

Honolulu, Hawaii

FEB 12 2026

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

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Economic Development and Tourism, to which was referred S.B. No. 2360 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the definition of "eligible business activity" for Enterprise Zone Program purposes to include retail sales of tangible personal property manufactured and sold in the Enterprise Zone that is to be used or consumed by the purchaser and not for resale, the processing of value-added agricultural products grown within an Enterprise Zone, and the provision of professional services by health care professionals in health care-related sectors;
- (2) Extend the eligibility period of the State Business Tax Credit and general excise tax exemption for qualified businesses within state Enterprise Zones from seven years to nine years;
- (3) Extend the eligibility period of the general excise tax exemption for qualified businesses within state Enterprise Zones engaged in the manufacturing of tangible personal property or the producing or



processing of agricultural products from ten years to twelve years;

- (4) Make the extension of the State Business Tax Credit eligibility period applicable to taxable years beginning after December 31, 2026; and
- (5) Make the extension of the general excise tax exemption eligibility period take effect on January 1, 2028.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Business Development and Support Division of the Department of Business, Economic Development, and Tourism; Agribusiness Development Corporation; Department of Research and Development of the County of Hawai'i; Office of Economic Revitalization of the City and County of Honolulu; Retail Merchants of Hawai'i; Hawai'i Farm Bureau; Chamber of Commerce Hawaii; Holomua Collaborative; Hawaii Food Industry Association; Maui Chamber of Commerce; Mana Up; aio; and Title Guaranty of Hawai'i.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the Enterprise Zone Program was created at a time when economic growth was primarily driven by production to stimulate economic activity in targeted areas by encouraging business development, investment, and job creation. However, as the State's economy has evolved, new manufacturing and value-added agricultural production business models have developed, particularly through the expansion of direct-to-consumer sales. Agricultural producers and growers have also experienced changing business environments and would greatly benefit from inclusion in the Enterprise Zone Program. Your Committee further finds that achieving the State's economic goals requires aligning incentives with targeted industries that diversify the economy, increase local production, build export capacity, and create higher-wage career pathways. This measure expands and modernizes the Enterprise Zone Program to contribute to a more resilient economy.

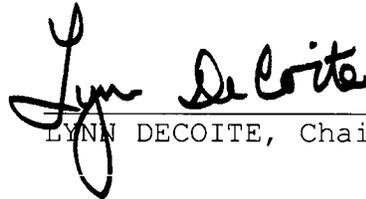


Your Committee has amended this measure by:

- (1) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2360, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2360, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Tourism,


LYNN DECOITE, Chair



