

STAND. COM. REP. NO.

1407

Honolulu, Hawaii

MAR 21, 2025

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 Agriculture & Food Systems, to which was referred S.B. No. 125, S.D. 2, 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) 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;
 - (C) The provision of professional services by health care professionals in health-care-related sectors; and



- (D) The use of advanced manufacturing to produce products and the development of cybersecurity technology;
- (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; Hawaii Military Affairs Council; Hawai'i Community Foundation; Mana Up; HPM Building Supply; Tori Richard; Title Guaranty of Hawai'i; Hawaii Food Industry Association; Hawai'i Forest Industry Association; Hawai'i Farm Bureau; Grassroot Institute of Hawaii; Chamber of Commerce Hawaii; Maui Chamber of Commerce; and three 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 was established to stimulate 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 emerging industries or technologies or evolving business models, particularly for local manufacturers who sell directly to consumers rather than through wholesalers. By updating the State Enterprise Zone Program to reflect current economic realities, this measure strengthens local businesses, fosters job creation, and enhances economic opportunities for Hawaii's communities.

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. 125, S.D. 2, H.D. 1, and recommends that it be referred to your Committee on Finance.

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


KIRSTIN KAHALOA, Chair



Record of Votes of the Committee on Agriculture & Food Systems

Bill/Resolution No.: SB 125, SD2, HD1	Committee Referral: ECD, AGR, FIN	Date: 3/19/25
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The committee is reconsidering its previous decision on the measure.

The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold
 Pass short form bill with HD to recommit for future public hearing (recommit)

AGR Members	Ayes	Ayes (WR)	Nays	Excused
1. KAHALOA, Kirstin (C)	X			
2. KUSCH, Matthias (VC)	X			
3. LOWEN, Nicole E.	X			
4. PERRUSO, Amy A.	X			
5. QUINLAN, Sean	X			
6. WARD, Gene				X
TOTAL (6)	5			1

The recommendation is: Adopted Not Adopted
 If joint referral, _____ did not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: