

STAND. COM. REP. NO.

1238

Honolulu, Hawaii

, 2025

MAR 14

RE: S.B. No. 125 \*

S.D. 2

H.D. 1

Honorable Nadine K. Nakamura  
Speaker, House of Representatives  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which  
was referred S.B. No. 125, S.D. 2, 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) Expand the definition of "eligible business activity"  
for purposes of the State Enterprise Zone Program by  
including:
  - (A) The sale of tangible personal property manufactured  
and sold at retail in an enterprise zone for  
consumption or use by the purchaser and not for  
resale;
  - (B) The processing of value-added agricultural  
products, all or some of which were grown within an  
enterprise zone; and
  - (C) The provision of professional services by health  
care professionals in health-care-related sectors;

2025-2580 SB125 HD1 HSCR HMSO



- (2) Extend from seven years to nine years the eligibility period of the state business tax credit and general excise tax exemption for qualified businesses within enterprise zones; and
- (3) Extend from ten years to twelve years the eligibility period of the general excise tax exemption for qualified businesses within enterprise zones engaged in the manufacturing of tangible personal property or the producing or processing of agricultural products.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Agribusiness Development Corporation; Holomua Collaborative; Mana Up; Hawai'i Community Foundation; Title Guaranty of Hawai'i; HPM Building Supply; Tori Richard; Hawaii Food Industry Association; Maui Chamber of Commerce; Hawai'i Forest Industry Association; Hawai'i Farm Bureau; Grassroot Institute of Hawaii; Hawaii Military Affairs Council; Chamber of Commerce of Hawaii; and two individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the State Enterprise Zone Program, which provides tax incentives and other benefits to businesses that engage in eligible business activities in designated enterprise zones, excludes certain manufacturers that sell directly to consumers, which is now a common business model among manufacturers. Your Committee further finds that there is a need to expand the eligibility periods for tax incentives provided to certain qualified businesses within enterprise zones. This measure allows additional activities within an enterprise zone to qualify for State Enterprise Zone Program benefits and extends the eligibility period for the state business tax credit and general excise tax exemption for certain qualified businesses.

Your Committee has amended this measure by:

- (1) Expanding the definition of "eligible business activity" to include the use of advanced manufacturing to produce products and the development of cybersecurity technology;



- (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.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 125, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 125, S.D. 2, H.D. 1, and be referred to your Committees on Agriculture & Food Systems and Health.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Technology,

  
GREGGOR ILAGAN, Chair



