
A BILL FOR AN ACT

RELATING TO STATE ENTERPRISE ZONES.

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

1 SECTION 1. The legislature finds that the State enterprise
2 zones program was established in 1986 for the purpose of
3 stimulating business activity, job growth, and job retention in
4 areas where they are needed the most. These areas, known as
5 enterprise zones, are designated by the counties and approved by
6 the governor. Qualified companies who establish themselves in
7 enterprise zones receive benefits that include state tax credits
8 and tax waivers, as well as additional incentives provided by
9 the counties.

10 The legislature further finds that supporting economic
11 activity around enterprise zones will attract investment, create
12 high-skilled jobs, and diversify Hawaii's economy consistent
13 with the State's economic and workforce developments goals.

14 Accordingly, the purpose of this Act is to:

- 15 (1) Expand the activities that would be considered an
16 eligible business activity within an enterprise zone;
17 and



(2) Authorize the department of business, economic development, and tourism to declare up to two areas in the State to be designated as an enterprise zone, subject to the governor's approval.

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

1. By adding a new definition to read:

"Hawaii food and product innovation network" means an entity engaged in research, development, testing, production, or commercialization of proprietary or novel food products, including food processing technologies, value-added food products derived from local agricultural crops, and food science and nutrition research with commercial applications; provided that the entity's primary business activity involves such research, development, testing, production, or commercialization."

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

"Eligible business activity" means the:

(1) Manufacture of tangible personal property, the wholesale sale of tangible personal property as



described in section 237-4, or a service business as defined in this section;

(2) Production of agricultural products where the business is a producer as defined in section 237-5, or the processing of agricultural products, all or some of which were grown within an enterprise zone;

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

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

(5) Hawaii food and product innovation network;

(6) Medical and health care services;

(7) Research and development of aerospace technology; or

(8) Information technology design and production services;

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

3. By amending the definition of "medical and health care services" to read:



1 ""Medical and health care services" means [~~medical research~~
2 ~~and clinical trials, but not routine medical treatment or~~
3 ~~services.~~] research, development, testing, manufacturing, or
4 commercialization activities in biotechnology, pharmaceuticals,
5 pharmacology, medical devices, digital health and health
6 information technology, clinical and translational research
7 services, and diagnostic laboratory services. "Medical and
8 health care services" does not include routine clinical care,
9 primary care physician services, urgent care operations, or
10 other health care delivery services that do not involve the
11 research, development, testing, manufacturing, or
12 commercialization of new products, technologies, or processes."

13 SECTION 3. Section 209E-4, Hawaii Revised Statutes, is
14 amended to read as follows:

15 **"§209E-4 Enterprise zone designation.** (a) The governing
16 body of any county may apply in writing to the department to
17 have an area declared to be an enterprise zone. The application
18 shall include a description of the location of the area or areas
19 in question, and a general statement identifying proposed local
20 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) The department may declare up to two areas in the
14 State to be designated as an enterprise zone, subject to the
15 governor's approval."

16 SECTION 4. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 5. This Act shall take effect on July 1, 3000.



Report Title:

DBEDT; Enterprise Zones; Eligible Business Activity

Description:

Expands the activities that would be considered an "eligible business activity" for businesses within an enterprise zone to qualify for enterprise zone benefits. Authorizes the Department of Business, Economic Development, and Tourism to declare up to two areas in the State to be designated as an enterprise zone, subject to the Governor's approval. Effective 7/1/3000. (HD1)

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