
A BILL FOR AN ACT

RELATING TO STATE ENTERPRISE ZONES.

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

PART I

SECTION 1. The legislature 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. In addition to stimulating business activity, the enterprise zone program also promotes job preservation and job creation in areas designated by the counties and approved by the governor. Benefits for local companies include permitting and zoning assistance, fee waivers, tax relief, and more.

The legislature further finds that the most common industries participating in the enterprise zone program are agricultural production or processing, manufacturing, and wholesaling and distribution. 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



1 training programs in international business management or
2 environmental remediation; biotechnology research, development,
3 production, or sales; repair or maintenance of assisted
4 technology equipment; certain call centers; and wind energy
5 producers.

6 The legislature additionally finds that, for decades, a
7 manufacturer of tangible products has only been eligible for
8 enterprise zone program benefits if over one-half of the gross
9 sales of its products are to wholesalers and the sale takes
10 place within the enterprise zone. This qualification was
11 established before modern revolutions in manufacturing and
12 retail sales. Since the program's establishment, business
13 models have significantly changed, and local manufacturers now
14 often skip selling to wholesalers and go directly to retail,
15 making those manufacturers ineligible to participate in the
16 enterprise zone program. Allowing local manufacturers that sell
17 directly to retail to be eligible for the enterprise zone
18 program will help lift local businesses and promote job creation
19 and job preservation for local families looking to thrive in
20 Hawaii.



1 Accordingly, the purpose of this part is to modernize the
2 enterprise zone program by allowing additional activities within
3 an enterprise zone to qualify for enterprise zone benefits,
4 specifically:

5 (1) Retail and wholesale activity by a local manufacturer
6 made within the enterprise zone;

7 (2) The processing of value-added agriculture products;
8 and

9 (3) The provision of professional services by health care
10 professionals in health-care related sectors.

11 SECTION 2. Section 209E-2, Hawaii Revised Statutes, is
12 amended as follows:

13 1. By adding two new definitions to be appropriately
14 inserted and to read:

15 "Tangible personal property" means property that can be
16 touched or felt and can be relocated. "Tangible personal
17 property" does not include electricity, real property, or
18 intellectual property.

19 "Value-added agricultural product" means a product that has
20 been processed, enhanced, or otherwise modified beyond its raw
21 state in a manner that increases its economic value and that



1 meets the criteria established for the seal of quality program
2 by the department of agriculture under section 148-63."

3 2. By amending the definition of "eligible business
4 activity" to read:

5 ""Eligible business activity" means the:

6 (1) Manufacture of tangible personal property, the
7 wholesale sale of tangible personal property as
8 described in section 237-4, the sale of tangible
9 personal property manufactured and sold at retail in
10 the enterprise zone for consumption or use by the
11 purchaser and not for resale, or a service business as
12 defined in this section;

13 (2) Production of agricultural products where the business
14 is a producer as defined in section 237-5, [~~or~~] the
15 processing of agricultural products[~~or~~] or value-added
16 agricultural products, all or some of which were grown
17 within an enterprise zone;

18 (3) Research, development, sale, or production of all
19 types of genetically-engineered medical, agricultural,
20 or maritime biotechnology products; [~~or~~]



1 (4) Production of electric power from wind energy for sale
2 primarily to a public utility company for resale to
3 the public; or

4 (5) The provision of professional services by health care
5 professionals in health-care related sectors,
6 including but not limited to home health care
7 agencies, specialized care practices, and health
8 coaching;

9 provided that medical cannabis dispensary activities pursuant to
10 chapter 329D shall not be considered an eligible business
11 activity for the purposes of this chapter."

12 PART II

13 SECTION 3. This part shall apply to business firms that
14 are designated as a qualified business for the purposes of
15 chapter 209E, Hawaii Revised Statutes, on or after July 1, 2025.

16 SECTION 4. Section 209E-9, Hawaii Revised Statutes, is
17 amended by amending subsection (b) to read as follows:

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



- 1 (1) Is actively engaged in the conduct of a trade or
2 business in an eligible business activity in an area
3 immediately [~~prior to~~] before the area being
4 designated an enterprise zone;
- 5 (2) Meets the requirements of subsection (a)(2); and
- 6 (3) Either:
- 7 (A) Increases its average annual number of full-time
8 employees employed at the business' establishment
9 or establishments within enterprise zones located
10 within the same county by at least ten per cent
11 by the end of the first year of operation, and by
12 at least fifteen per cent by the end of each of
13 the fourth, fifth, sixth, [~~and~~] seventh, eighth,
14 and ninth years of operation, and for businesses
15 eligible for tax credits extending past the
16 [~~seventh~~] ninth year, at least maintains that
17 higher level of employment during each subsequent
18 taxable year; provided that the percentage
19 increase shall be based upon the employee count
20 at the beginning of the initial year of operation
21 within the enterprise zone or zones; or



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

5 SECTION 5. Section 209E-10, Hawaii Revised Statutes, is
6 amended as follows:

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

8 "(a) The department shall certify annually to the
9 department of taxation the applicability of the tax credit
10 provided in this chapter for a qualified business against any
11 taxes due the State. Except for the general excise tax, the
12 credit shall be eighty per cent of the tax due for the first tax
13 year, seventy per cent of the tax due for the second tax year,
14 sixty per cent of the tax due for the third tax year, fifty per
15 cent of the tax due for the fourth tax year, forty per cent of
16 the tax due for the fifth tax year, thirty per cent of the tax
17 due for the sixth tax year, and twenty per cent of the taxes due
18 for each of the seventh [~~year-~~], eighth, and ninth tax years.

19 For qualified businesses engaged in the manufacturing of
20 tangible personal property or the producing or processing of
21 agricultural products, the credit shall continue after the



1 ~~[seventh]~~ ninth tax year at the rate of twenty per cent of the
2 tax due for each of the subsequent three tax years. Any tax
3 credit not usable shall not be applied to future tax years."

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

5 "(c) In addition to any tax credit authorized under this
6 section, any qualified business shall be entitled to a tax
7 credit against any taxes due the State in an amount equal to a
8 percentage of unemployment taxes paid. The amount of the credit
9 shall be equal to eighty per cent of the unemployment taxes paid
10 during the first year, seventy per cent of the taxes paid during
11 the second year, sixty per cent of the taxes paid during the
12 third year, fifty per cent of the taxes paid during the fourth
13 year, forty per cent of the taxes paid during the fifth year,
14 thirty per cent of the taxes paid during the sixth year, and
15 twenty per cent of the taxes paid during each of the seventh
16 ~~[year-]~~, eighth, and ninth years. For qualified businesses
17 engaged in the manufacturing of tangible personal property or
18 the producing or processing of agricultural products, the credit
19 shall continue after the ~~[seventh]~~ ninth year in an amount equal
20 to twenty per cent of the taxes paid during each of the
21 subsequent three tax years."



SECTION 6. Section 209E-11, Hawaii Revised Statutes, is amended to read as follows:

"§209E-11 State general excise exemptions. The department shall certify annually to the department of taxation that any qualified business is exempt from the payment of general excise taxes on the gross proceeds from an eligible business activity as defined in this chapter; provided that agricultural businesses other than those engaged in the production of genetically-engineered agricultural products shall not be exempt from the payment of general excise taxes on the gross proceeds of agricultural retail sales. The gross proceeds received by a contractor licensed under chapter 444 shall be exempt from the general excise tax for construction within an enterprise zone performed for a qualified business within an enterprise zone or a business that has been approved by the department to enroll into the enterprise zone program. The exemption shall extend for a period not to exceed [~~seven~~] nine years; provided that for qualified businesses engaged in the manufacturing of tangible personal property or the producing or processing of agricultural products, the exemption shall extend for a period not to exceed [~~ten~~] twelve years; provided further that if a force majeure



1 event occurs, then the period of time shall be tolled until the
2 force majeure event ceases."

3 PART III

4 SECTION 7. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 8. This Act shall take effect on July 1, 2050;
7 provided that:

8 (1) Section 5 shall apply to taxable years beginning after
9 December 31, 2025; and

10 (2) Section 6 shall take effect on January 1, 2027.



Report Title:

State Enterprise Zones; Qualified Business; State Business Tax Credit; General Excise Tax; Eligible Business Activities; Retail Sales; Value-Added Agricultural Products; Health Care Services; Exemption; Extension

Description:

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. Extends the eligibility period of the state business tax credit and general excise tax exemption for qualified businesses within state Enterprise Zones from 7 years to 9 years. Extends 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 from 10 years to 12 years. Makes the extension of the state business tax credit eligibility period applicable to taxable years beginning after 12/31/2025. Makes the extension of the general excise tax exemption eligibility period take effect on 1/1/2027. Effective 7/1/2050. (SD2)

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

