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



1 and expands access to advanced clinical services for Hawaii
2 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 finds that supporting economic activity
7 around innovative sectors will attract investment, create high-
8 skilled jobs, and diversify Hawaii's economy consistent with the
9 State's economic and workforce development goals.

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

14 (1) Authorizing the department of business, economic
15 development, and tourism to declare up to two census
16 tracts in the State that contain an innovation
17 enterprise to be designated as an enterprise zone,
18 subject to the governor's approval;

19 (2) Requiring the department of business, economic
20 development, and tourism to conduct a comprehensive
21 in-house review, in consultation with the department



1 of taxation, of the state enterprise zones program
2 established under chapter 209E, Hawaii Revised
3 Statutes; and

4 (3) Requiring a report to the legislature.

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

7 1. By adding one new definition to be appropriately
8 inserted and to read:

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

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

18 ""Eligible business activity" means the:

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



- 1 described in section 237-4, or a service business as
2 defined in this section;
- 3 (2) Production of agricultural products where the business
4 is a producer as defined in section 237-5, or the
5 processing of agricultural products, all or some of
6 which were grown within an enterprise zone;
- 7 (3) Research, development, sale, or production of ~~[all]~~:
8 (A) All types of ~~[genetically-engineered]~~ medical,
9 agricultural, or maritime biotechnology products;
10 ~~[or]~~ and
11 (B) Medical and health care services;
- 12 (4) Production of electric power from wind energy for sale
13 primarily to a public utility company for resale to
14 the public;
- 15 (5) Research and development of aerospace technology; or
16 (6) Information technology design and production services;
- 17 provided that medical cannabis dispensary activities pursuant to
18 chapter 329D shall not be considered an eligible business
19 activity for the purposes of this chapter."
- 20 SECTION 3. Section 209E-4, Hawaii Revised Statutes, is
21 amended to read as follows:



1 **"§209E-4 Enterprise zone designation.** (a) The governing
2 body of any county may apply in writing to the department to
3 have an area declared to be an enterprise zone. The application
4 shall include a description of the location of the area or areas
5 in question, and a general statement identifying proposed local
6 incentives to complement the state and any federal incentives.

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

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

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

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



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

6 (b) The comprehensive review shall include:

7 (1) An evaluation of the economic impact of the program,
8 including the number of jobs created and the types of
9 industries supported;

10 (2) An assessment of whether existing enterprise zones
11 continue to meet the statutory eligibility criteria
12 for designation; and

13 (3) Revenues generated by participating companies for each
14 county.

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

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

21 SECTION 6. This Act shall take effect on July 1, 2050.



Report Title:

DBEDT; DOTax; Enterprise Zones; Innovation Enterprises;
Comprehensive Review; Report

Description:

Expands the definition of "eligible business activity" 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 established under chapter 209E, HRS. Requires a report to the Legislature. Effective 7/1/2050.
(SD1)

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