECTION 2. Section 209E-4, Hawaii Revised Statutes, is  
15      amended to read as follows:

16      **"§209E-4 Enterprise zone designation.** (a) The governing  
17      body of any county may apply in writing to the department to  
18      have an area declared to be an enterprise zone. The application  
19      shall include a description of the location of the area or areas  
20      in question, and a general statement identifying proposed local  
21      incentives to complement the state and any federal incentives.



1 (b) The governor, upon the recommendation of the director,  
2 shall approve the designation of up to six areas in each county  
3 as enterprise zones for a period of twenty years. Any such area  
4 shall be located in one United States census tract or two or  
5 more contiguous United States census tracts in accordance with  
6 the most recent decennial United States Census. The census  
7 tract or tracts within which each enterprise zone is located  
8 also shall meet at least one of the following criteria:

9 (1) Twenty-five per cent or more of the population have  
10 incomes below eighty per cent of the median family  
11 income of the county; or

12 (2) The unemployment rate is 1.5 times the state average.

13 (c) In addition to the areas approved under (b), the  
14 governor, upon the recommendation of the director, shall approve  
15 the designation of all eligible homestead lots as enterprise  
16 zones for a period of twenty years.

17 "Homestead lot" means a lot of residential, agricultural,  
18 or pastoral use to be awarded pursuant to the Hawaiian Homes  
19 Commission Act, 1920, as amended, including but not limited to  
20 on- and off-site infrastructure requirements, appurtenances, and  
21 dwelling units."



SECTION 3. Section 209E-9, Hawaii Revised Statutes, is amended to read as follows:

**"§209E-9 Eligibility; qualified business; sale of property or services.** (a) Any business firm may be eligible to be designated a qualified business for purposes of this chapter if the business:

(1) Begins the operation of a trade or business in an eligible business activity within an enterprise zone;

(2) During each taxable year has at least fifty per cent of its enterprise zone establishments' gross receipts attributable to the active conduct of trade or business within enterprise zones located within the same county; and

(3) Either:

(A) Increases its average annual number of full-time employees employed at the business' establishment or establishments within enterprise zones located within the same county by at least ten per cent by the end of its first tax year of participation, and during each subsequent taxable



1                   year at least maintains that higher level of  
2                   employment; or

3                   (B) Increases its gross sales of agricultural crops  
4                   produced, or agricultural products processed  
5                   within enterprise zones located within the same  
6                   county by two per cent annually.

7 For business firms engaged in producing or processing  
8 agricultural products, receipts from value-added products made  
9 from crops grown within enterprise zones located within the same  
10 county and sold at retail pursuant to the limits of subsection  
11 (e) shall count toward the gross receipts requirement under  
12 paragraph (2).

13               (b) A business firm may also be eligible to be designated  
14 a qualified business for purposes of this chapter if the  
15 business:

16               (1) Is actively engaged in the conduct of a trade or  
17               business in an eligible business activity in an area  
18               immediately prior to the area being designated an  
19               enterprise zone;

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

21               (3) Either:



1           (A) Increases its average annual number of full-time  
2           employees employed at the business' establishment  
3           or establishments within enterprise zones located  
4           within the same county by at least ten per cent  
5           by the end of the first year of operation, and by  
6           at least fifteen per cent by the end of each of  
7           the fourth, fifth, sixth, and seventh years of  
8           operation, and for businesses eligible for tax  
9           credits extending past the seventh year, at least  
10          maintains that higher level of employment during  
11          each subsequent taxable year; provided that the  
12          percentage increase shall be based upon the  
13          employee count at the beginning of the initial  
14          year of operation within the enterprise zone or  
15          zones; or

16          (B) Increases its gross sales of agricultural crops  
17          produced, or agricultural products processed  
18          within enterprise zones located within the same  
19          county by two per cent annually.

20          (c) After designation of an enterprise zone, each  
21          qualified business firm in the zone shall submit annually to the



1 department an approved form supplied by the department that  
2 provides the information necessary for the department to  
3 determine if it may certify the applicability of the tax credits  
4 and exemptions provided in this chapter for the business firm.

5 The approved form shall be submitted by each business to the  
6 governing body of the county in which the enterprise zone is  
7 located, then forwarded to the department by the governing body  
8 of the county.

9 (d) The form referred to in subsection (c) shall be prima  
10 facie evidence of the eligibility of a business for the purposes  
11 of this section.

12 (e) Tangible personal property shall be sold at an  
13 establishment of a qualified business within an enterprise zone  
14 and the transfer of title to the buyer of the tangible personal  
15 property shall take place in an enterprise zone located within  
16 the same county in which the tangible personal property is sold.  
17 Services shall be sold at an establishment of a qualified  
18 business engaged in a service business within an enterprise  
19 zone.

20 (f) For any fiscal year that includes September 11, 2001,  
21 a business may use its average annual number of full-time



1 employees as of August 31, 2001--rather than its average annual  
2 number at the end of its fiscal year including September 11,  
3 2001--if necessary to meet the requirements of subsection (a) (3)  
4 and (4) or (b) (3). A business may also use its average annual  
5 number of full-time employees at the end of its fiscal year that  
6 includes September 11, 2001, as its base number of full-time  
7 employees if necessary to meet the requirements of subsection  
8 (a) (3) and (4) or (b) (3) in future fiscal years.

9 (g) This section shall not apply to the homestead lots  
10 designated under section 209E-4(c)."

11 SECTION 4. Chapter 209E, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14 "§209E- Hawaiian home lands. (a) Any business firm on  
15 homestead lots may be eligible to be designated a qualified  
16 business for purposes of this section if the business:

17 (1) Begins the operation of a trade or business in an  
18 eligible business activity within an enterprise zone;  
19 and

20 (2) During each taxable year has at least fifty per cent  
21 of its enterprise zone establishments' gross receipts





1           attributable to the active conduct of trade or  
2           business within enterprise zones located within the  
3           same county.

4           (b) A business firm on homestead lots may also be eligible  
5           to be designated a qualified business for purposes of this  
6           section if the business is actively engaged in the conduct of a  
7           trade or business in an eligible business activity in an area  
8           immediately prior to the area being designated an enterprise  
9           zone.

10          (c) After designation of an enterprise zone, each  
11          qualified business firm in the zone shall submit annually to the  
12          department an approved form supplied by the department that  
13          provides the information necessary for the department to  
14          determine if it may certify the applicability of the tax credits  
15          and exemptions provided in this chapter for the business firm.  
16          The approved form shall be submitted by each business to the  
17          governing body of the county in which the enterprise zone is  
18          located, then forwarded to the department by the governing body  
19          of the county.



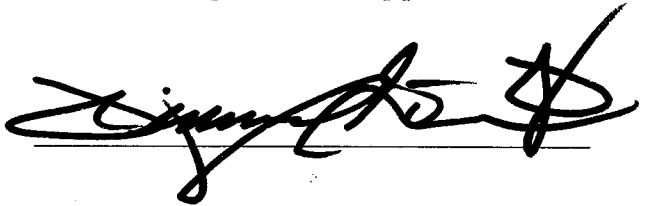
(d) The form referred to in subsection (c) shall be prima facie evidence of the eligibility of a business for the purposes of this section.

(e) Tangible personal property shall be sold at an establishment of a qualified business within an enterprise zone and the transfer of title to the buyer of the tangible personal property shall take place in an enterprise zone located within the same county in which the tangible personal property is sold. Services shall be sold at an establishment of a qualified business engaged in a service business within an enterprise zone."

SECTION 5. New statutory material is underscored.

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

INTRODUCED BY:



JAN 16 2025



# H.B. NO. 33

**Report Title:**

Hawaiian Home Lands; State Enterprise Zones; Business

**Description:**

Allows designation of eligible homestead lots as enterprise zones for a period of twenty years. Provides state and local incentives to qualified businesses on homestead lots.

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

