
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 that 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 incentivizing private-
11 sector investment through enterprise zone designation will
12 accelerate clinical research and trials, medical device
13 development, and the commercialization of new treatments and
14 technologies. Co-locating these activities alongside academic
15 medicine, health systems, and technology incubation resources
16 strengthens industry clustering, attracts investments and new
17 business development, fosters high-wage job creation for local



1 residents, and expands access to advanced clinical services for
2 Hawaii patients. This growth will support the State's long-term
3 economic diversification strategy by positioning Hawaii as a
4 globally competitive health care technology hub and increasing
5 export-oriented economic activity.

6 The legislature also finds that supporting economic
7 activity around innovative sectors will attract investment,
8 create high-skilled jobs, and diversify Hawaii's economy
9 consistent with the State's economic and workforce development
10 goals.

11 Accordingly, the purpose of this Act is to maximize the
12 utilization of state-owned properties through the creation of
13 innovation enterprises that support targeted industries and
14 stimulate the surrounding census tracts by:

15 (1) Expanding the definition of "eligible business
16 activity" for the purposes of the enterprise zones
17 program to include certain research and development
18 activities and information technology design and
19 production services;

20 (2) Authorizing the department of business, economic
21 development, and tourism to declare up to two census



1 tracts in the State that contain an innovation
2 enterprise to be designated as an enterprise zone,
3 subject to the governor's approval; and

4 (3) Requiring the department of business, economic
5 development, and tourism to conduct an in-house
6 comprehensive review, in consultation with the
7 department of taxation, of the state enterprise zones
8 program and report to the legislature.

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

11 1. By adding a new definition to be appropriately inserted
12 and to read:

13 "Innovation enterprise" means an area located on property
14 owned by the State that is intended to support, or currently
15 contains, businesses primarily engaged in biomedical or life
16 sciences research, clinical trials, medical technology
17 development, pharmaceutical manufacturing, aerospace technology
18 research and development, space domain awareness, or information
19 technology design and production services."

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



- 1 ""Eligible business activity" means the:
- 2 (1) Manufacture of tangible personal property, the
- 3 wholesale sale of tangible personal property as
- 4 described in section 237-4, or a service business as
- 5 defined in this section;
- 6 (2) Production of agricultural products where the business
- 7 is a producer as defined in section 237-5, or the
- 8 processing of agricultural products, all or some of
- 9 which were grown within an enterprise zone;
- 10 (3) Research, development, sale, or production of [all]:
- 11 (A) All types of [~~genetically-engineered~~] medical,
- 12 agricultural, or maritime biotechnology products;
- 13 [~~or~~] and
- 14 (B) Medical and health care services;
- 15 (4) Production of electric power from wind energy for sale
- 16 primarily to a public utility company for resale to
- 17 the public;
- 18 (5) Research and development of aerospace technology; or
- 19 (6) Information technology design and production services;



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

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

6 "**§209E-4 Enterprise zone designation.** (a) The governing
7 body of any county may apply in writing to the department to
8 have an area declared to be an enterprise zone. The application
9 shall include a description of the location of the area or areas
10 in question, and a general statement identifying proposed local
11 incentives to complement the state and any federal incentives.

12 (b) The governor, upon the recommendation of the director,
13 shall approve the designation of up to six areas in each county
14 as enterprise zones for a period of twenty years. Any such area
15 shall be located in one United States census tract or two or
16 more contiguous United States census tracts in accordance with
17 the most recent decennial United States Census. The census
18 tract or tracts within which each enterprise zone is located
19 also shall meet at least one of the following criteria:



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

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

5 (c) The department may declare up to two census tracts in
6 the State that contain an innovation enterprise to be designated
7 as an enterprise zone, subject to the governor's approval."

8 SECTION 4. (a) The department of business, economic
9 development, and tourism, in consultation with the department of
10 taxation, shall conduct an in-house comprehensive review of the
11 state enterprise zones program established under chapter 209E,
12 Hawaii Revised Statutes.

13 (b) The comprehensive review shall include:

14 (1) An evaluation of the economic impact of the program,
15 including the number of jobs created and the types of
16 industries supported;

17 (2) An assessment of whether existing enterprise zones
18 continue to meet the statutory eligibility criteria
19 for designation; and

20 (3) Revenues generated by participating companies for each
21 county.



1 (c) The department of business, economic development, and
2 tourism shall submit a report of its findings to the legislature
3 no later than twenty days prior to the convening of the regular
4 session of 2027.

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

7 SECTION 6. This Act shall take effect on July 1, 3000.



Report Title:

DBEDT; DOTax; Enterprise Zones; Eligible Business Activity;
Innovation Enterprises; Comprehensive Review; Report

Description:

Expands the definition of "eligible business activity" for the purposes of the Enterprise Zone Program to include certain research and development activities and information technology design and production services. Authorizes the Department of Business, Economic Development, and Tourism to declare up to two census tracts in the State that contain an innovation enterprise to be designated as an enterprise zone, subject to the Governor's approval. Requires DBEDT to conduct an in-house comprehensive review, in consultation with the Department of Taxation, of the State Enterprise Zones Program and requires a report to the Legislature. Effective 7/1/3000. (HD1)

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