

STAND. COM. REP. NO.

1492-26

Honolulu, Hawaii

MAR 30 , 2026

RE: S.B. No. 2360
S.D. 1
H.D. 2

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Agriculture & Food Systems, to which was referred S.B. No. 2360, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO STATE ENTERPRISE ZONES,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Amend the definition of "eligible business activity" for the purposes of the State Enterprise Zone Program to include certain retail sales of tangible personal property, processing of certain value-added agricultural products, the Hawaii Food and Product Innovation Network, and the provision of certain professional services by health care professionals;
- (2) For taxable years beginning after December 31, 2026, extend the eligibility period of the state business tax credit for qualified businesses within state enterprise zones; and
- (3) Beginning January 1, 2028, extend the eligibility period of the general excise tax exemption for qualified businesses within state enterprise zones.

2026-2761 SB2360 HD2 HSCR HMSO



Your Committee received testimony in support of this measure from the Department of Agriculture and Biosecurity; Department of Business, Economic Development, and Tourism; Business Development and Support Division of the Department of Business, Economic Development, and Tourism; Agribusiness Development Corporation; Retail Merchants of Hawaii; Hawaii Food Industry Association; Hawai'i Forest Association; Hawai'i Farm Bureau; Holomua Collaborative; Mana Up; aio Family of Companies; HPM Building Supply; Title Guaranty Hawaii; Maui Chamber of Commerce; Hawai'i Food+ Policy; Land Use Research Foundation of Hawaii; and one individual. Your Committee received comments on this measure from the Department of Taxation; Department of the Attorney General; and Tax Foundation of Hawaii.

Your Committee finds that the State Enterprise Zone Program was established to increase economic growth by providing tax and regulatory incentives to businesses operating in designated areas. While traditionally benefiting industries such as agriculture, manufacturing, and distribution, the State Enterprise Zone Program's eligibility requirements have not kept pace with developing industries or technologies or evolving business models, particularly for local manufacturers who sell directly to consumers rather than through wholesalers. This measure updates the State Enterprise Zone Program to reflect current economic realities to strengthen local businesses, foster job creation, and enhance economic opportunities for Hawaii's communities.

Your Committee has amended this measure by:

- (1) Specifying that this measure shall apply to all qualified businesses that join the State Enterprise Zone Program on or after the effective date of this measure;
- (2) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.


Your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to consider the concerns raised by the Department of the Attorney General in testimony regarding the requirement for value-added food products



to be derived from local agricultural crops under the definition of "Hawaii Food and Product Innovation Network".

As affirmed by the record of votes of the members of your Committee on Agriculture & Food Systems that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2360, S.D. 1, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as S.B. No. 2360, S.D. 1, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Agriculture & Food
Systems,



CORY CHUN, Chair



