

ACT 142

S.B. NO. 2974

A Bill for an Act Relating to Economic Development.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that while new business formations have grown by thirty-seven per cent in Hawaii since the beginning of 2020, this rate is well below the national average and among the bottom ten nationally. In the latest comprehensive entrepreneurial study from the Kauffman Foundation, the early survival rate for startups in Hawaii is the lowest in the country. Self-employment in Hawaii has consistently been lower than in the United States as a whole, and in 2020, Hawaii ranked fortieth for the percentage of self-employed individuals.

The legislature further finds that tax rates are a factor in business investment decisions and often affect the movement of individuals. Recent reports show both companies and individuals are more likely to move to a location with lower taxes. Hawaii currently ranks the sixth highest for state and local taxes per capita and was ranked forty-second for business climate by the Tax Foundation.

The purpose of this Act is to establish a task force to identify methods to improve Hawaii's general economic competitiveness and business climate, including the mitigation of regulatory and tax burdens.

SECTION 2. (a) There is established a business revitalization task force within the department of business, economic development, and tourism for administrative purposes.

- (b) The task force shall consist of the following members:
- (1) The director of business, economic development, and tourism or the director's designee;
 - (2) The director of commerce and consumer affairs or the director's designee;
 - (3) The director of taxation or the director's designee;
 - (4) The director of labor and industrial relations or the director's designee;
 - (5) A member of the small business regulatory review board, to be appointed by the chair of the board;

- (6) The dean of the university of Hawaii at Manoa Shidler college of business or the dean's designee; and
- (7) The director of each county agency with jurisdiction over economic development or each respective director's designee.
- (c) The chair of the house of representatives standing committee with primary jurisdiction over economic development and the chair of the senate standing committee with primary jurisdiction over economic development may invite one person from each of the following entities to join the task force:
 - (1) One representative of the construction industry;
 - (2) One representative of the agriculture industry;
 - (3) One representative of the visitor industry;
 - (4) One representative of the food industry;
 - (5) One representative of the retail industry;
 - (6) One representative of the high technology industry;
 - (7) One representative of the regional and ethnic chambers of commerce; and
 - (8) One representative from the Chamber of Commerce Hawaii.
- (d) The task force shall select a chairperson from among the members listed in subsection (b) and a vice chairperson from among any of its members.
- (e) Local business community members of the task force shall serve without compensation.
- (f) The task force shall meet as necessary but not less than quarterly. The task force may conduct its meetings by teleconference or other similar means.
- (g) The task force shall:
 - (1) Identify methods to improve Hawaii's general economic competitiveness and business climate, including the mitigation of regulatory and tax burdens;
 - (2) Develop and recommend legislation to increase Hawaii's general economic competitiveness; and
 - (3) Develop recommendations for improving governmental operations and reducing costs.
- (h) Staff to assist the task force in performing its duties shall be assigned by the department of business, economic development, and tourism or the president of the senate, speaker of the house of representatives, and governor.
- (i) In performing its duties as required by subsection (g), the task force shall consider reports issued by the auditor; state ethics commission; department of business, economic development, and tourism; and university of Hawaii economic research organization and any other relevant reports.
- (j) The task force shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2026; provided that the task force may submit all or parts of its recommendations to the legislature prior to the submission of its report.
- (k) The task force shall be dissolved on June 30, 2026.

SECTION 3. This Act shall take effect on July 1, 2024.

(Approved July 1, 2024.)