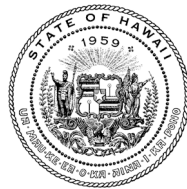


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2141, Relating to State Enterprise Zones.

BEFORE THE:

Senate Committee on Economic Development & Technology

DATE: Wednesday, February 11, 2026

TIME: 8:30 a.m.

LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2141 for your consideration.

H.B. 2141, amends section 209E-2 and -9, Hawaii Revised Statutes (HRS) to allow an "affiliated collaborator" to be treated as a qualified business for the limited purpose of receiving state and county enterprise zone (EZ) benefits when the collaborator has entered into a binding, written agreement with a qualified, established business located within the EZ. The bill specifically identifies the University of Hawai'i (UH) John A. Burns School of Medicine, and the UH Cancer Center, as qualified, established entities, and limits the collaborator's eligibility for benefits to not more than 7 years while subject to termination if the written agreement expires, terminates, or is breached.

An "affiliated collaborator" is defined as a Hawaii-based business that has entered an agreement as noted above, is engaged in an eligible business activity, and is not established within an EZ but conducts economic activity including Hawai'i-based payroll, research expenditures, and clinical operations in the same county as the affiliated EZ business.

The bill also amends the definition of “eligible business activity” by deleting the term “genetically engineered” and adding the following new categories:

- “Medical and health care services,”
- “Research and development of aerospace technology,” and
- “Information technology design and production services.”

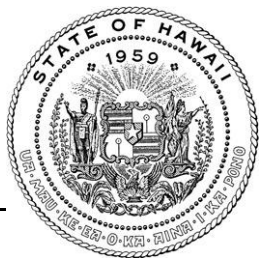
H.B. 2141 also amends section 209E-4, HRS, by increasing the governor’s authority to approve the designation of EZs in each county from six to eight and adds a criterion that each census tract in which each EZ is located may now also be qualified if the tract contains the UH John A. Burns School of Medicine or the UH Cancer Center.

The bill also amends section 209E-10 by extending the State business tax credit to “affiliated collaborators” certified under this chapter but only with respect to income, gross receipts, and payroll directly attributable to and resulting from each “certified partnership,” “collaboration,” or “binding agreement” with an established qualified EZ business.

The bill takes effect upon its approval.

DOTAX recommends that the bill be amended to apply to taxable years beginning after December 31, 2026, to allow time to make necessary form and instruction changes.

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



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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

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

Wednesday, February 11, 2026
8:30 AM
State Capitol, Conference Room 423

In consideration of
HB2141
RELATING TO STATE ENTERPRISE ZONES.

Chair Ilagan, Vice Chair Hussey and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of **HB2141** and offers comments on this bill which increases the number of enterprise zones that may be nominated by each county. It additionally authorizes enterprise zone designation for census tracts that contain the University of Hawaii John A. Burns School of Medicine (JABSOM) and the University of Hawaii Cancer Center (UHCC). The measure further allows businesses not established in an enterprise zone to qualify for enterprise zone benefits; provided that they have entered into a binding collaboration or contract with a business that is established in the census tract that contains JABSOM or UHCC. This bill also defines eligible business activity to include medical and health care services, research and development of aerospace technology and information technology design and production services.

DBEDT acknowledges that as Hawaii's demographics change and census tracts become eligible for the Enterprise Zones program, there is value in granting state and

county government greater flexibility in designating more than six (6) enterprise zones per county.

DBEDT agrees that JABSOM and UHCC are vital components of Hawaii's economy and attract investment, talent and science-based industries. Allowing the census tracts that contain JABSOM and UHCC to be eligible for enterprise zone designation may stimulate business activity and contribute to job growth in these areas.

Expanding the definition of eligible business activity to include "Affiliate collaborators" reflects the evolution of economic development and encourages public – private partnership. DBEDT notes that the Enterprise Zones program's goal is to stimulate job growth and economic activity in underserved areas of the state. Consideration of allowing affiliate collaborators to access program benefits should be made to ensure that there is alignment with the program's intended focus.

DBEDT further believes that expanding the program to include medical and health care services, research and development of aerospace technology and information technology design and production services fosters the growth of these sectors and contributes to the State's overall economic stability and diversity. Under this measure, the definition of health care allows a spectrum of practices, including those that may be nonregulated or unlicensed. Delineated and specific program eligibility may help ensure that this measure is implemented as intended.

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.



**HAWAII COMMUNITY
DEVELOPMENT AUTHORITY**

547 Queen Street, Honolulu, Hawaii 96813
Telephone: (808) 594-0300 Fax: (808) 587-0299
Web site: <http://dbedt.hawaii.gov/hcda/>

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

STERLING HIGA
CHAIRPERSON

CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

Statement of
CRAIG K. NAKAMOTO
Executive Director
Hawai'i Community Development Authority
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Wednesday, February 11, 2026
8:30 a.m.
State Capitol, Conference Room 423 & Videoconference

In consideration of
HB 2141
RELATING TO STATE ENTERPRISE ZONES.

Chairperson Ilagan, Vice Chairperson Hussey and members of the Committee.

The Hawai'i Community Development Authority (HCDA) **supports** H.B. 2141, which (i) increases the number of enterprise zones that may be nominated by each county, (ii) authorizes enterprise zone designations for census tracts that include the University of Hawaii John A. Burns School of Medicine (JABSOM) and the University of Hawaii Cancer Center (Cancer Center), and (iii) allows businesses not established in an enterprise zone to qualify for enterprise zone benefits if those businesses enter into a binding collaboration or agreement with a business that is established in the census tract that includes JABSOM and the Cancer Center. Our testimony is limited to the designation of the census tract as an enterprise zone. HCDA has no comment on taxation matters (see, commencing from page 11, lines 20 to 21), preferring to defer to the State Department of Taxation.

HCDA is the planning and regulatory state agency for the Kakaako community development district (District). JABSOM and the Cancer Center are located in the Makai area of the District. HCDA has an interest in supporting this bill.

JABSOM and the Cancer Center contribute to the community in the areas of medicine, science, clinical trials, and pharmaceutical trials. Their contributions are the basis for allowing "affiliated collaborators" (see, page 3, line 20) that meet certain

conditions to qualify for enterprise zone benefits. Incentivizing private sector investment through enterprise zones may accelerate clinical research, medical device development, and discovery of new treatment modalities that could help people in the state of Hawaii and nationwide.

Thank you for the opportunity to provide testimony in support.



‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
House Committee on Economic Development & Technology
Wednesday, February 11, 2026 at 8:30 a.m.

By

T. Samuel Shomaker, MD, JD, MSM

Dean

John A. Burns School of Medicine

and

Naoto T. Ueno, MD, PhD

Director

University of Hawai'i Cancer Center

and

Vassilis L. Syrmos, PhD

Interim Provost

University of Hawai'i at Mānoa

HB 2141 – RELATING TO STATE ENTERPRISE ZONES

Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

Mahalo for the opportunity to comment on HB 2141, which modernizes Hawai'i's State Enterprise Zones program by recognizing the University of Hawai'i John A. Burns School of Medicine (JABSOM) and the University of Hawai'i Cancer Center (UH Cancer Center) as anchor institutions for health innovation, clinical research, and biotechnology-driven economic development.

HB 2141 appropriately acknowledges that academic medicine and cancer research are not only essential to patient care but also serve as critical drivers of economic growth, workforce development, and private-sector investment. Together, JABSOM and the UH Cancer Center form the core of Hawai'i's health innovation ecosystem—spanning medical education, clinical trials, translational research, and the development of new diagnostics, devices, and therapies.

JABSOM trains Hawai'i's future physicians and physician-scientists while serving as a hub for clinical research, health systems innovation, and community-based care. In parallel, the UH Cancer Center, as the State's only NCI-designated cancer center, leads early-phase clinical trials, population-based research, and translational science that increasingly relies on collaboration with biotechnology and health technology partners.

By authorizing enterprise zone designation for census tracts that include JABSOM and the UH Cancer Center, HB2141 aligns state economic policy with where innovation is already occurring. The measure also thoughtfully allows businesses outside a

designated enterprise zone to qualify for enterprise zone benefits when they enter into binding collaborations with qualified businesses located within these census tracts. This flexibility reflects the modern, distributed nature of biomedical innovation and enables Hawai'i-based companies to participate meaningfully without unnecessary geographic barriers.

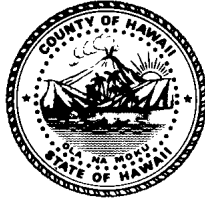
The anticipated impacts of HB 2141 include:

- **Economic Diversification:** Growth in biotechnology, medical devices, clinical research, and health services—sectors that generate high-skill, high-wage jobs.
- **Workforce Development:** Expanded career pathways for Hawai'i residents in medicine, research, clinical trials, data science, regulatory affairs, and advanced manufacturing.
- **Patient Benefit:** Increased access to cutting-edge clinical trials and innovative treatments for Hawai'i residents, reducing the need for out-of-state care. For Cancer, Ho'ōla Early Phase Clinical Research Center will open in March 2026.
- **Public–Private Partnerships:** Stronger collaboration between UH, industry, and community partners, ensuring that intellectual property and economic value remain in Hawai'i.

HB 2141 represents a strategic and forward-looking investment in Hawai'i's future—strengthening academic medicine, advancing cancer research, improving patient outcomes, and positioning the state as a competitive healthcare and biotechnology hub.

Mahalo for the opportunity to provide our comment of this measure.

C. Kimo Alameda, Ph.D.
Mayor



Benson Medina
Director

William V. Brilhante, Jr.
Managing Director

Dennis Lin
Deputy Director

DEPARTMENT OF RESEARCH AND DEVELOPMENT

25 Aupuni Street, Room 1301 • Hilo, Hawai'i 96720-4252
(808) 961-8366 • Fax (808) 935-1205
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February 11, 2026

TESTIMONY IN SUPPORT

HEARING BEFORE THE
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Wednesday, February 11, 2026
8:30 AM
CONFERENCE ROOM 329

TESTIMONY ON HB 2141 Relating to State Enterprise Zones

Dear Chair Ilagan, Vice Chair Hussey, and Committee Members,

My name is Benson Medina, Director of the County of Hawaii, Department of Research and Development. Our Department is committed to fostering a stronger, more resilient, and culturally rooted future for our island community. Our programs cover Business and Industry Development, Agriculture and Food Systems, Regenerative Tourism, Film and Creative Media, Community Well-being, and Workforce Development.

Our Department is in **SUPPORT for HB2141**, which increases the number of enterprise zones that may be nominated by each county and expands the eligible activities to include aerospace technology, information technology design and production services.

We have seen successful utilization of the State's Enterprise Zone program with 104 businesses graduating from the program and 31 currently enrolled.

We appreciate the introducers for the thoughtful additions to the program and look forward to this bill's positive impact on our economy.

We thank you for your consideration of HB2141 and ask for your support in advancing this bill.

Sincerely,

Benson Medina,
Director, Department of Research and Development

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, UNEMPLOYMENT, Add to eligible Enterprise Zones including collaborators with John A. Burns School of Medicine

BILL NUMBER: HB 2141, SB 2816

INTRODUCED BY: HB by ILAGAN, GARCIA, GEDEON, ICHiyAMA, KAHALOA, KAPELA, KILA, KUSCH, MARTEN, MATSUMOTO, MORIKAWA, REYES ODA, SAYAMA, SHIMIZU, SOUZA, TAKAYAMA, TEMPLO; SB by MORIWAKI, HASHIMOTO, LAMOSAO, San Buenaventura

EXECUTIVE SUMMARY: Increases the number of enterprise zones that may be nominated by each county. Authorizes enterprise zone designation for census tracts that contain the University of Hawai'i John A. Burns School of Medicine and the University of Hawai'i Cancer Center. Allow businesses not established in an enterprise zone to qualify for enterprise zone benefits; provided that they have entered into a binding collaboration or contract with a business that is established in the census tract that contains the University of Hawai'i John A. Burns School of Medicine or the University of Hawai'i Cancer Center.

SYNOPSIS: Amends section 209E-2, HRS, to add a definition of "affiliated collaborator" as a Hawaii-based business that: (1) Is not established within an enterprise zone but has entered into a written, binding agreement with a qualified business established in the enterprise zone that includes the university of Hawaii John A. Burns school of medicine and the university of Hawaii cancer center to perform an eligible business activity; (2) Is engaged in an eligible business activity; and (3) Conducts economic activity, including Hawaii-based payroll, research expenditures, and clinical operations, in the same county as the qualified business described in paragraph (1).

Also adds the following as eligible business activities:

- Production of all types of medical, agricultural, or maritime biotechnology products (not limited to genetically engineered products)
- Medical and health care services;
- Research and development of aerospace technology; or
- Information technology design and production services.

Amends section 209E-4, HRS, to designate as an enterprise zone the census tract that contains JABSOM.

Amends section 209E-9, HRS, to allow an affiliated collaborator as an eligible business if: (1) The affiliated collaborator shall have a written, binding agreement with a qualified business

established in the enterprise zone that includes the university of Hawaii John A. Burns school of medicine or the university of Hawaii cancer center; (2) The affiliated collaborator shall maintain a valid binding agreement for the duration of its eligibility; provided that the affiliated collaborator's eligibility for enterprise zone benefits shall terminate upon the expiration, termination, or breach of the agreement; and (3) The affiliated collaborator's eligibility for enterprise zone benefits shall not exceed seven years.

Amends section 209E-10 to provide that an affiliated collaborator certified under this chapter shall be eligible for enterprise zone benefits only with respect to income, gross receipts, and payroll that are directly attributed to and derived from each certified partnership, collaboration, or binding agreement with a qualified business established in the enterprise zone that includes the university of Hawaii John A. Burns school of medicine or the university of Hawaii cancer center.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The enterprise zone program was enacted as a cooperative program between the state and the counties to promote jobs in areas of high unemployment. Certain areas are designated as enterprise zones through joint action of the state and counties. In a zone, the state offers an income tax credit for the tax attributable to the eligible business conducted in the zone, which is normally applied on a sliding scale – 80% for the first year, 70% for the second, and so on until the credit is 20% for the seventh and last year in the program (under current law). It also offers an unemployment tax credit for the tax attributable to employees doing the eligible business in the zone, on the same sliding scale. Finally, the state offers a general excise tax exemption for the eligible business attributed to the zone. The counties also offer incentives, which vary by county. In return, the business commits to either maintain or increase the number of employees in the zone doing the eligible activity, depending on whether it was already in the zone upon designation or moved to the zone.

As business incentives go, the enterprise zone program is better than most. The incentive applies to a specific activity (here, creating and maintaining employment) targeted to the problem the program seeks to address. The incentive tapers off over time and then stops. It requires accountability, namely required reports to DBEDT for a business to retain its eligibility. The business itself may need a different kind of assistance, such as financing, but the state is here focusing on creating and maintaining jobs in areas that need them.

One criticism of the program is that the designated eligible activities do not seem to have a common thread running through them except that the various activities seem to have been the Flavor of the Month at one time or another. Eligible activities at present are:

- Agricultural production or processing
- Manufacturing
- Wholesaling/Distribution
- Aviation or maritime repair or maintenance

- Telecommunications switching and delivery systems
- Information technology design and production
- Medical research, clinical trials, and telemedicine
- 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 types of call centers
- Wind energy producers

The enterprise zone program has been around since 1986. Has there been a comprehensive evaluation of the program and do lawmakers know exactly how much bang they have gotten for their bucks? If the program works, great; if it doesn't work, scrap it. In either event, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

Digested: 2/7/2026



Written Statement of
DR. PATRICK SULLIVAN
FOUNDER & CEO, OCEANIT

Before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Wednesday, February 11, 2026
8:30 a.m.
State Capitol, Conference Room 423 and Videoconference

In Support of
HB2141 RELATING TO STATE ENTERPRISE ZONES

To: Chair Representative Gregg Ilagan, Vice Chair Representative Ikaika Hussey,
and Members of the Committee
From: Dr. Patrick Sullivan, Founder & CEO, OCEANIT
Re: Testimony in Support of HB2141

Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

Oceanit Laboratories, Inc. respectfully submits this testimony in support of HB 2141. This measure would strengthen Hawai'i's enterprise zone program, providing targeted incentives for businesses that create jobs and invest in underserved areas of our state.

As a Hawai'i-based technology and innovation company that has operated here for 40 years, we understand the importance of state policies that encourage business investment and job creation. Enterprise zones have been an effective tool in states across the country, and modernizing Hawai'i's program will help attract and retain the types of businesses that offer high-wage employment opportunities for our residents.

UHERO's recent report, "Beyond the Price of Paradise," documents that Hawai'i has experienced 23 of 25 years of net outmigration and that our cost-of-living-adjusted wages rank 43rd nationally. Enterprise zones that incentivize job creation in targeted sectors can help address these challenges by providing pathways to quality employment for local residents.

We would also support efforts to ensure that qualifying business activities are clearly defined to focus incentives on sectors with the greatest potential for economic impact.

We respectfully urge the Committee to pass HB 2141.



Written Statement of
Trung Lam, Executive Director

before the
House Committee on Economic Development & Technology

Wednesday, February 11, 2026
08:30 am
Conference Room 423 & Videoconference

In consideration of
HB 2141
RELATING TO STATE ENTERPRISE ZONES

Chair Ilagan, Vice Chair Hussey, and Members of the Committee.

The Hawai'i Technology Development Corporation (HTDC) is focused on advancing Hawai'i as a leading technology and innovation hub by strengthening the conditions that allow high-growth sectors—such as ocean, space, health, and advanced research, to take root and scale locally. From that perspective, HB2141 is of strong interest to HTDC.

This measure expands enterprise zone eligibility to include areas anchored by key research and innovation institutions, including the University of Hawai'i John A. Burns School of Medicine and the University of Hawai'i Cancer Center. These institutions are foundational to Hawai'i's biomedical and health innovation ecosystem. Explicitly recognizing them within the enterprise zone framework helps align land use and economic development tools with where research, commercialization, and talent development are already occurring.

HB2141 is also valuable in its recognition of state innovation centers as anchors for economic activity. The ability to designate areas that include facilities such as HTDC's Maui Research & Technology Center (MRTC) provides an important tool to support the intentional development of innovation clusters across the state. As Hawai'i continues to invest in upgrading facilities like MRTC, and new facilities and infrastructure to support emerging technology sectors, this flexibility will help ensure that enterprise zone incentives can be deployed strategically to accelerate private investment, company formation, and job creation.

HTDC appreciates the Legislature's continued focus on modernizing economic development tools to better support innovation-driven growth.

Mahalo for the opportunity to provide testimony.

HB-2141

Submitted on: 2/6/2026 6:10:53 PM

Testimony for ECD on 2/11/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jacob Wiencek	Individual	Support	Written Testimony Only

Comments:

Aloha Committee Members,

We need enhance our private sector economy. We've got to support economic success in Hawaii. This bill is a commonsense measure that will have positive benefits. I urge the committee to **SUPPORT** this bill!

HB-2141

Submitted on: 2/9/2026 3:02:05 PM

Testimony for ECD on 2/11/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

SUPPORT

HB-2141

Submitted on: 2/10/2026 9:20:14 AM

Testimony for ECD on 2/11/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Megan Blazak	Individual	Support	Written Testimony Only

Comments:

Honorable Chair Ilagan, Vice Chair Hussey, and Members of the Committee,

As a constituent of House District 2, I support the intent of this measure.