

JAN 15 2025

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# A BILL FOR AN ACT

RELATING TO STATE ENTERPRISE ZONES.

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

SECTION 1. Section 209E-9, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

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

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

(2) Meets the requirements of subsection (a)(2); 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 the first year of operation, and by at least fifteen per cent by the end of each of



1           the fourth, fifth, sixth, ~~[and]~~ seventh, eighth,  
2           and ninth years of operation, and for businesses  
3           eligible for tax credits extending past the  
4           ~~[seventh]~~ ninth year, at least maintains that  
5           higher level of employment during each subsequent  
6           taxable year; provided that the percentage  
7           increase shall be based upon the employee count  
8           at the beginning of the initial year of operation  
9           within the enterprise zone or zones; or

10           (B) Increases its gross sales of agricultural crops  
11           produced, or agricultural products processed  
12           within enterprise zones located within the same  
13           county by two per cent annually."

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

16           1. By amending subsection (a) to read:

17           "(a) The department shall certify annually to the  
18   department of taxation the applicability of the tax credit  
19   provided in this chapter for a qualified business against any  
20   taxes due the State. Except for the general excise tax, the  
21   credit shall be eighty per cent of the tax due for the first tax



1 year, seventy per cent of the tax due for the second tax year,  
2 sixty per cent of the tax due for the third tax year, fifty per  
3 cent of the tax due for the fourth tax year, forty per cent of  
4 the tax due for the fifth tax year, thirty per cent of the tax  
5 due for the sixth tax year, and twenty per cent of the taxes due  
6 for each of the seventh [year-], eighth, and ninth tax years.

7 For qualified businesses engaged in the manufacturing of  
8 tangible personal property or the producing or processing of  
9 agricultural products, the credit shall continue after the  
10 [~~seventh~~] ninth tax year at the rate of twenty per cent of the  
11 tax due for each of the subsequent three tax years. Any tax  
12 credit not usable shall not be applied to future tax years."

13 2. By amending subsection (c) to read:

14 "(c) In addition to any tax credit authorized under this  
15 section, any qualified business shall be entitled to a tax  
16 credit against any taxes due the State in an amount equal to a  
17 percentage of unemployment taxes paid. The amount of the credit  
18 shall be equal to eighty per cent of the unemployment taxes paid  
19 during the first year, seventy per cent of the taxes paid during  
20 the second year, sixty per cent of the taxes paid during the  
21 third year, fifty per cent of the taxes paid during the fourth



1 year, forty per cent of the taxes paid during the fifth year,  
2 thirty per cent of the taxes paid during the sixth year, and  
3 twenty per cent of the taxes paid during each of the seventh  
4 [~~year.~~], eighth, and ninth years. For qualified businesses  
5 engaged in the manufacturing of tangible personal property or  
6 the producing or processing of agricultural products, the credit  
7 shall continue after the [~~seventh~~] ninth year in an amount equal  
8 to twenty per cent of the taxes paid during each of the  
9 subsequent three tax years."

10 SECTION 3. Section 209E-11, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 "**§209E-11 State general excise exemptions.** The department  
13 shall certify annually to the department of taxation that any  
14 qualified business is exempt from the payment of general excise  
15 taxes on the gross proceeds from an eligible business activity  
16 as defined in this chapter; provided that agricultural  
17 businesses other than those engaged in the production of  
18 genetically-engineered agricultural products shall not be exempt  
19 from the payment of general excise taxes on the gross proceeds  
20 of agricultural retail sales. The gross proceeds received by a  
21 contractor licensed under chapter 444 shall be exempt from the



1 general excise tax for construction within an enterprise zone  
2 performed for a qualified business within an enterprise zone or  
3 a business that has been approved by the department to enroll  
4 into the enterprise zone program. The exemption shall extend  
5 for a period not to exceed [~~seven~~] nine years; provided that for  
6 qualified businesses engaged in the manufacturing of tangible  
7 personal property or the producing or processing of agricultural  
8 products, the exemption shall extend for a period not to exceed  
9 [~~ten~~] twelve years; provided further that if a force majeure  
10 event occurs, then the period of time shall be tolled until the  
11 force majeure event ceases."

12 SECTION 4. Statutory material to be repealed is bracketed  
13 and stricken. New statutory material is underscored.

14 SECTION 5. This Act, upon its approval, shall apply to  
15 taxable years beginning after December 31, 2025.

16 INTRODUCED BY:

Lyn DuCott



# S.B. NO. 125

**Report Title:**

State Enterprise Zones; Qualified Business; State Business Tax Credit; General Excise Tax; Exemption; Extension

**Description:**

Extends the eligibility period of the State business tax credit and general excise tax exemption for qualified businesses within State Enterprise Zones from seven years to nine years. Extends the eligibility period 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. Applies to taxable years beginning after 12/31/2025.

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

