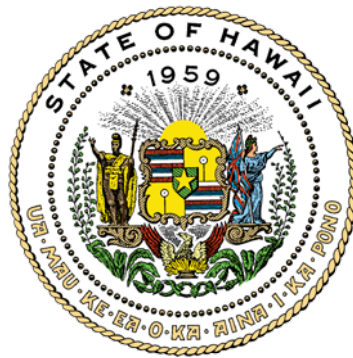


STATE OF HAWAII



## HAWAII ENTERPRISE ZONES PROGRAM



2016 CALENDAR YEAR REPORT



**HAWAII ENTERPRISE ZONES PROGRAM**

**ANNUAL REPORT**

Calendar Year (CY) 2016

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## EXECUTIVE SUMMARY

The Hawaii Enterprise Zones Program (EZ) was established within the Department of Business, Economic Development and Tourism (DBEDT) by the Hawaii State Legislature to help stimulate certain types of business activity and increase employment in targeted areas of the State. The EZ Program is a significant economic development tool bringing business and employment opportunities to the residents of less affluent areas of Hawaii. Eligible businesses that satisfy EZ hiring requirements are exempt from the Hawaii General Excise Tax (GET) on eligible revenues and can claim partial personal or corporate non-refundable income tax and state unemployment premium credits for up to seven consecutive years. Eligible businesses also qualify for a GET exemption on work done at their site by a Hawaii State licensed contractor or sub-contractor. The counties also offer additional incentives, such as incremental property tax relief, priority permit processing, or fee waivers.

Since the EZ Program's inception in 1986, over 1,000 eligible Hawaii companies have participated in the EZ Program, whereby jobs are created in exchange for tax incentives. In the following section, we outline various program metrics for the calendar year 2016. In 2016, "Certified" companies eligible to receive EZ benefits reported 1,495 new or maintained jobs statewide. The business activities that reported the greatest number of jobs in the EZ Program in 2016 were, in order: 1) Agricultural Production or Processing; 2) Manufacturing; and 3) Wholesaling. The top three business activities that produced the greatest number of jobs, *on average per company*, in 2016 were: 1) Repair or maintenance of assistive technology equipment for disabled people; 2) Agricultural Production or Processing; and 3) Manufacturing. However, the first business activity had only one reporting company in the EZ Program and *overall* job totals for this business activity was small. Wholesaling and Manufacturing and Agricultural Production or Processing were the business activities that tended to produce the most jobs *overall* and the most jobs *on average per reporting company*.

In the past, Agricultural Production and Processing was one of the "business activities" that had struggled with producing the required number of jobs for EZ company certification. Because of this, alternative program requirements were passed by the legislature in 2008 that made it easier for agricultural companies to receive program benefits by meeting a yearly revenue increase rather than employment targets. We outline in the next section the percentage distribution of business activities

in each County by EZ enrolled companies. Agricultural companies are important to the EZ Program especially in Hawaii and Kauai Counties where they comprise over half of the total number of EZ enrolled companies.

The top three business activities producing the most revenue statewide for 2016 were: 1) Manufacturing; 2) Wholesaling; and 3) Agricultural Production or Processing. The top three business activities by *average company revenue* were: 1) Aviation or Maritime Repair or Maintenance; 2) Manufacturing; and 3) Wholesaling.

One metric not reported in Enterprise Zone annual reports is the amount of foregone state tax revenue as a result of the EZ Program. The Department of Taxation (DOTAX) calculates non-refundable EZ tax credits companies claim as well as unemployment insurance premiums companies pay for employees located in the enterprise zone (see Tax Credits Claimed by Hawaii Taxpayers Tax Year 2015, prepared by Tax Research and Planning Office, Department of Taxation). However, these figures are not available until the year after the Enterprise Zone annual report is due so 2016 figures are not available yet.

For reference, however, the non-refundable income EZ tax credits claimed for tax year 2015 as reported by DOTAX amounted to \$881,000, down slightly from \$1.0 million claimed in 2014. Add to this the estimated foregone GET exemptions claimed by EZ companies in 2015, we have (see Hawaii Enterprise Zone Report 2015):

Total Revenue Reported by EZ Companies in 2015	\$275,776,113
Multiply by 0.5% (wholesale GET)	\$1,379,000
Add foregone revenue from non-refundable EZ income tax credits	\$881,000
<b>Total foregone tax revenue for 2015</b>	<b>\$2,260,000</b>

In 2015, EZ companies reported 1,764 jobs either created or maintained. Therefore, cost to the state in 2015 was \$1,281 per job. The cost per job has been fairly consistent in past years for which there is DOTAX data available, with the total rarely exceeding \$2,000 per job in any year.

The EZ Program is a State-County partnership. There is an EZ Program Coordinator from each County who works with DBEDT in all aspects of the program including recruiting, administration and customer care. The Counties take the lead in identifying eligible County Enterprise Zones and use the program as a tool for their County's economic development plans. In 2016, three counties – Honolulu, Kauai and Maui designated or re-designated enterprise zones, which will last for the next twenty years. DBEDT looks forward to even closer collaboration with the Counties in the coming years in using the EZ Program to meet the Counties' economic development objectives.





# PROGRAM METRICS FOR 2016

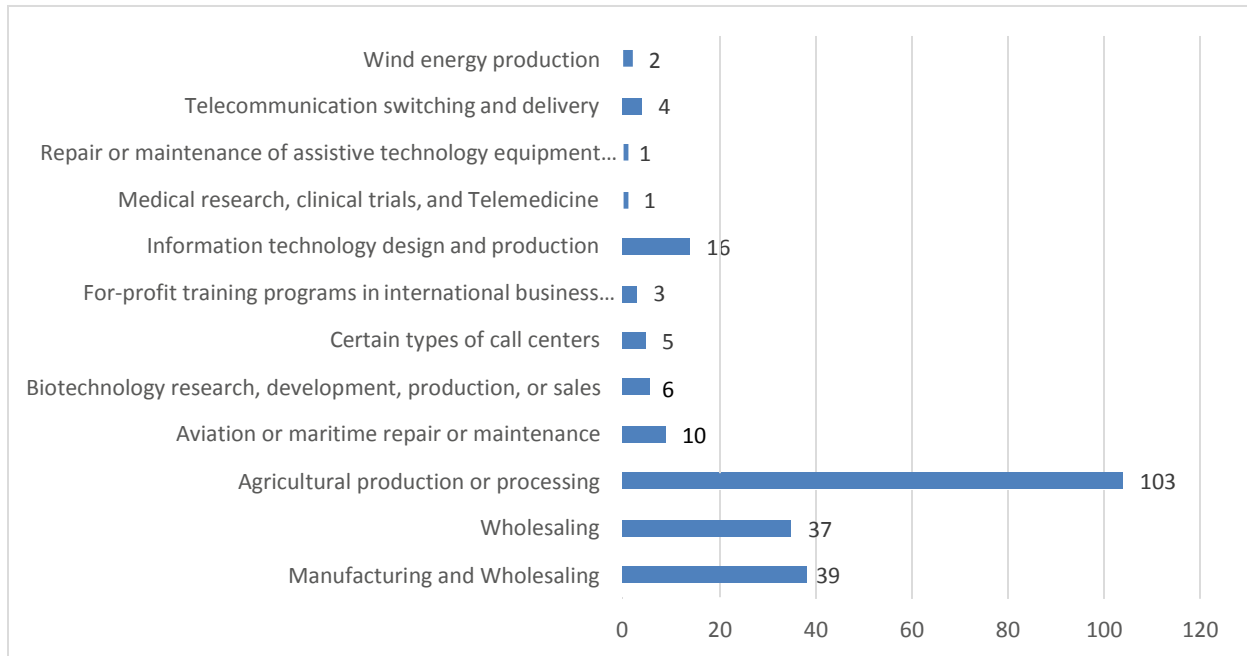
## Total Number of Enrolled Enterprise Zone Companies, by County, 2016

Hawaii County	67 companies
Honolulu County	85 companies
Maui County	59 companies
Kauai County	16 companies
<b>Total State of Hawaii</b>	<b>227 companies</b>

DBEDT annually reviews end-of-year reports filed by enrolled companies to determine if they have met EZ Program requirements in job creation and retention, or revenue increases for agricultural companies. If a reporting company has met the requirements of the program, DBEDT issues a letter of “Certification,” and the company may then file with the State Department of Taxation (DOTAX) for GET exemption and non-refundable income tax benefits on eligible income (Form N-756 - see Appendix D). If a company does not file an end-of-year report with DBEDT, the company may not claim any GET exemption or non-refundable income tax credits for that tax year with DOTAX.

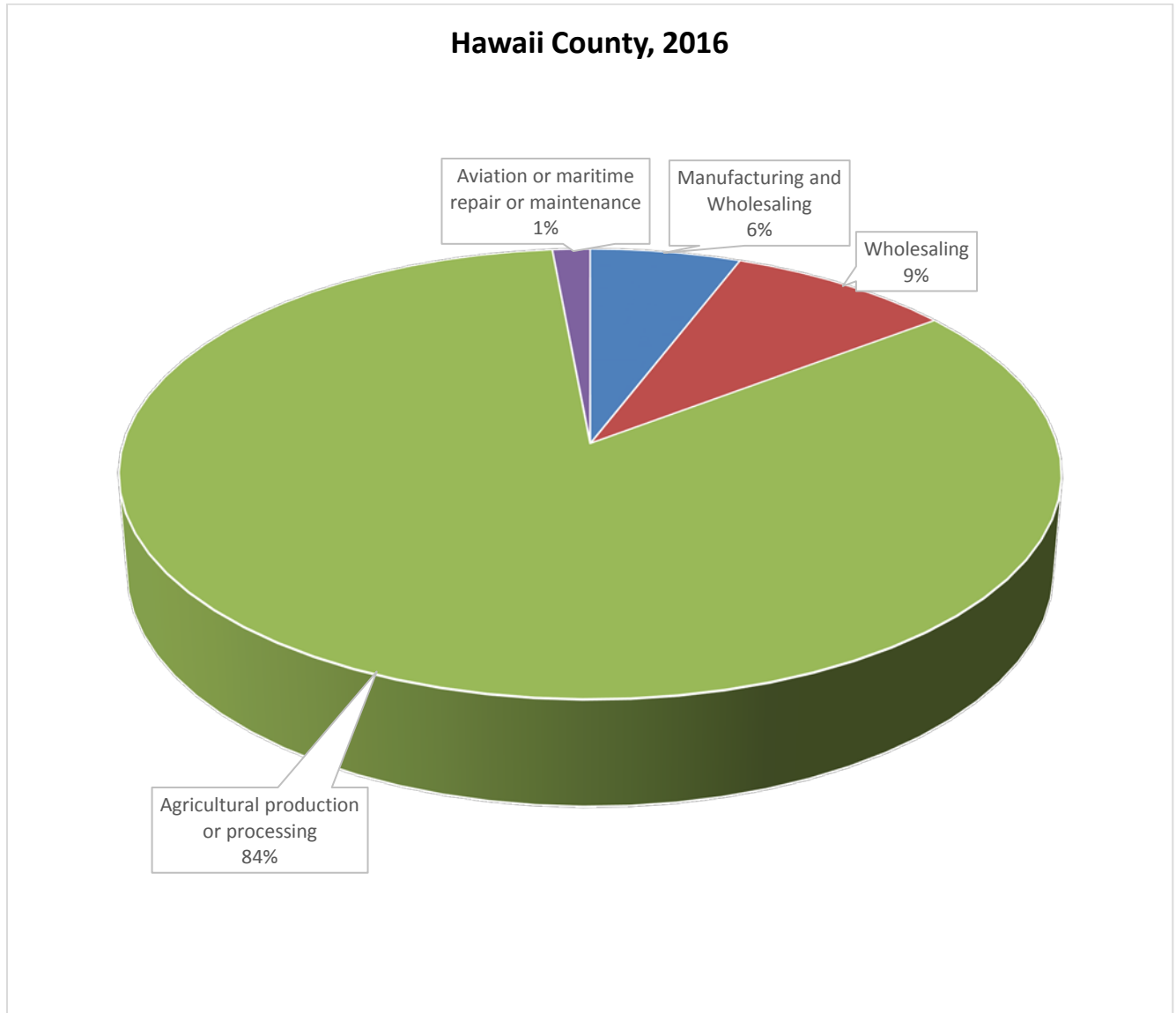
It should be noted that significant statistical information for 2016 is based on information provided by *reporting* companies in 2016, regardless if the company is on a calendar or fiscal tax year. The number of *reporting* companies is less than the number of *enrolled* companies due to a number of companies not submitting their end-of-year reports. To improve our program tracking, efforts are already underway to encourage enrolled EZ companies to submit their end-of-year reports regardless of whether or not they have met the EZ Program requirements for tax incentives.

## Total Number of Enrolled Enterprise Zone Companies by Industry\* Statewide, 2016

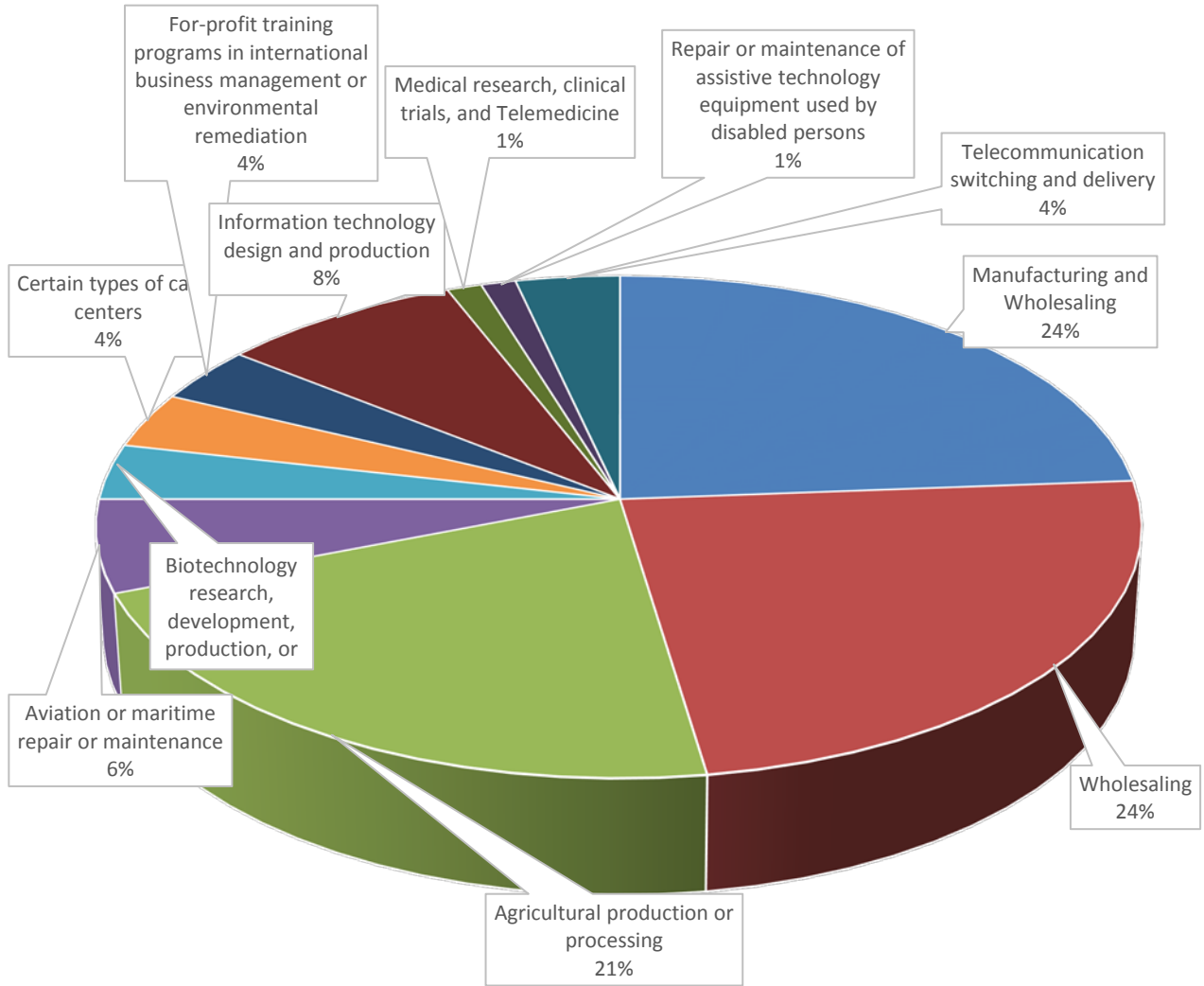


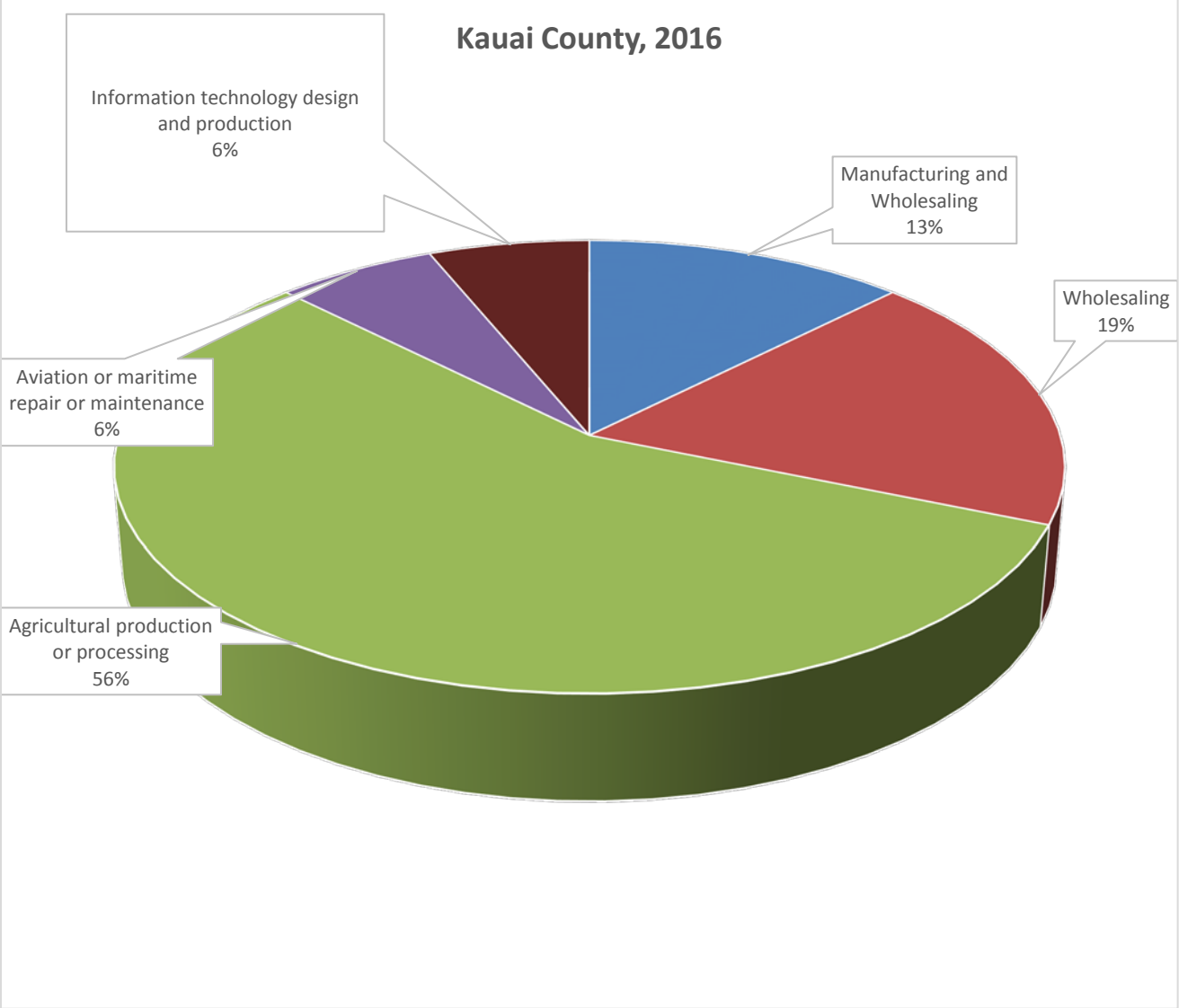
\*Note: in this report we use “industry” as synonymous with “business activity,” the term used in HRS 209D.

## Enrolled Enterprise Zone Companies as Industry Percentage by County

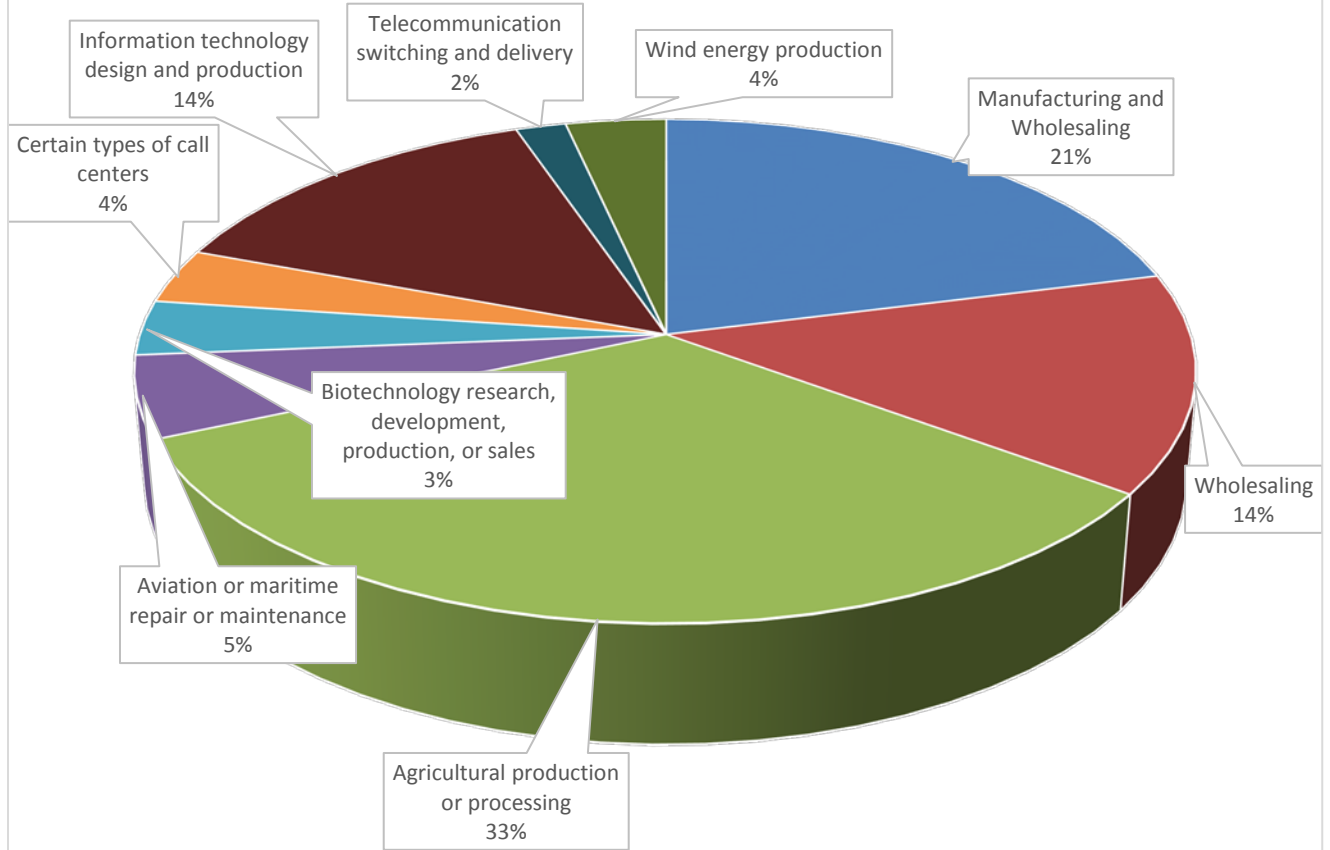


## City and County of Honolulu, 2016





# Maui County, 2016



**Total Number of Jobs Created or Maintained of Reporting Companies by Industry Statewide and by County, 2016\***

<b>Industry</b>	<b>Total</b>	<b>%</b>	<b>Hawaii</b>	<b>%</b>	<b>Honolulu</b>	<b>%</b>	<b>Kauai</b>	<b>%</b>	<b>Maui</b>	<b>%</b>
Manufacturing and Wholesaling	327	22%	0	-	299	45%	8	36%	20	12%
Wholesaling	236	16%	14	2%	190	29%	7	32%	25	15%
Agricultural production or processing	725	48%	626	97%	59	11%	0	-	35	20%
Aviation or maritime repair or maintenance	69	5%	4	1%	7	1%	4	18%	54	32%
Biotechnology research, development, production, or sales	0	-	0	-	0	-	0	-	0	-
Certain types of call centers	23	1%	0	-	12	2%	0	-	11	6%
For-profit training programs in international business management or environmental remediation	0	-	0	-	0	-	0	-	0	-
Information technology design and production	42	3%	0	-	25	3%	3	14%	14	8%
Medical research, clinical trials, and Telemedicine	0	-	0	-	0	-	0	-	0	-
Repair or maintenance of assistive technology equipment used by disabled persons	58	4%	0	-	58	9%	0	-	0	-
Telecommunication switching and delivery	15	1%	0	-	3	0%	0	-	12	7%
Wind energy production	0	-	0	-	0	-	0	-	0	-
<b>Total</b>	<b>1495</b>	<b>100%</b>	<b>644</b>	<b>100%</b>	<b>658</b>	<b>100%</b>	<b>22</b>	<b>100%</b>	<b>171</b>	<b>100%</b>

**\*No biotechnology, for-profit training, medical research or wind energy companies reporting for 2016**

**Average Number of Jobs Created or Maintained of Reporting Companies by Industry Statewide, 2016\***

<b>Industry</b>	<b>Total No. of Reported Jobs</b>	<b>No. of Reporting Companies</b>	<b>Average No. of Jobs per Reporting Company</b>
Manufacturing and Wholesaling	327	13	25.2
Wholesaling	236	13	18.2
Agricultural production or processing	725	28	25.9
Aviation or maritime repair or maintenance	69	5	13.8
Biotechnology research, development, production, or sales	-	-	-
Certain types of call centers	23	3	7.7
For-profit training programs in international business management or environmental remediation	-	-	-
Information technology design and production	42	4	10.5
Medical research, clinical trials, and Telemedicine	-	-	-
Repair or maintenance of assistive technology equipment used by disabled persons	58	1	58.0
Telecommunication switching and delivery	15	2	7.5
Wind energy production	-	-	-
<b>Total</b>	<b>1495</b>	<b>69</b>	<b>21.7</b>

**\*No biotechnology, for-profit training, medical research or wind energy companies reporting for 2016**



Total Revenue of Reporting Companies by Industry Statewide and by County, 2016*										
	Total	%	Hawaii	%	Honolulu	%	Kauai	%	Maui	%
Manufacturing and Wholesaling	91,749,214	31%	-	0%	86,866,251	52%	1,277,668	21%	3,605,295	6%
Wholesaling	82,150,708	28%	15,992,157	27%	50,074,355	30%	4,085,218	66%	11,998,978	20%
Agricultural production or processing	55,952,269	19%	42,950,808	72%	7,073,498	4%	-	0%	5,927,964	10%
Aviation or maritime repair or maintenance	41,010,311	14%	314,262	1%	3,948,086	2%	238,267	4%	36,509,696	60%
Biotechnology research, development, production, or sales	-	0%	-	0%	-	0%	-	0%	-	0%
Certain types of call centers	**	**	-	0%	**	**	-	0%	**	**
For-profit training programs in international business management or environmental remediation	-	0%	-	0%	-	0%	-	0%	-	0%
Information technology design and production	5,850,228	2%	-	0%	3,332,371	2%	574,401	9%	1,943,456	3%
Medical research, clinical trials, and Telemedicine	-	0%	-	0%	-	0%	-	0%	-	0%
Repair or maintenance of assistive technology equipment used by disabled persons	**	**	-	**	**	**	-	0%	-	0%
Telecommunication switching and delivery	**	**	-	0%	**	**	-	0%	**	**
Wind energy production	-	0%	-	0%	-	0%	-	0%	-	0%
Total	293,888,359	100%	59,257,226	100%	167,399,486	100%	6,175,554	100%	61,056,092	100%

\* No biotechnology, for-profit training, medical research or wind energy companies reporting for 2016

\*\*Few reporting companies in category; information not disclosed for reason of business confidentiality

### Average Revenue per Company by Industry Statewide, 2016\*

Industry	Total Revenue	No. of Reporting Companies	Average Revenue per Company
Manufacturing and Wholesaling	91,749,214	13	7,057,631
Wholesaling	82,150,708	13	6,319,285
Agricultural production or processing	55,952,269	28	1,998,295
Aviation or maritime repair or maintenance	41,010,311	5	8,202,062
Biotechnology research, development, production, or sales	-	0	-
Certain types of call centers	**	3	**
For-profit training programs in international business management or environmental remediation	-	0	-
Information technology design and production	5,850,228	4	1,462,557
Medical research, clinical trials, and Telemedicine	-	0	-
Repair or maintenance of assistive technology equipment used by disabled persons	**	1	**
Telecommunication switching and delivery	**	2	**
Wind energy production	-	0	-
<b>Total</b>	<b>293,888,359</b>	<b>69</b>	<b>4,259,252</b>

\* No biotechnology, for-profit training, medical research or wind energy companies reporting for 2016

\*\*Few reporting companies in category; information not disclosed for reason of business confidentiality

## **PROGRAM PURPOSE**

The purpose of the Enterprise Zones (EZ) Program is to increase business activity and job retention and job creation in areas where they are most needed and most appropriate via tax and other incentives.

To be designated as an enterprise zone, a proposed area must be located within one United States census tract or two or more contiguous United States census tracts in accordance with the most recent decennial United States Census. The census tract or tracts within which each enterprise zone is located also must meet at least one of the following requirements:

- (1) At least 25 per cent of the population of each census tract shall have a median family income below 80 per cent of the median family income of the County in which the census tract is located; or
- (2) The unemployment rate in each census tract shall be at least 1.5 times the state average unemployment rate.

The EZ Program encourages a collaborative relationship between the State, the Counties, and qualifying businesses.

Each County can select up to six (6) areas which satisfy unemployment or income criteria for 20-year designations as Enterprise Zones by the Governor. Eligible businesses that satisfy certain hiring requirements are exempt from Hawaii's General Excise Tax (GET) on the gross proceeds from the manufacture of tangible personal property, the wholesale of tangible personal property, the engaging in a service business by a qualified business, or the engaging in research, development, sale, or production of all types of genetically-engineered medical agricultural, or maritime biotechnology products.

The Counties also contribute one or more incentives which may include, but are not limited to:

- Priority zoning or building permit processing;
- Zoning or building fee or permit waivers or variances;
- Incremental property tax relief resulting from added value due to property improvements;  
and
- Priority consideration for federal job training or community development funds.

## **ELIGIBLE BUSINESS ACTIVITIES**

In order to be eligible to participate in the program, a business located in an enterprise zone must earn at least half of its annual gross revenue in a zone from one or more of the following:

- Agricultural production or processing;
- Manufacturing;
- Wholesaling or distribution;
- Aviation or maritime repair or maintenance;
- Telecommunications switching and delivery systems (but not consumer sales or services);
- Certain types of call centers (bill collection services, disaster management services, disease management services, product fulfillment services, or technical support for computer hardware or software manufacturers, but not telemarketing or sales);
- Information technology design and production (software development, imagery creation, and data compilation, but not consumer sales or services);
- Medical research clinical trials, and telemedicine service;
- Biotechnology research, development, production, or sales;
- Repair or maintenance of assistive technology equipment used by disabled persons;
- For-profit international business management training;
- Environmental remediation technician training; and
- Wind energy production.

Almost all other businesses are *not* eligible, including retailers, all other professional services, and firms that build, maintain or repair real estate, such as custodial, carpentry, painting, electrical, and plumbing firms. The eligibility of some types of businesses and transactions may not always be clear. If so, consultation with DBEDT may be needed to determine eligibility.

Regarding renewable energy companies, DOTAX has determined that electricity is not tangible personal property (TPP) for EZ eligibility purposes or for purposes of the GET. The legislature, in enacting Act 160, Session Laws of 2000, specifically amended the definition of qualified business activity for EZ purposes. However, the amendment only qualified wind farms and no other producers of electricity.

Electricity producers, other than wind farms, which were enrolled in the EZ Program under Hawaii Revised Statutes (HRS) Section 209E-2 either under the “manufacture of tangible personal property” or the “wholesale sale of tangible personal property,” were not eligible to be enrolled in the EZ Program. All companies, whether or not they are enrolled in the EZ Program, that sell electric power to a public utility company for resale to the public must pay tax on the gross proceeds of such activity at the rate of 0.5 per cent.

In 2016, the state legislature passed a bill modifying the Enterprise Zones Statute stating that medical marijuana dispensary activities pursuant to chapter 329D shall not be considered an eligible business activity for the purposes of Hawaii Revised Statutes (HRS) Chapter 902E.

## OUTREACH ACTIVITIES

### 2016 Hawaii Small Business Fairs



**DBEDT's Business Support Branch staff at the Small Business Fair at Leeward Community College. From the left: Lyle Fujikawa, Wayne Thom, Leslie Kawamoto, and Mark Ritchie.**

On August 6, 2016, DBEDT co-sponsored the **2016 Hawaii Small Business Fair** in collaboration with **UH-Honolulu Community College (HCC)**. The free one-day event featured 18 workshops and more than 40 exhibitors from federal, state and local agencies and non-profit business support organizations. The event was attended by more than 200 individuals, 50 per cent of whom were currently business owners and 50 per cent who were not yet in business, but interested in starting their own businesses.



**Speakers at the “Secrets to Success” Plenary Session at the Spring Small Business Fair: From the left, Bryson and Tanna Dang, owners of Eden In Love (Ward Warehouse), Jasmine and Mel Tanioka - Tanioka’s Seafoods & Catering, and Joseph Burns (moderator) – Hawaii Small Business Development Center (Oahu).**

On October 11, 2016, DBEDT sponsored a **Hawaii Small Business Fair** at the Council for Native Hawaiian Advancement’s (CNHA) **15th Annual Native Hawaiian Convention** held at the Sheraton Waikiki Hotel and Resort. The Annual Native Hawaiian Convention is a unique venue that encourages and promotes collaboration among community leaders, cultural practitioners, policy advocates, business owners, entrepreneurs and agency officials, to further the well-being of Hawaii’s Native Hawaiian community. The free one-day event featured 20 business resource exhibitors from federal, state and local agencies and non-profit organizations. The event was attended by more than 450 attendees with representatives from 109 organizations. There were 30 dynamic speakers and an additional 18 private business exhibitors.



**Small Business Fair Planning Committee: from the left: Jerry Hiromoto (IRS), Debbie Luning (Ewa Beach CBDO), Jayna Uyehara (DCCA-Business Action Center), Mary Dale (SBA), Joseph Burns (Small Business Development Center), Naomi Masuno (Bank of Hawaii), Wayne Thom (DBEDT), *kneeling*: Ron Umehira (Dean-LCC).**

## **PROGRAM HISTORY**

The Hawaii EZ Program was created by Act 78, 1986, and codified in Chapter 209E, Hawaii Revised Statutes. The enabling legislation was amended by Act 390, 1989, to more specifically define and limit the types of businesses that would be eligible as well as the hiring requirements that eligible businesses must satisfy. Since most head-to-head business competition is in the small-scale retail sector, the legislature removed almost all retail businesses from eligibility due to concerns that EZ designation could create "unfair" competitive advantages for retailers located in enterprise zones.

The administrative rules for the program were completed and approved in 1990. The Counties did not immediately submit EZ nominations because the local economy was still strong and unemployment rates were low, which reduced the need for a program intended to maintain and create jobs.



Two amendments in 1993 added agricultural producers as eligible to participate (Act 17) and made Kauai County census tract #405, which includes Lihue and vicinity, eligible for designation as an enterprise zone (Act 341). Tract #405 was the only Kauai census tract not eligible based on 1990 census data. Additional housekeeping amendments were made in Act 91 of 1995, to allow the EZ low-income employee earning thresholds to be updated annually, instead of every 10 years, and to vary according to family size.

The first three (3) zones were designated in 1994 on the Island of Hawaii in the North Kona, Hilo-Puna, and Hamakua districts. In 1995 and 1996, the North Kona and Hilo-Puna zones were expanded and two (2) more zones were designated on the Island of Hawaii, in the Kau and South Kona districts. The first zone on Kauai (in the Lihue area), and the first three (3) zones on Oahu were also created. The latter included the Haleiwa-Waiialua area, Mililani Technology Park and parts of Wahiawa, and parts of Waipahu, Pearl City, and Waipio. Act 286 was passed in 1996 to enhance the EZ Program's effectiveness as an economic diversification tool. This legislation made the following activities EZ-eligible:

- Medical research, clinical trials, and telemedicine;
- Information technology design and production;
- Telecommunications switching and delivery; and
- For-profit training programs for international business management and environmental remediation technicians.

Previously, EZ-eligible business activities were limited to manufacturing, wholesaling, and farming, as well as maintenance or repair of aircraft or waterborne vessels. These changes were intended to help increase the quality of jobs created in EZs as well as enhance the State's other economic diversification efforts.

Act 286 also eliminated completely the low-income hiring requirements, and the overall hiring requirements were slightly increased. The telecommunication, information technology, medical, and training categories were also added to the definition of eligible businesses, while eligibility in the cleaning, repair, and maintenance category was limited to aviation and maritime activities. These changes were intended to increase the quality of jobs created by EZ businesses.

In 1997, Act 262 further clarified the definitions of the new eligible business categories added in

1996, and also added new incentives. These included exemption from use tax on supplies and equipment purchased out of state by EZ enrolled firms, and the contractor GET exemption on work done at the EZ site and paid for by EZ enrolled firms. Act 262 also expanded the North Shore zone on Oahu to include all agricultural lands in the Waialua district until June 30, 2002.

Also in 1997, Molokai became a zone, along with four new Kauai zones which, in combination with the Lihue zone, included all land on Kauai with commercial or agricultural land use zoning. The North Shore zone on Oahu was also expanded to include most of the area between Mokuleia and Pupukea.

In 1999, the Hamakua and Pearl City-Waipahu zones were expanded, the later to include most of the Ewa plain and Campbell Industrial Park (except the oil refineries).

In 2000, Lanai, East Maui, and North Kohala, on the Island of Hawaii, were added zones. Acts 118 and 160 expanded EZ business eligibility to include the following:

- Biotechnology research, development, production and sales;
- Repair and maintenance of assistive technology equipment used by disabled persons;
- Wind energy production; and
- Certain types of call centers (bill collection, product fulfillment, disaster management, and technical support for computer hardware and software companies, but not direct telemarketing or sales).

In 2001, the North Shore zone on Oahu was further expanded to include the Koolauloa district, and new zones were added in urban Honolulu from the airport area through lower Kalihi, Iwilei and downtown into the Ala Moana area and on the leeward coast of Oahu. Five of the six Island of Hawaii zones were also expanded.

In 2002, the definition of EZ-eligible call centers was amended by Act 122 to include disease management services. The Use Tax exemption was eliminated by Act 146 because this discouraged EZ firms from purchasing supplies and equipment from local vendors. Finally, Act 146 also provided a one-time easement of the EZ hiring requirements for firms enrolled in the EZ

Program prior to the terrorist attacks of September 11, 2001.

In September 2004, the Urban Honolulu zone was expanded to include all of Kakaako.

In 2006, the Greater Maui and East Maui zones were added to increase Maui County's zones to five.

In December, 2007, Hilo-Puna and North Kohala in the Hawaii County EZs were expanded.

In March 2008, due to the large number of agricultural-related businesses and to support agriculture, the Waimanalo zone was added to Honolulu County as its sixth and final zone.

In August 2015, Governor Ige approved the City & County of Honolulu's request to expand the Mililani-Wahiawa Enterprise Zone to include Whitmore Village.

In December 2015, Governor Ige approved the 20-Year re-designation of three (3) new Hawaii County Enterprise Zones: Hamakua, Hilo-Puna, and Kau; and the expansion and renaming of the South Kona Enterprise Zone to the Kona Enterprise Zone. The three (3) new Enterprise Zone designations and the expansion of the former South Kona Enterprise Zone, that now includes the former North Kona Enterprise Zone, will be valid until December 2035.

In August 2016, Governor Ige approved the 20-Year re-designation of three (3) of the City and County of Honolulu's Enterprise Zones: (1) North Shore-Mililani-Wahiawa; (2) Pearl City-Ewa-Central Oahu; and, (3) Waipio Oahu.

In September 2016, Governor Ige approved the 20-Year re-designation of all four (4) of the County of Kauai's Enterprise Zones: (1) North Shore Kauai; (2) Kapaa; (3) South Central Kauai; and, (4) West Kauai.

In December 2016, Governor Ige approved the 20-year re-designation of the County of Maui's Molokai Enterprise Zone.

See the following chart for a summary of Enterprise Zones start and expiration dates.

## DESIGNATED ENTERPRISE ZONES

Enterprise Zones		
<b>Honolulu County</b>	<b>Effective Date</b>	<b>Expiration Date</b>
North Shore-Mililani-Wahiawa	8/18/2016	8/17/2036
Pearl City-Ewa-Central Oahu	8/18/2016	8/17/2036
Waipio Oahu	8/18/2016	8/17/2036
Leeward Oahu	4/1/2001	3/31/2021
Urban Honolulu	4/1/2001	3/31/2021
Waimanalo	4/1/2001	2/28/2028
<b>Hawaii County</b>	<b>Effective Date</b>	<b>Expiration Date</b>
Hamakua	12/24/2015	12/23/2035
Hilo-Puna	12/24/2015	12/23/2035
Kau	12/24/2015	12/23/2035
Kona	12/24/2015	12/23/2035
North Kohala	4/1/2000	3/31/2020
<b>Kauai County</b>	<b>Effective Date</b>	<b>Expiration Date</b>
North Shore Kauai	9/19/2016	9/18/2036
Kapaa	9/19/2016	9/18/2036
South Central Kauai	9/19/2016	9/18/2036
West Kauai	9/19/2016	9/18/2036
<b>Maui County (Molokai / Lanai)</b>	<b>Effective Date</b>	<b>Expiration Date</b>
Molokai	12/11/2016	12/10/2036
Lanai	4/1/2000	3/31/2020
East Maui	4/1/2000	3/31/2020
Greater Maui	5/1/2006	4/30/2026
West Maui	5/1/2006	4/30/2026

## **ENTERPRISE ZONE CHANGES BY COUNTY**

### **City and County of Honolulu (Island of Oahu)**

- In October of 1996, the following areas were designated as Oahu's first enterprise zones:
  1. Mililani Technology Park and parts of Wahiawa;
  2. The Oahu sugar mill site and other parts of Waipahu and Pearl City; and
  3. The Waialua sugar mill site and other parts of Waialua and Haleiwa.
- In 1997, Act 262 temporarily expanded the North Shore zone to include all agricultural lands in the Waialua district until June 30, 2002.
- In November of 1997, further expansion of the North Shore zone boundaries was approved to include areas in Pupukea and Mokuleia which were not included in Act 262. The expanded boundaries requested by the County will remain in effect for the remainder of the original zone's 20-year span.
- In March of 1999, expansion of the Waipahu-Pearl City zone was approved to include most of Campbell Industrial Park (except the oil refineries), Barbers Point Harbor and Naval Air Station, Kapolei, and parts of Kunia and Ewa.
- In January of 2001, the North Shore EZ was expanded from Pupukea to Kaaawa. The designation of new zones in urban Honolulu (from Honolulu International Airport to Ala Moana) and on the leeward coast followed in April.
- In November of 2002, Mililani Tech Park/Wahiawa zone was expanded.
- In September 2004, the Urban Honolulu zone was expanded to include Kakaako.
- In March 2008, Waimanalo was designated as the sixth and final enterprise zone on Oahu. This selection was based on the significant number of agricultural businesses, which is an eligible activity under the EZ Program.
- In August 2015, Governor Ige approved the City & County of Honolulu's request to expand the Mililani-Wahiawa EZ to include Whitmore Village.
- County incentives include a two-year rebate on increases in real property taxes resulting from new construction by EZ-eligible firms, and a waiver of all building and grading permit fees for new construction by EZ-eligible firms at their EZ sites.
- In August 2016, Governor Ige approved the 20-Year re-designation of three (3) of the City and County of Honolulu's enterprise zones: (1) North Shore-Mililani-Wahiawa; (2) Pearl City-Ewa-Central Oahu; and, (3) Waipio Oahu.

### **Hawaii County (Island of Hawaii)**

- In October of 1994, the state's first three (3) EZs were designated in Hamakua, Hilo-Puna, and Kona.
- In May of 1995, a fourth Big Island zone was designated in Kau, and the Hilo-Puna and Kona zones were expanded.
- In March of 1996, further expansion of the Hilo-Puna zone and designation of a fifth zone in southern Kona were approved.
- In January of 1999, expansion of the Hamakua zone was approved.
- In April of 2000, North Kohala as designated as the Big Island's sixth zone.
- In December of 2001, all Big Island zones except Kau were expanded.
- In September 2014, three (3) of the Island of Hawaii's enterprise zones 20-year term expired. The County Administration and County Council have passed a resolution requesting that the Governor designate two (2) new zones, re-designate one zone, and expand one existing zone.
- In December 2015, Governor Ige approved the 20-Year re-designation of three (3) new Hawaii County Enterprise Zones: Hamakua, Hilo-Puna, and Kau; and the expansion and renaming of the South Kona Enterprise Zone to Kona Enterprise Zone. The three (3) new Enterprise Zone designations and the expansion of the former South Kona Enterprise Zone, that now includes the former North Kona Enterprise Zone, to be valid until December 2035.
- Hawaii County offers a three-year exemption from the incremental property tax increases resulting from new construction by eligible businesses in EZs.

### **Kauai County (Islands of Kauai and Niihau)**

- In April of 1996, Lihue and vicinity was designated as Kauai's first enterprise zone.
- In February of 1997, North Shore and Kapaa zones were designated.
- In April of 1997, two (2) more zones were designated in southern and western Kauai.
- All land on the island zoned for industrial, commercial or agricultural activity is now included in enterprise zones.
- Kauai County offers fast-track permit processing to eligible businesses.
- In September 2016, Governor Ige approved the 20-Year re-designation of all four (4) of the County of Kauai's Enterprise Zones: (1) North Shore Kauai; (2) Kapaa; (3) South Central Kauai; and, (4) West Kauai.

**Maui County (Islands of Maui, Molokai, Lanai and Kahoolawe)**

- In January of 1997, Molokai was designated as Maui County's first enterprise zone.
- In April of 2000, Lanai and East Maui were designated as enterprise zones.
- The County waives business permit fees for EZ-eligible businesses.
- The County gives priority consideration to EZs and EZ-eligible businesses when allocating federal grant monies, processing business permits, and granting zoning waivers.
- In May of 2006, West Maui and Greater Maui were added as new enterprise zones. Immediately after the addition of the EZ's, five new applications were received.
- In December 2016, Governor Ige approved the 20-year re-designation of the County of Maui's Molokai Enterprise Zone.

# PROGRAM BENEFITS

## State Incentives

- Exemption from GET on EZ eligible activities for up to seven years. (Effective July 1, 2011 through June 30, 2013, the GET exemption was temporarily suspended on gross proceeds received by qualified businesses in the EZ that do not have valid certificates of qualification from DBEDT).
- Non-refundable income tax credit equal to 80 per cent of tax liability the first year, decreasing 10 per cent each year thereafter over the next six years to 20 per cent of tax liability the last year (see below), and
- Non-refundable income tax credit equal to 80 per cent of the unemployment insurance premiums paid during the first year, decreasing 10 per cent each year over the next six years to 20 per cent of premiums paid the last year (see below).

Year	1	2	3	4	5	6	7
<b>State Income Tax Credit</b>	80%	70%	60%	50%	40%	30%	20%
<b>Unemp. Insurance Equivalent Tax Credit</b>	80%	70%	60%	50%	40%	30%	20%

Businesses engaged in agricultural production or processing and/or manufacturing of tangible personal property that have completed their initial 7-years in the EZ Program are eligible to extend their EZ participation for an additional three years (36-months). Eligibility for EZ tax and other benefits will begin when this application is approved. However, approval of a company’s application does not guarantee that the business will qualify for all EZ Program benefits every year. At the end of each tax year, an end-of-year report form *is required to be submitted* to determine if a business has satisfied the annual gross receipts and/or hiring requirements.



Construction and construction trade contractors are also *exempt from GET* for work done at the EZ-enrolled business site. This means an EZ-eligible firm must first apply to participate in the EZ Program and be officially approved prior to completing a contract with a licensed contractor. An EZ-enrolled firm may benefit from this EZ benefit by negotiating with licensed contractors to share all or part of the contractor's tax exemption. Neither licensed contractors nor licensed sub-contractors are obligated to negotiate any tax savings. However, if the contractor or sub-contractor does charge the EZ Company GET, that contractor or sub-contractor must pay GET to the State. (Note: EZ-eligible firms can choose to enroll before beginning operations if necessary for their contractors to claim this exemption before the EZ firm opens for business at its EZ location. Firms must report the number of full-time employees when the firm's EZ establishment becomes operational).

### **County Incentives**

Vary by County and may include, but are not limited to:

- Incremental property tax abatement based on new construction;
- "Fast track" or priority permit processing;
- Zoning or building permit waivers or variances; or fee waivers; and
- Priority consideration for federal programs controlled by the counties such as Community Development Block Grants (CDBG), Workforce Incentive Act (WIA), and others.

## **ENTERPRISE ZONE NOMINATION, DESIGNATION, AMENDMENT AND TERMINATION PROCESS**

County zone nominations must include the following information:

1. A description of the proposed zone boundaries.
2. Maps identifying the following:
  - the proposed zone boundaries relative to the boundaries of the census tracts that will be fully or partially included in the zone;
  - land use classifications within the proposed zone;
  - publicly held lands within the proposed zone including ceded lands; and
  - the County general plan and/or development plan classifications for areas within the proposed zone.
3. A description of the incentives to be offered by the County to eligible businesses within each zone. Each County may propose incentives which can be made available:
  - in one, some, or all of the County's zones;
  - to certain types of eligible businesses only; and
  - for certain time periods only.

Prior to approval by the Governor, the qualifications of nominated areas will be reviewed by DBEDT for appropriateness, as will the business incentives proposed by the counties. Each zone is approved for 20 years unless earlier termination is requested by the County. Businesses in a terminated zone that have already begun their seven-year cycle of eligibility will continue to be eligible to qualify for the State EZ Program incentives in the remaining years of their cycle; however, no new businesses will be allowed to begin participation in a terminated zone after the zone is terminated. Counties may request an amendment of zone boundaries from the Governor at any time and may also change their own zone incentives at any time without the Governor's approval.

## **APPENDICES**

- A. State and County Coordinators
- B. Maps of Enterprise Zones
- C. List of Firms in the Enterprise Zones Program
- D. Hawaii State Tax Form N-756 and Instructions
- E. References



**APPENDIX A**

**STATE AND**

**COUNTY**

**COORDINATORS**

# HAWAII STATE AND COUNTY ENTERPRISE ZONES COORDINATORS

## CONTACT INFORMATION

State of Hawaii            Department of Business, Economic Development & Tourism  
P.O. Box 2359  
Honolulu, Hawaii 96804

Mark J. Ritchie, Branch Chief  
Phone: (808) 587-2785            Fax: (808) 586-2589  
Email: mark.j.ritchie@hawaii.gov

Wayne Thom, CED Manager  
Phone: (808) 587-2757            Fax: (808) 586-2589  
Email: wayne.k.thom@hawaii.gov

Lyle Fujikawa, Economic Development Specialist  
Phone: (808) 587-2774            Fax: (808) 586-2589  
Email: lyle.h.fujikawa@hawaii.gov

County of Hawaii            Jane Horike, EZ Coordinator  
Department of Research and Development  
County of Hawaii  
25 Aupuni Street, Suite 1301  
Hilo, Hawaii 96720  
Phone: (808) 961-8496            Fax: (808) 935-1205  
Email: jane.horike@hawaiicounty.gov

County of Kauai            George Costa, Director  
Office of Economic Development  
County of Kauai  
4444 Rice Street, Suite 200  
Lihue, Hawaii 96766  
Phone: (808) 241-4949            Fax: (808) 241-6399  
Email: gcosta@kauai.gov

County of Maui

Teena Rasmussen, Economic Development Director

Office of Economic Development

County of Maui

2200 Main Street, Suite 305

Wailuku-Maui, Hawaii 96793

Phone: (808) 270-7710      Fax: (808) 270-7995

Email: [teena.rasmussen@co.maui.hi.us](mailto:teena.rasmussen@co.maui.hi.us)

James Ipo Mossman, Project Specialist

County of Maui

Maui County Business Resource Center

70 E. Kaahumanu Avenue, Unit B-9

Kahului, Hawaii 96732

Phone: (808)270-5770      Fax: (808)269-1092

Email: [ipo.mossman@co.maui.hi.us](mailto:ipo.mossman@co.maui.hi.us)

City & County  
of Honolulu

James Lota, Planner

Office of Special Projects

Department of Community Services

City & County of Honolulu

715 South King Street, Suite 311

Honolulu, Hawaii 96813

Phone: (808) 768-5859      Fax: (808) 532-8424

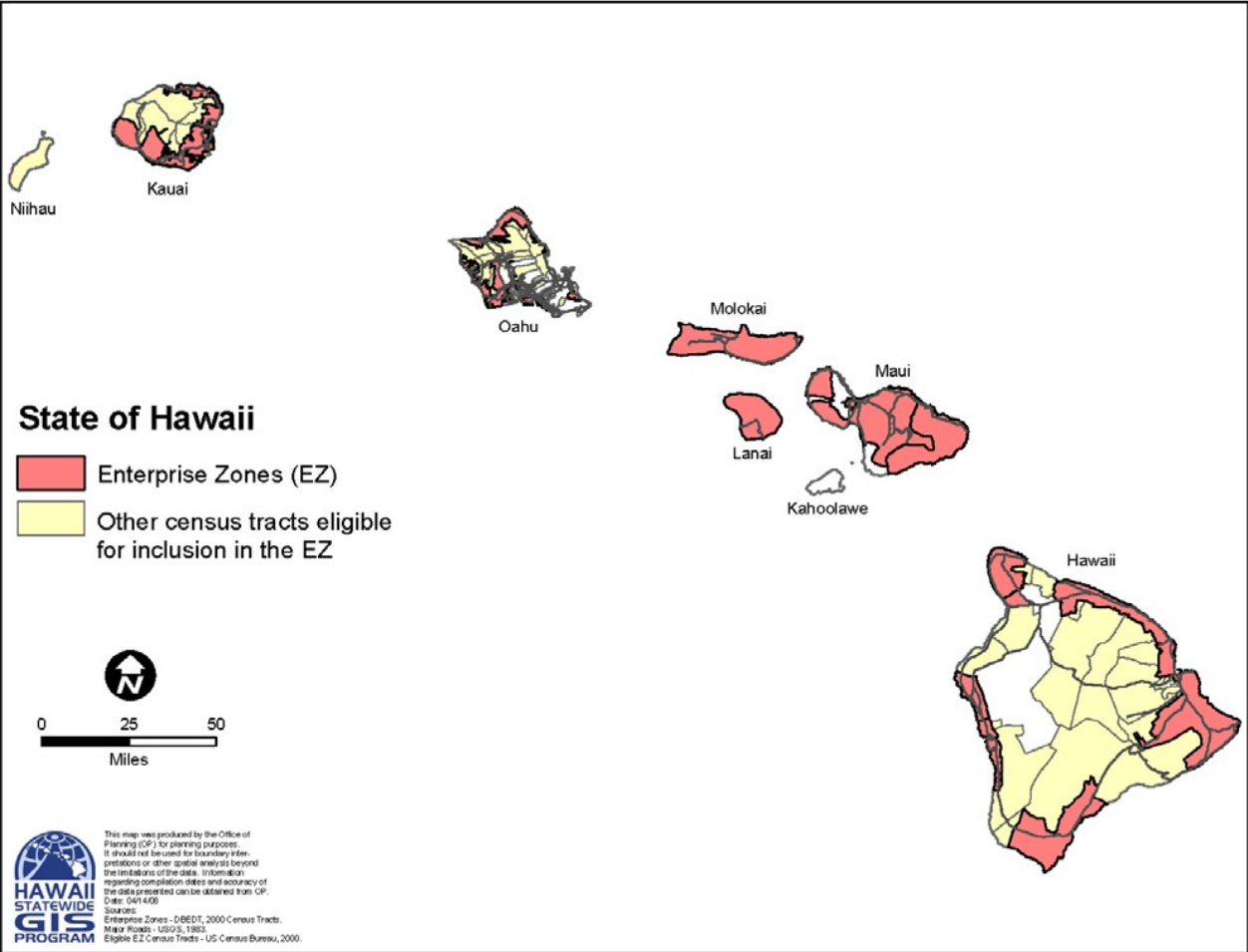
Email: [jlota@honolulu.gov](mailto:jlota@honolulu.gov)

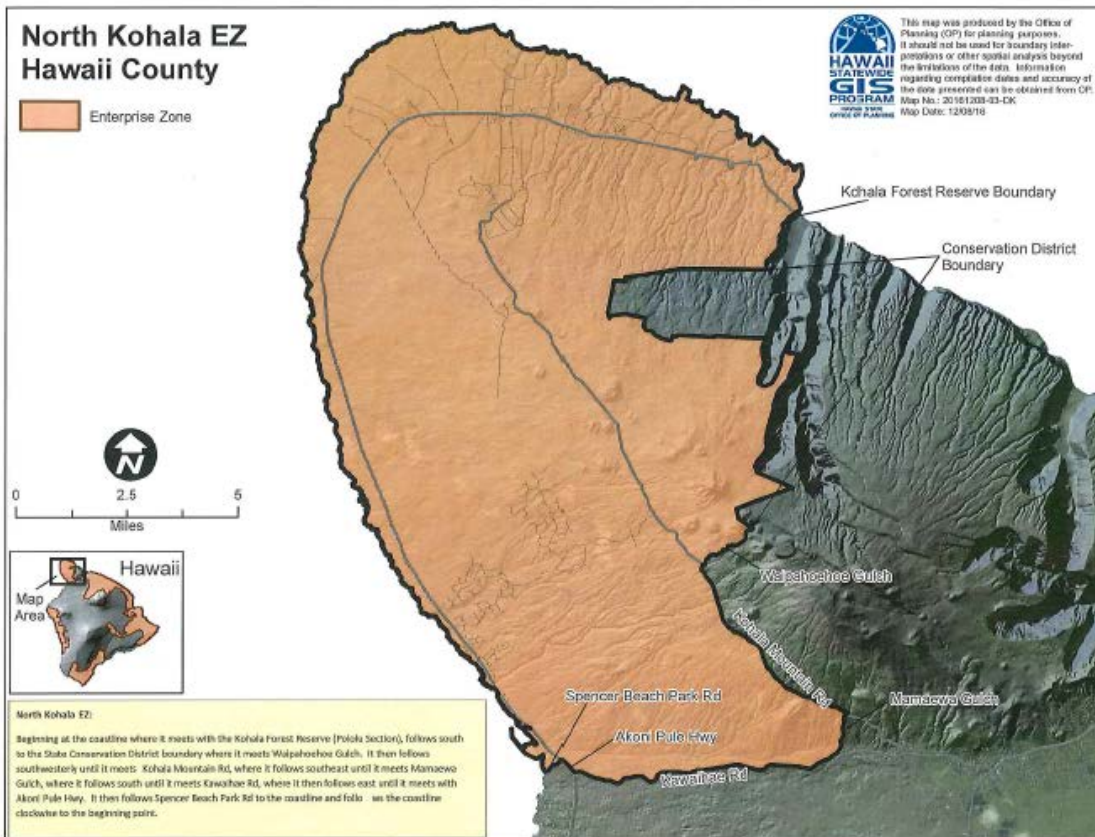
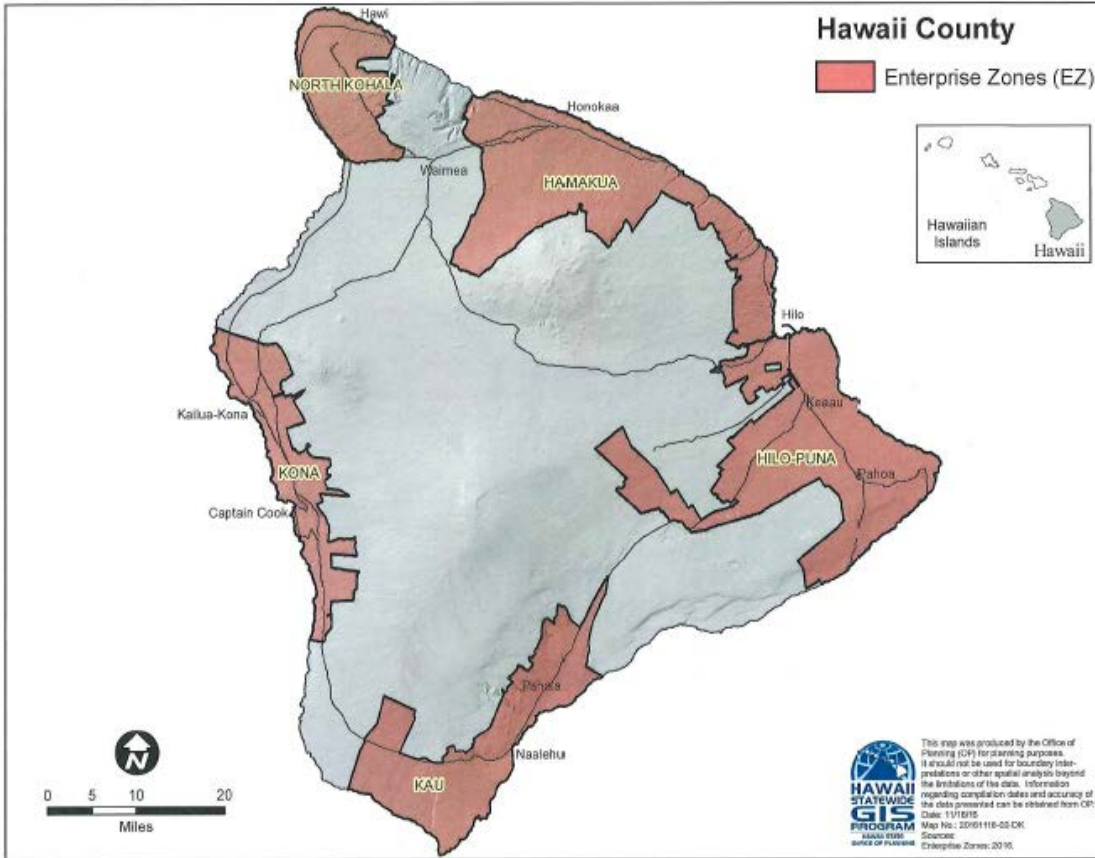


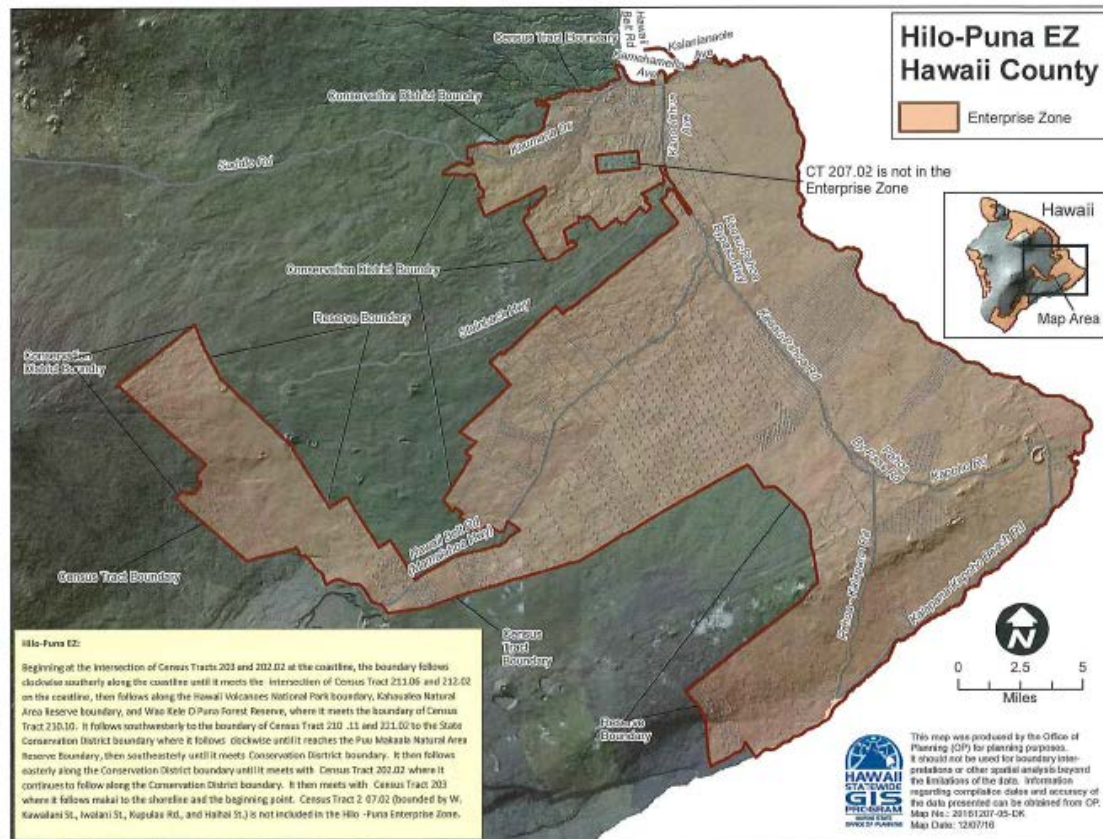
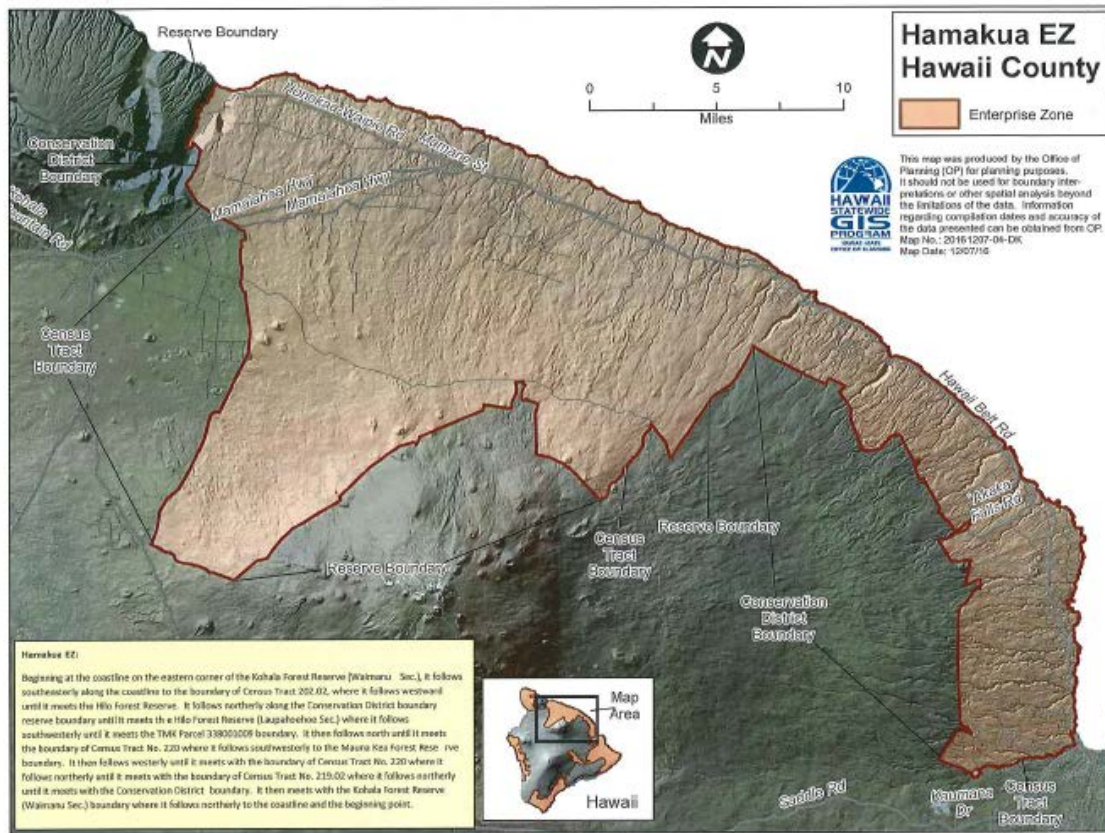


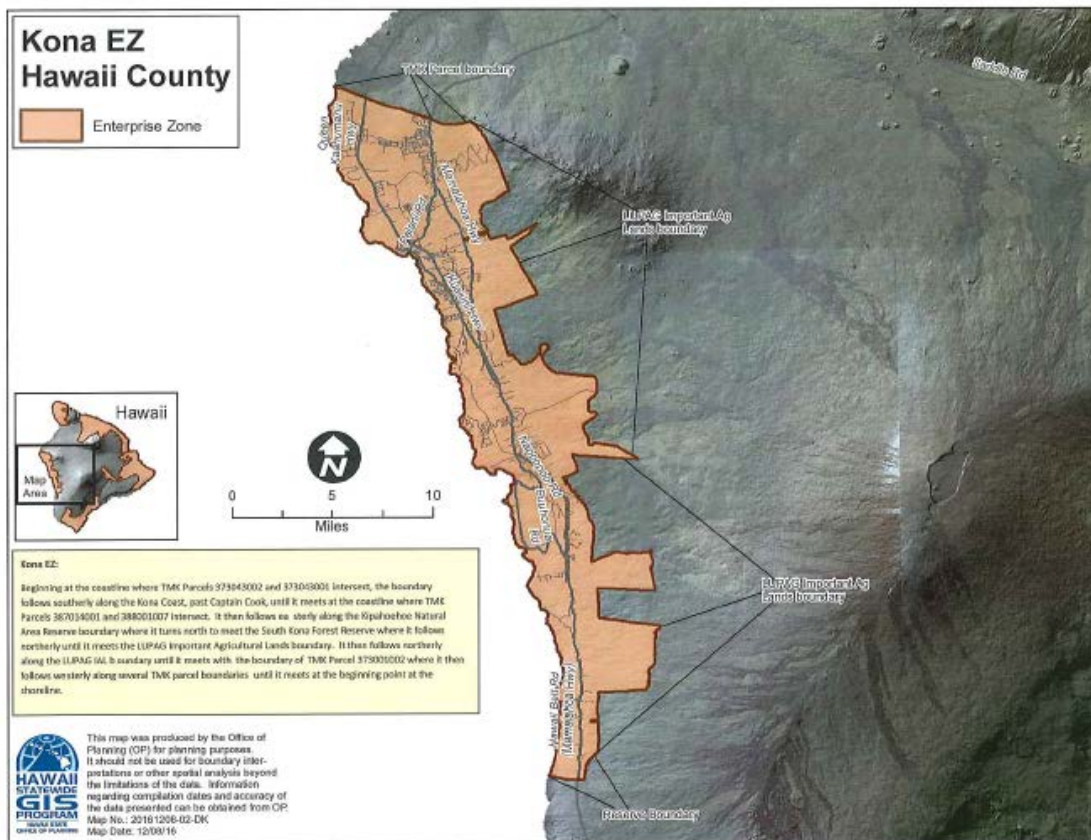
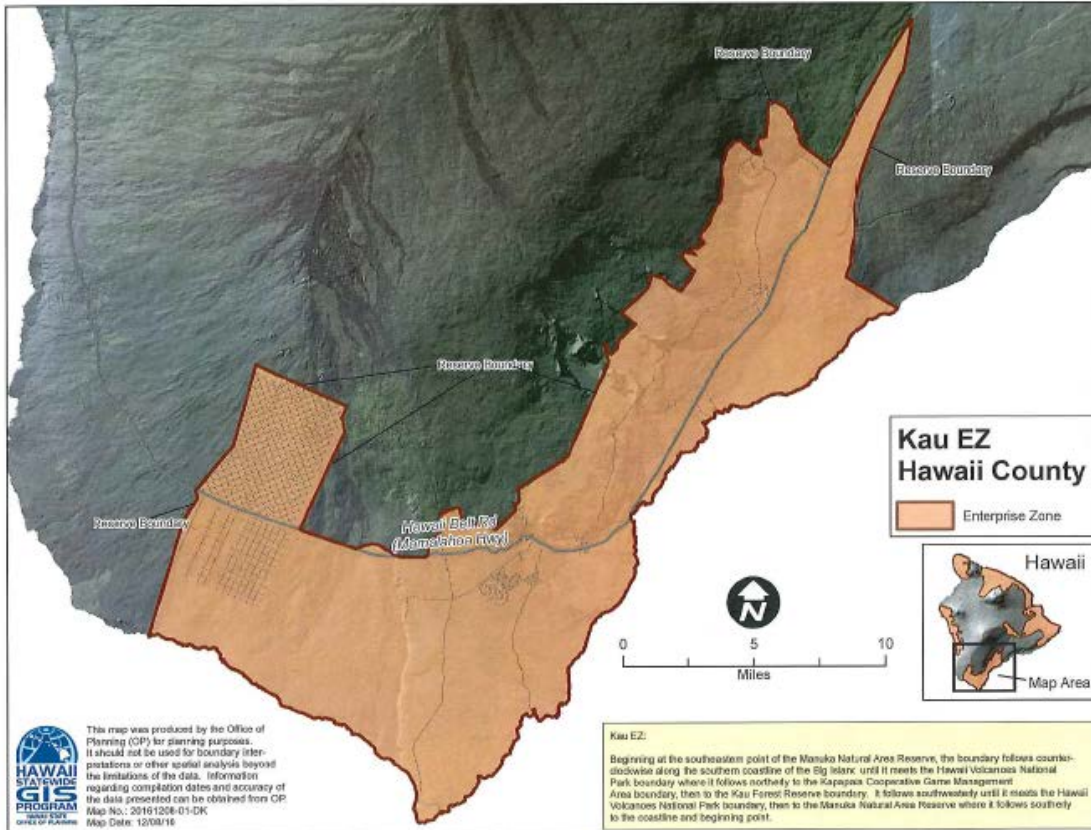
# **APPENDIX B**

## **MAPS OF ENTERPRISE ZONES**

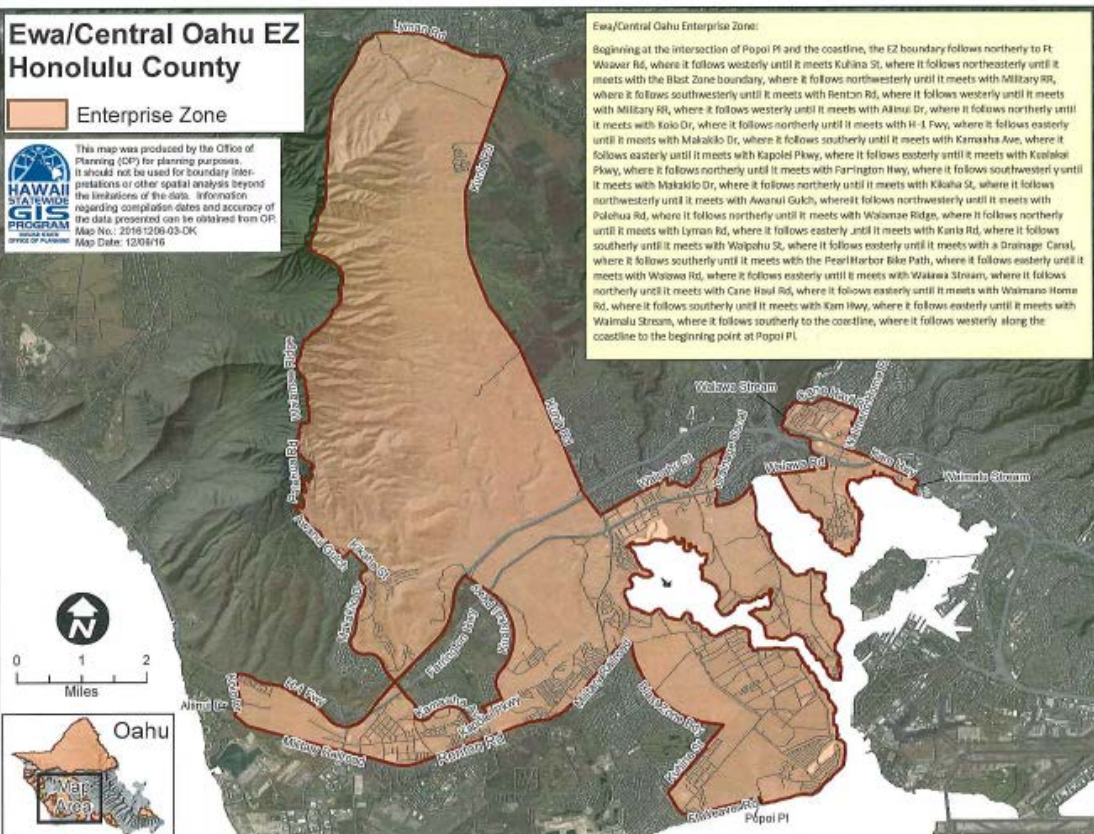
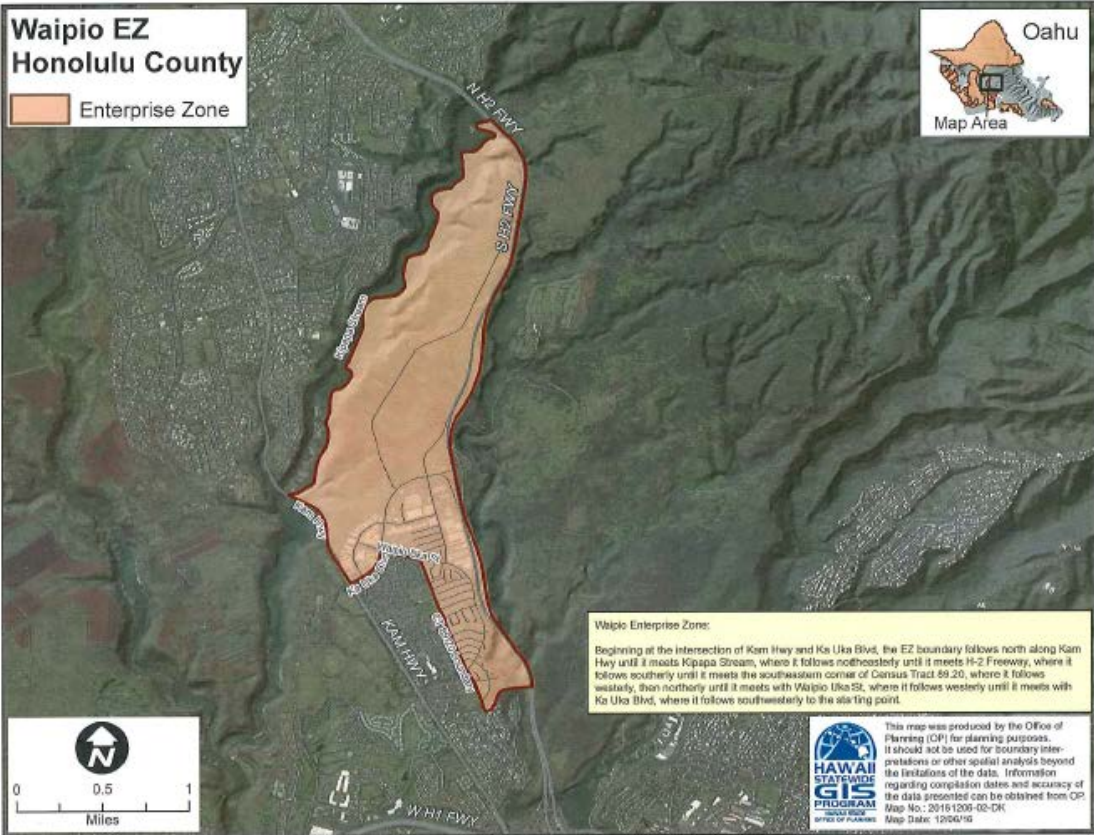


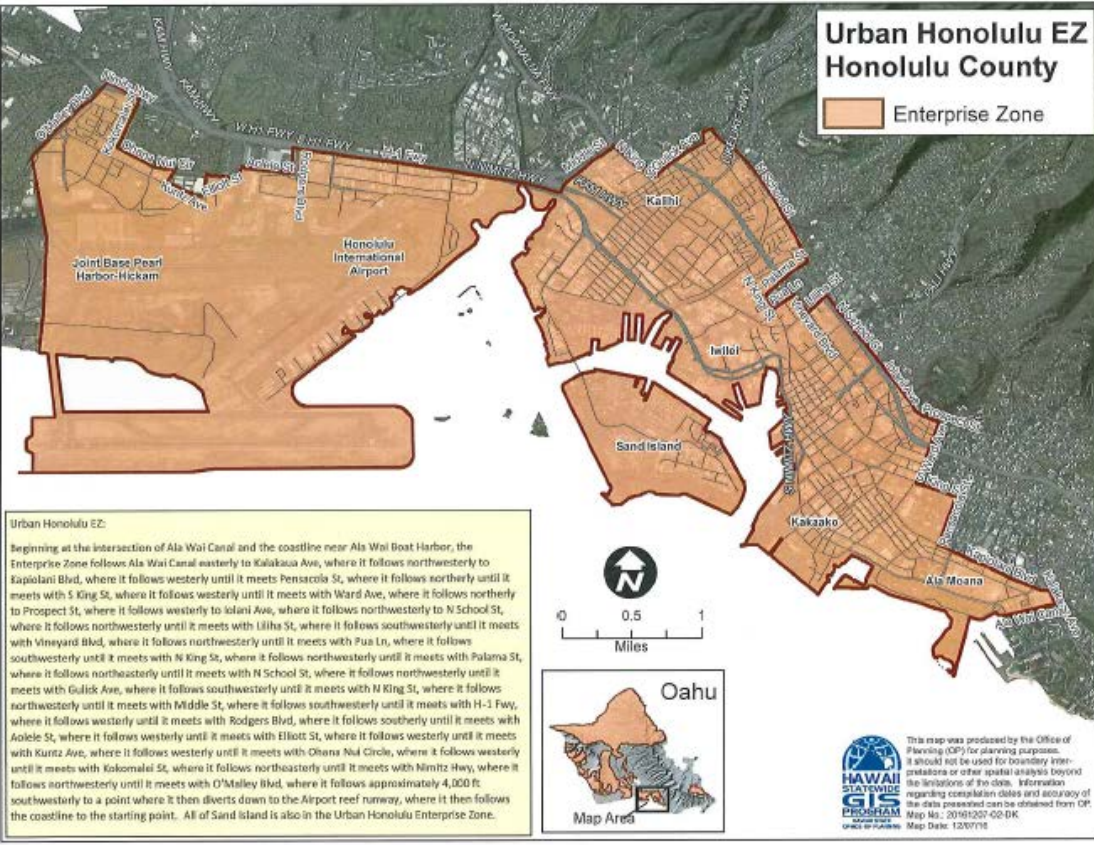
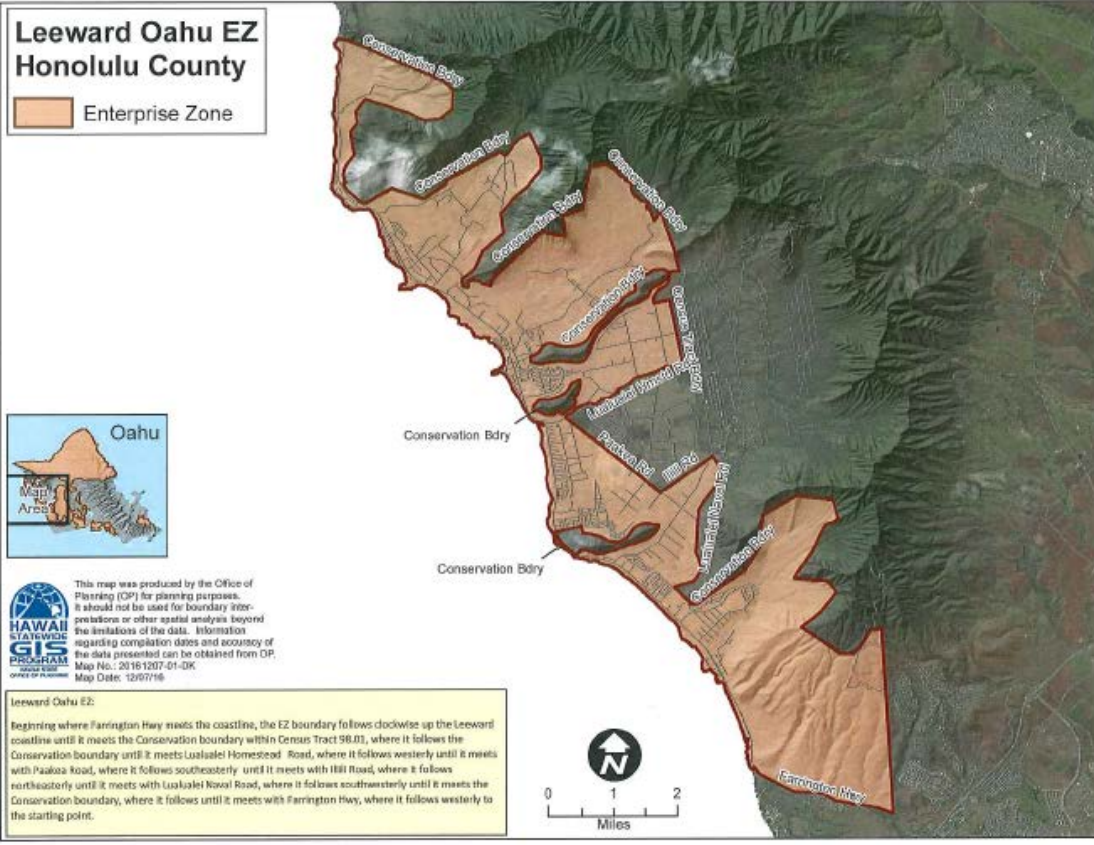




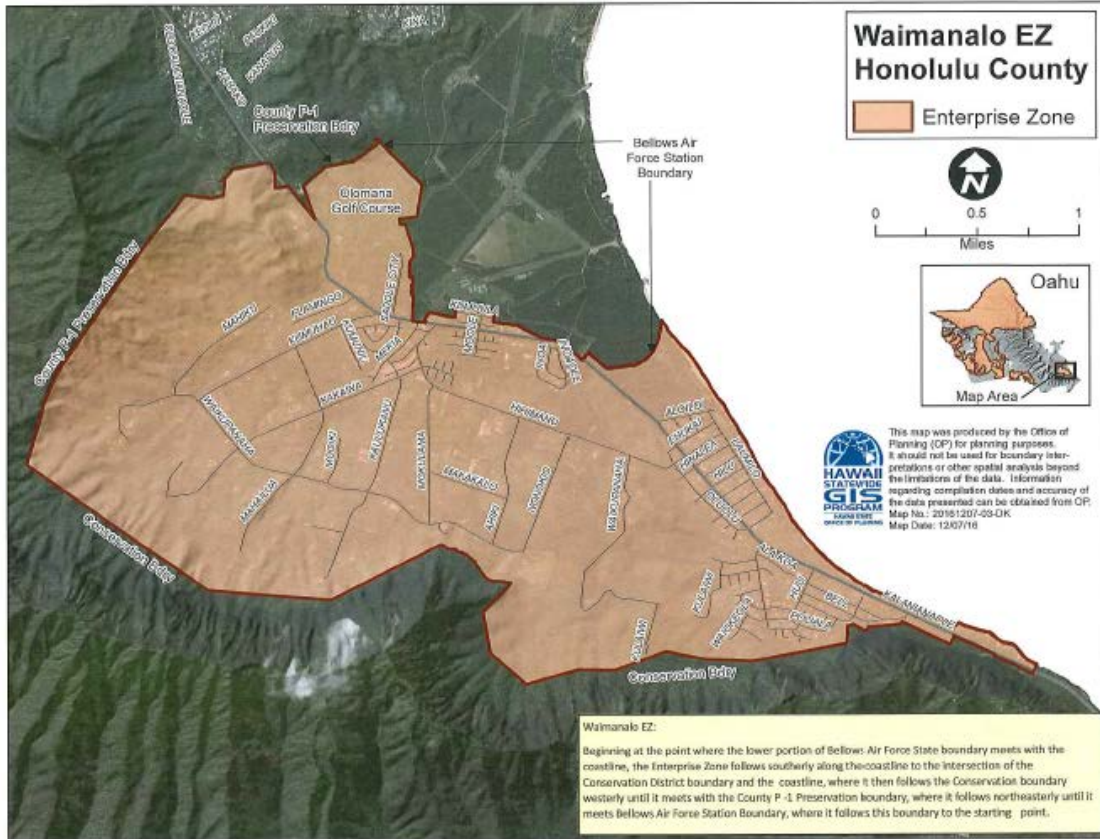









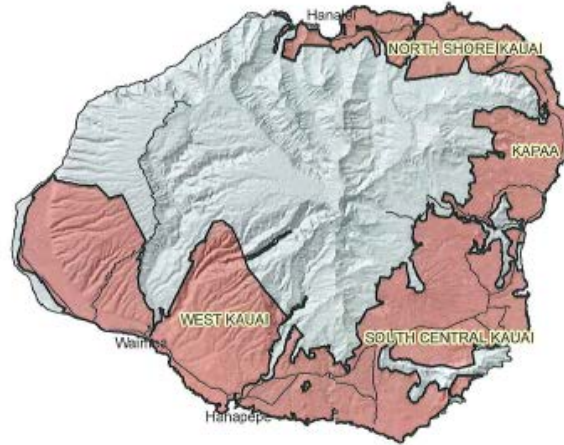




# Kauai County

 Enterprise Zones (EZ)

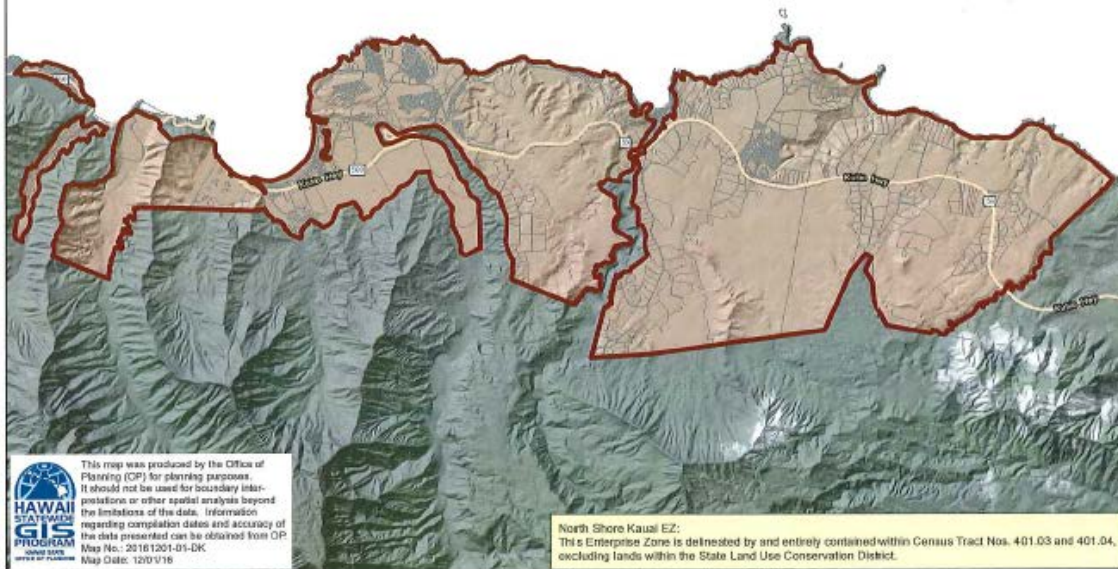
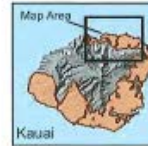
Note: All areas outside of the State Land Use Conservation District are in the Kauai Enterprise Zones.



This map was produced by the Office of Planning (OP) for planning purposes. It should not be used for boundary interpretations or other spatial analysis beyond the limitations of the data. Information regarding compilation dates and accuracy of the data presented can be obtained from OP.  
 Map Date: 10/18/16  
 Map No.: 20161110-04-DK  
 Source: Enterprise Zones: 2016

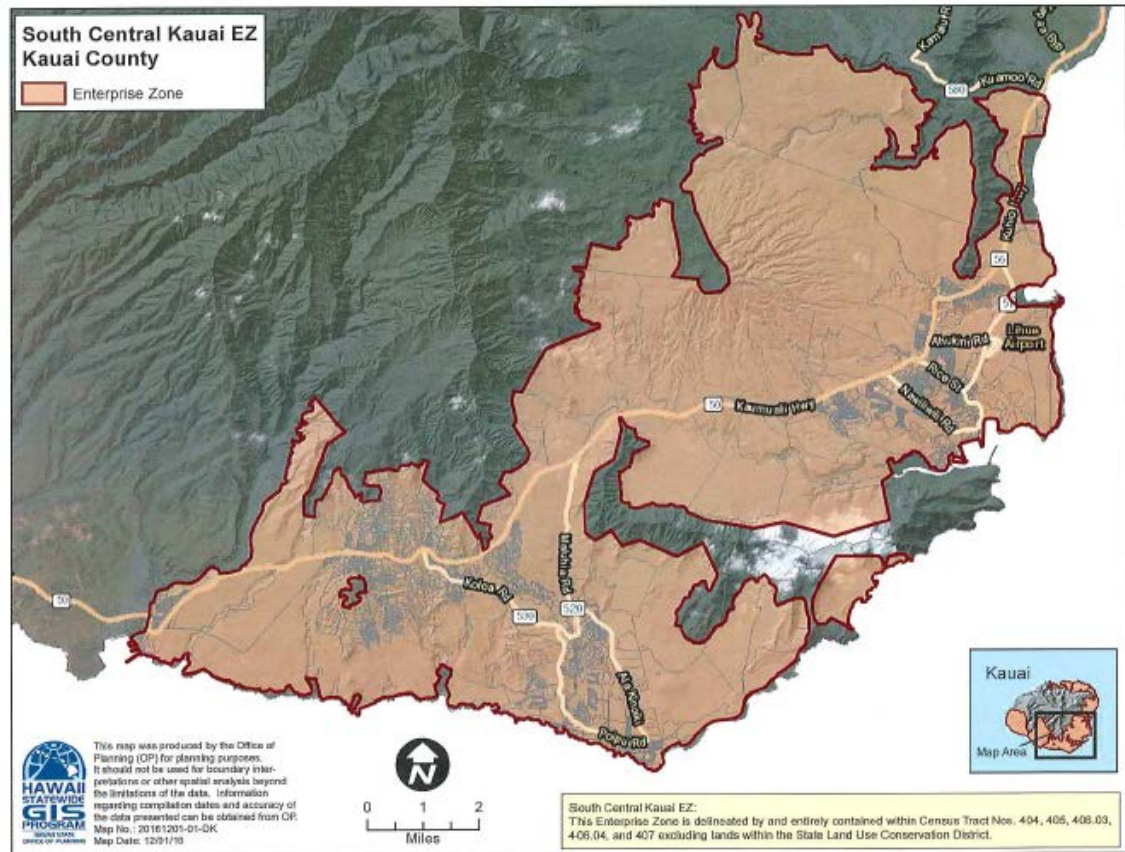
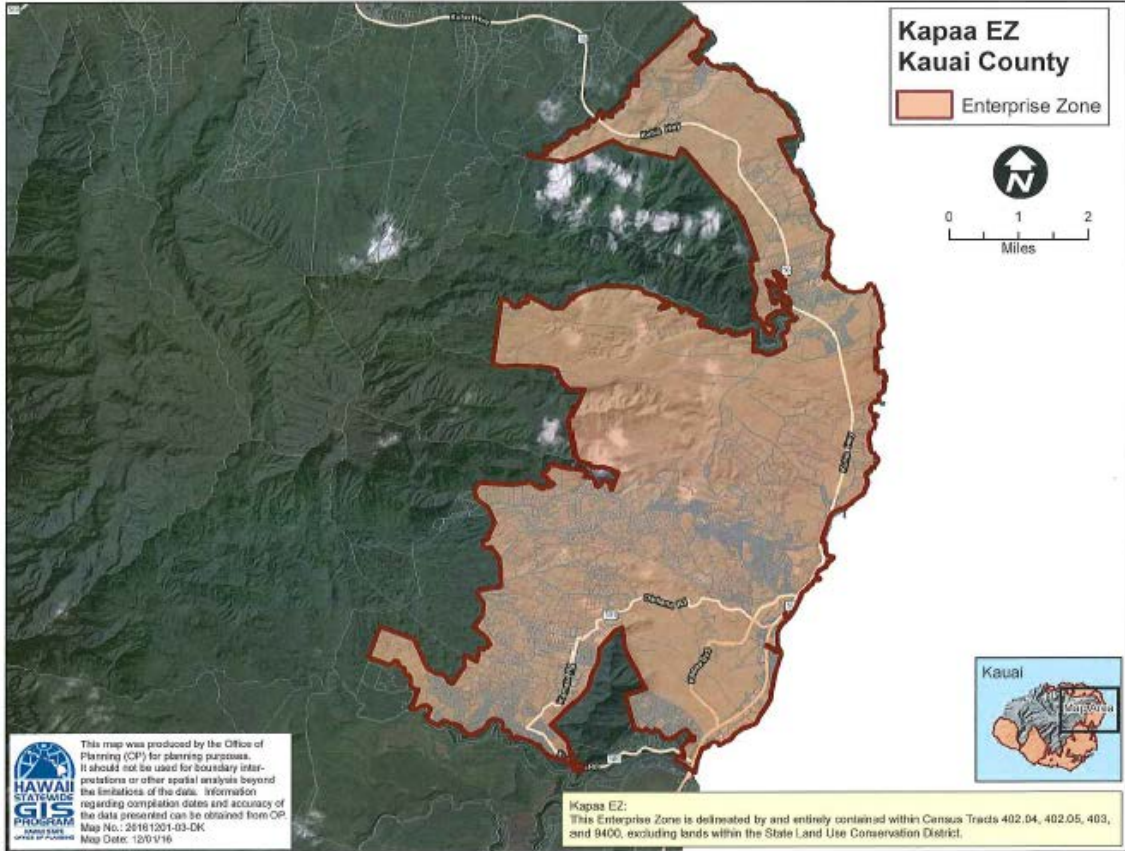
## North Shore Kauai EZ Kauai County

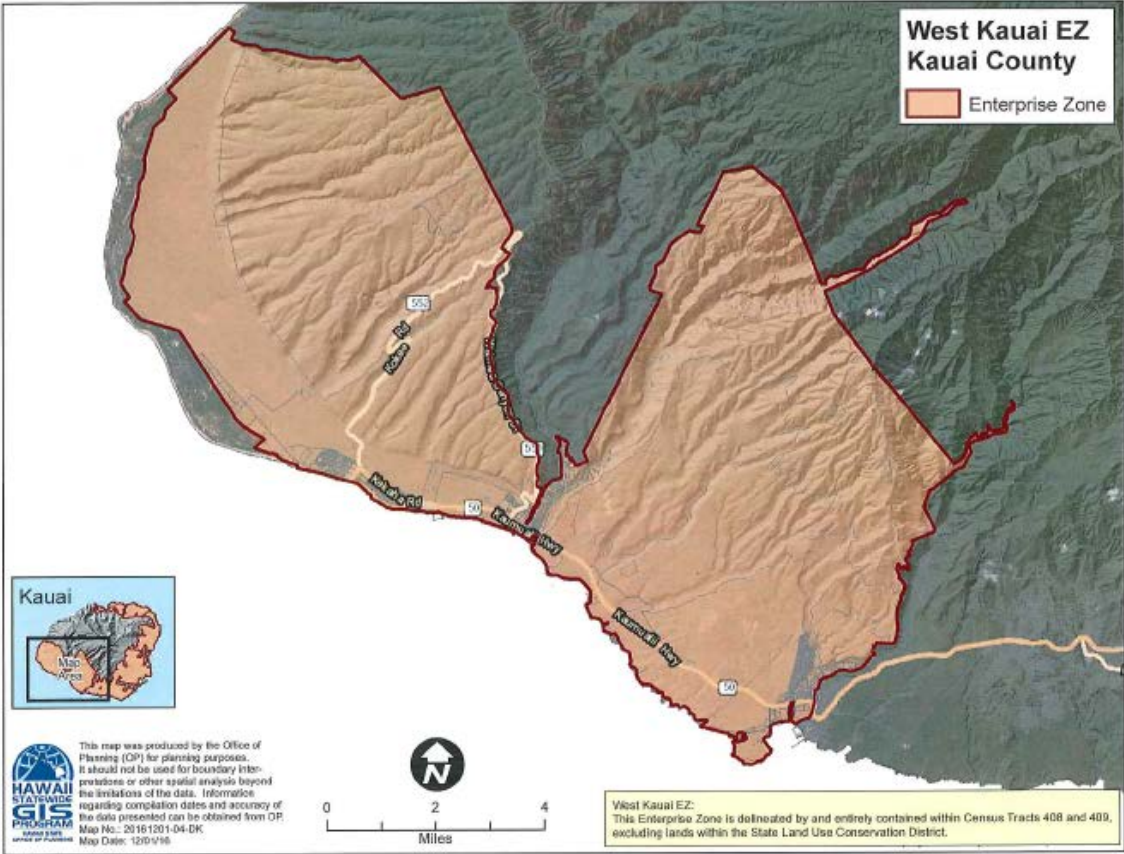
 Enterprise Zone

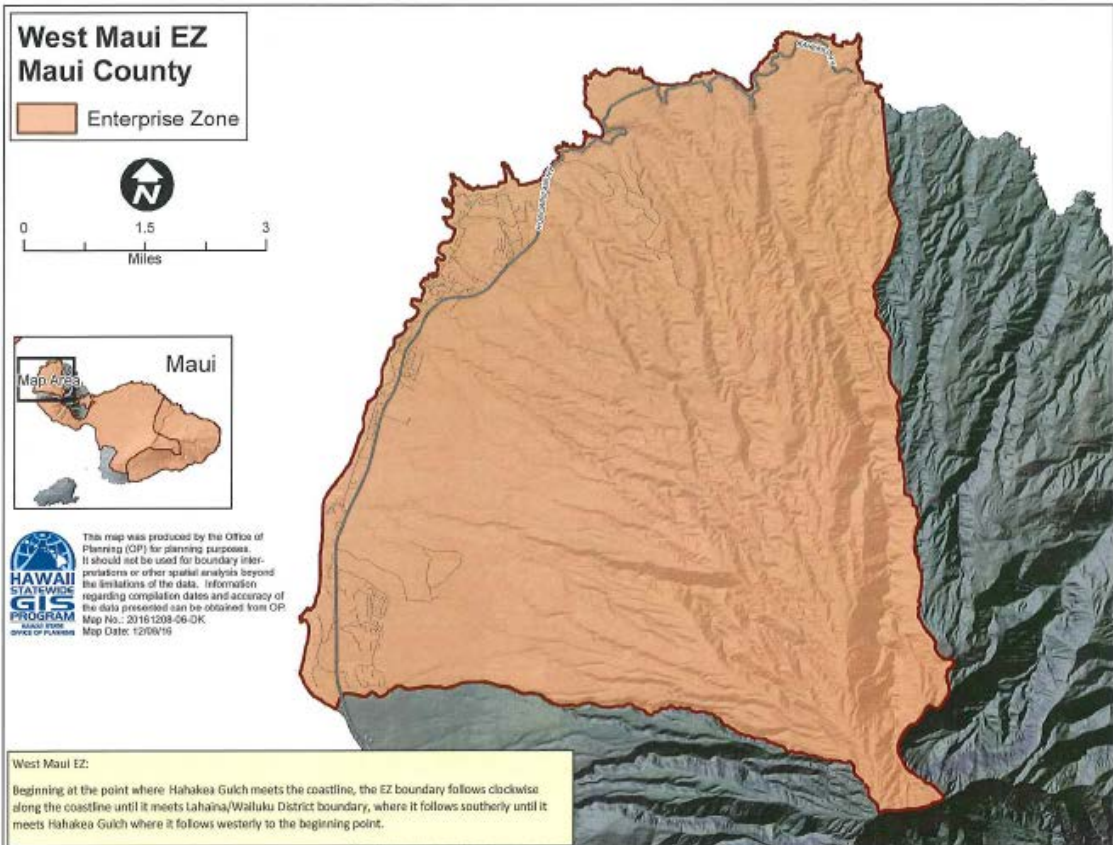
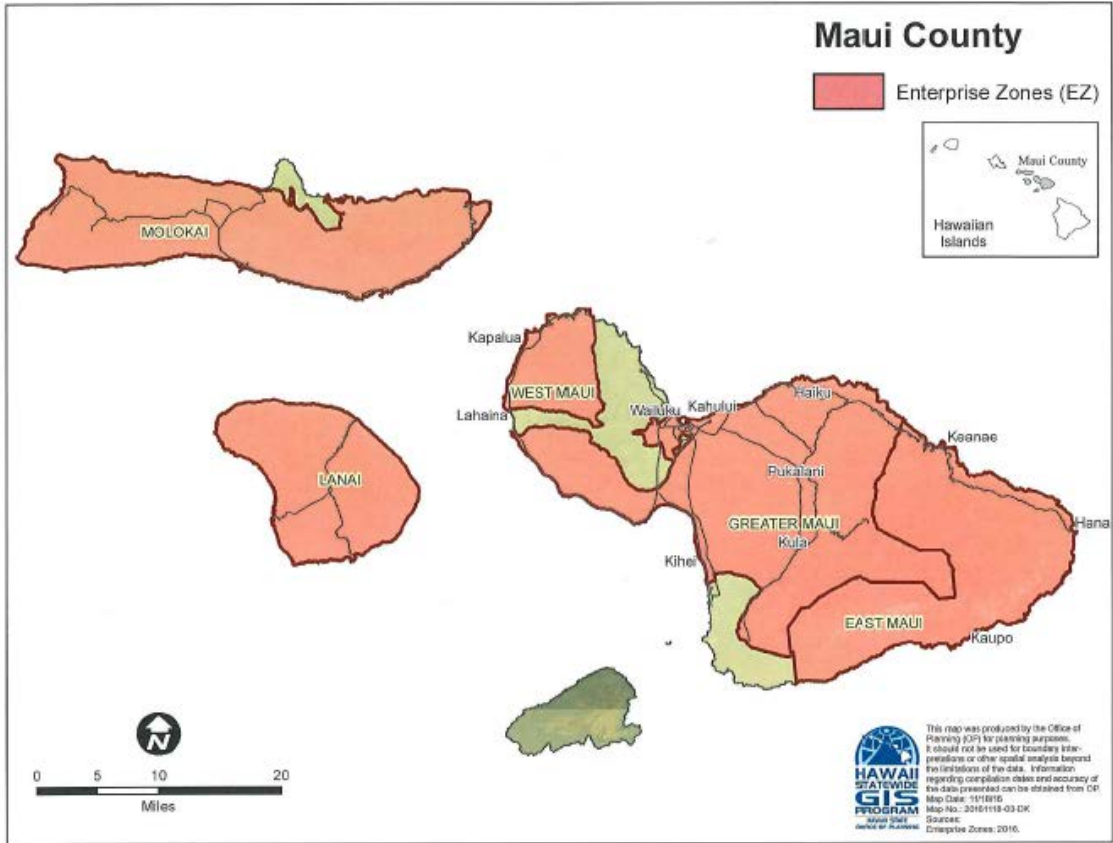


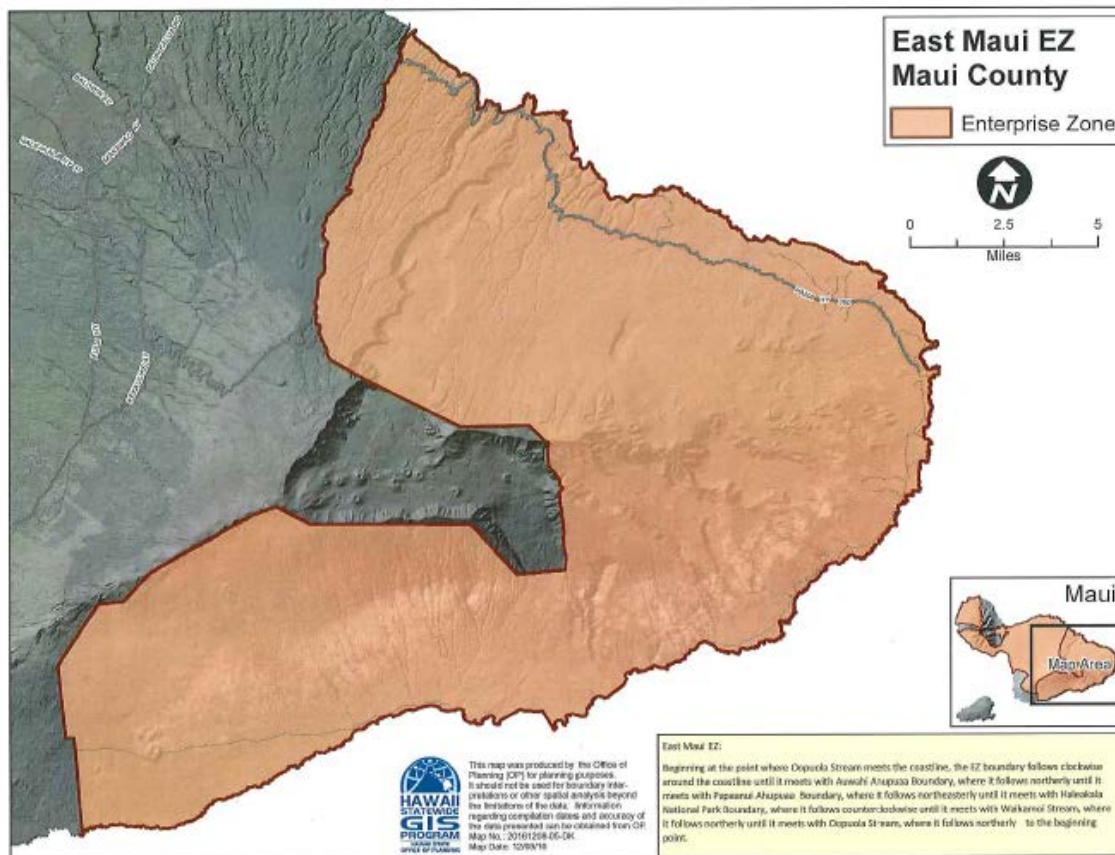
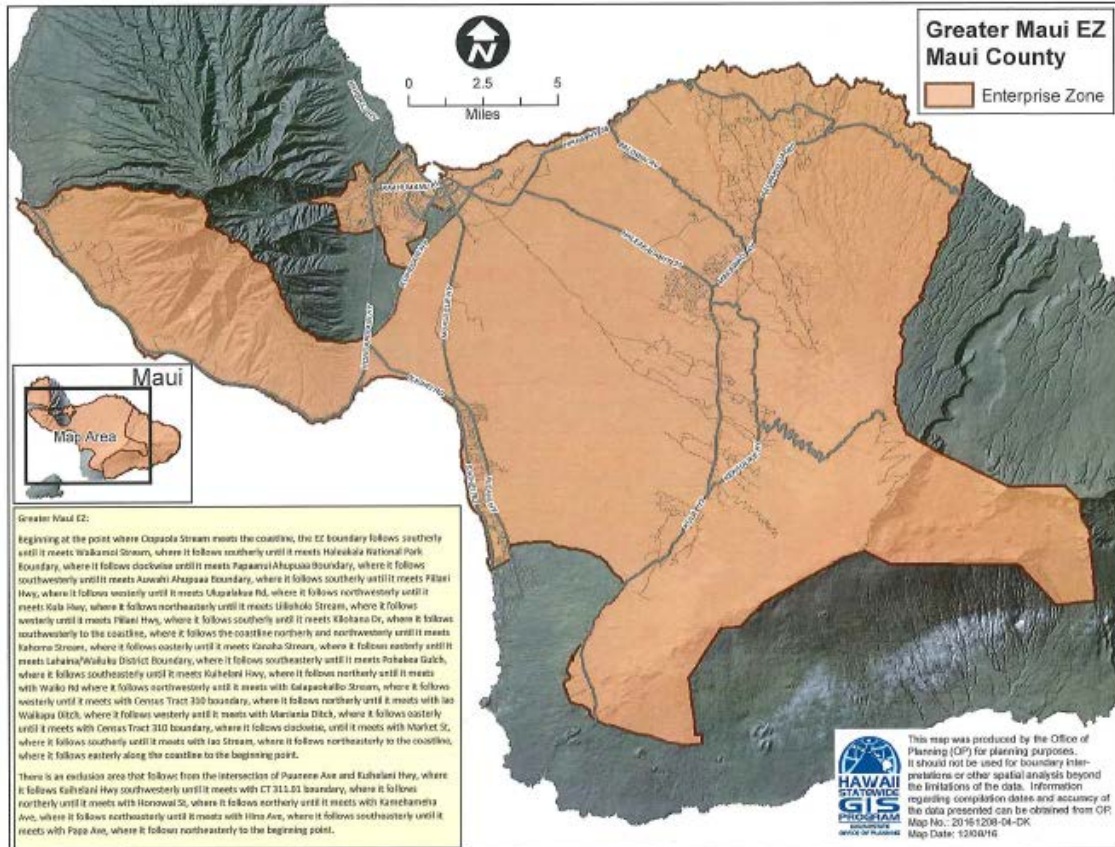
This map was produced by the Office of Planning (OP) for planning purposes. It should not be used for boundary interpretations or other spatial analysis beyond the limitations of the data. Information regarding compilation dates and accuracy of the data presented can be obtained from OP.  
 Map No.: 20161201-01-DK  
 Map Date: 12/01/16

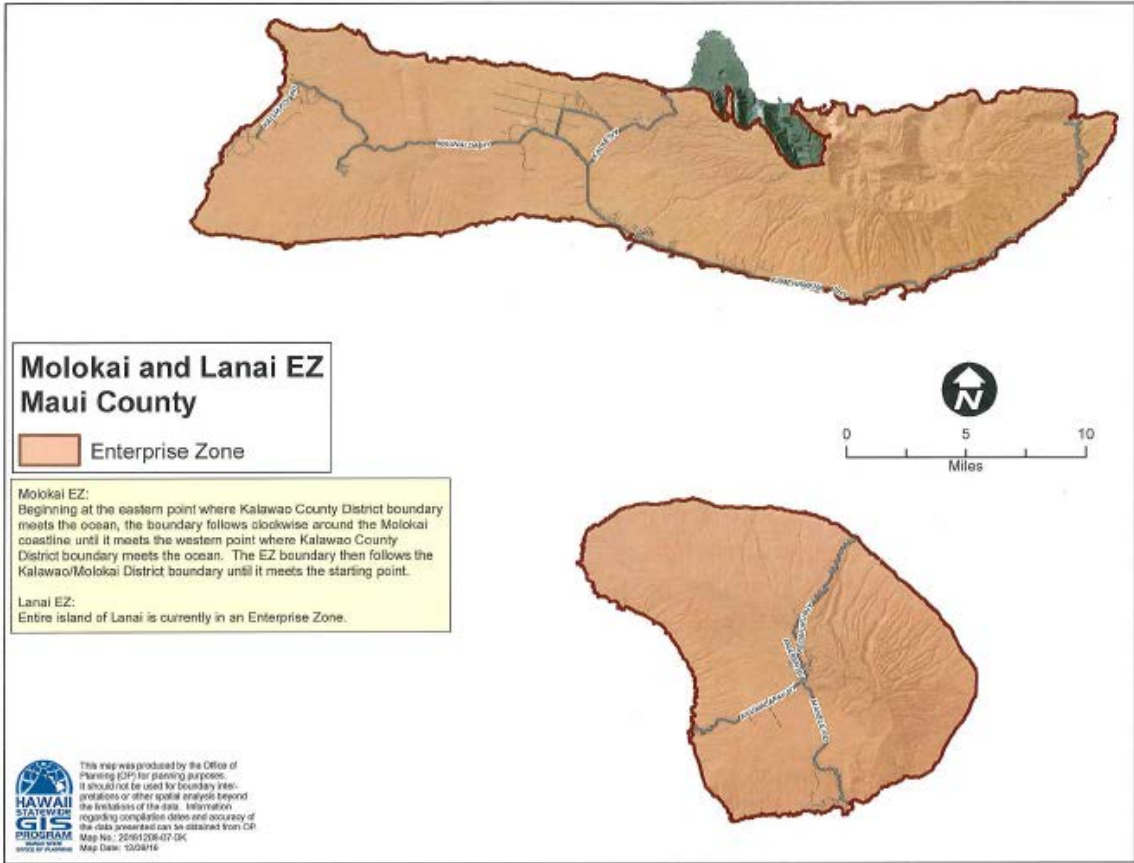
North Shore Kauai EZ:  
 This Enterprise Zone is delineated by and entirely contained within Census Tract Nos. 401.03 and 401.04, excluding lands within the State Land Use Conservation District.















# **APPENDIX C**

## **LIST OF EZ FIRMS BY COUNTY**

**As of December 31, 2016**

## FIRMS CURRENTLY ENROLLED IN THE EZ PROGRAM

### Hawaii County

A & T Belmes Farm LLC	Kapapala Ranch
Ahualoa Farms LLC	Kau Farms Management LLC
Alan Kuwahara dba Puna Floriculture	Kohala Nursery Inc.
Aloha Hawaiian Stores dba Donkey Ball Stores	Kona Brewery LLC
Aloha Hills Kona Coffee, LLC	Kona Coast Shellfish, LLC
Bangs Farm	Kona Fish Company, Inc.
Big Island Agriculture Distribution Co., Inc.	Kona Gold Rum Company, LLC
Big Island Biodiesel, LLC	Koolau Aviation Services, Inc. (N. Kona)
Big Island Carbon, LLC	Kuahiwi Contractors, Inc.
Big Island Dairy, LLC	Margaret Collins dba Paradise Meadows
Big Island Landscaping	Mauna Kea Moo
Big Island Plant & Foliage, Inc	Maxwell Farms LLC
Boteilho Hawaii Enterprises	Miranda Farms
Buddha's Sanctuary, LLC	Moku Nui Bioenergy Corp.
Eco Terrestrial Concepts, LLC	Moonrise Tea Garden
Fox Forest Farm, LLC	Mountain Meadows, Inc.
FU Molina Farm	Orlando Manuel & Ella Manuel dba Manuel Farms
Full Circle Brewing Co. Ltd.	Pacific Biodiesel Logistics, LLC (Big Island)
Garden Isle Seafood - Kona Division LLC	Pacific Biodiesel Technologies, LLC
Great Pacific Chocolate Co., Inc. dba The	Ponoholo Ranch Limited
Green Point Nurseries, Inc.	PRL English, LLC
Hamakua Macadamia Nut Co., Inc.	Punachicks Farm
Hawaii Akatsuka Farm, Inc	R. R. & S. Flowers LLC
Hawaii Beef Producers	Risley Farms
Hawaiian B Natural Farms, Inc.	Royal Hawaiian Orchards, L.P.
Hawaiian Legacy Hardwoods, LLC	Rusty's Hawaiian, LLC
Hilo Fish Company, Inc.	Shrimp Improvement Systems Hawaii, LLC
Hog Heaven	The Dutch Hawaiian Cheesery, LLC
Hoku Kai Biofuels, LLC	The Kona Coffee and Tea Company
Inside Out Lock & Key, LLC DBA Rainbow Farms	Tradewinds Hawaiian Woods, LLC
Island Harvest Organics, LLC	Vantage Nursery, LLC
Island Harvest, Inc.	Waiakea Bottling Inc.
Jeffrey Juan	Wailea Agricultural Group, Inc.
Kahua Ranch Ltd	

## Honolulu County

3D Travel, Inc.	Island Taylor, L.L.C.
Aloha Beer Company LP	Jems Enterprises, LLC
Aloha Data Services, Inc.	Komatsu Enterprises dba, K & K Distributors
American LED and Energy Corporation	Kunia Country Farms
Animate Farm LLC	Lady Ease Limited dba Ease Collection
Ba-Le, Inc. dba Tour Bakehouse	Local Island Fresh Edibles, Inc.
Barbers Point Aviation Services	Luhina, LLC
Black Sand Publishing, Inc.	Makai Communications
C&S Wholesale Grocers, Inc.	Manoa Honey Company LLC
C. Blue Farms	Manulele Distillers
CACI-ISS, Inc.	Mikilua Poultry Farm, Inc.
Classic Sales, Inc.	MJC, Inc.
Credit Associates of Maui, Ltd (Oahu)	Monsanto Company & Subsidiaries (Oahu)
David Fitz-Patrick MD Inc.	Monstah Glass Hawaii LLP
Delaware Resource Group of Oklahoma, LLC	Nalo Fresh, Inc.
DOITNOW, INC. dba Carrier Hawaii	Ohana Control Systems Hawaii, Inc.
Epicenter Technologies, Inc.	Orange County Coastal Physicians dba Coastal
Eskimo Candy Oahu, Inc.	Pace Supply Corp.
EURAM, Inc. dba Hawaiian Paradise Coffee	Pacific Agriculture Research Co., LLC
Eyegenix, LLC	Pacific Biodiesel Logistics, LLC (Oahu)
Fantastic Gardens Hawaii	Pacific Industrial Equipment Corp.
First Commercial Kitchen, LLC	Pacific Rim Connections LLC
First Response Professional Security Service,	Paina Hawaii, LLC
Flying R Livestock Co., Ltd.	Panasonic Avionics Corporation
For J's Hawaii, Inc.	Plant Research Corporation
Garden & Valley Isle Seafood, Inc.	Rainbow Caffé, Inc. dba The Tea Chest
German Foods, LLC	Rengo Packaging, Inc.
GLP Asphalt LLC	Rocky Road Products, Inc.
GOOD GREENS HAWAII	Skai Technologies, LLC
Guardian Capital Management Hawaii LLC	SKY Kombucha LLC
Hawaii Fruit Company	So Ono Food Products, LLC
Hawaii Pacific Data d/b/a AlohaNAP	Superb Development & Service Corp.
Hawaii Star Bakery	SystemMetrics Corporation
Hawaiian Agents Inc.	Tradewinds Global
Hawaiian Agricultural Products, LLC	Tropic Fish Hawaii, LLC
Hawaiian Chip Company, LLC	Trutag Technologies, Inc
Hawaiian Pie Company, LLC	Unitek Supply, LLC
Hawaiian Sun Products, Inc.	Virginia Paresa LLC
HI Performance Coatings, Inc., dba Hi-Line	Wehiwa Soap Company, LLC
HI Planning Mill, LLC	Weston Solutions, Inc.-Iwiilei
Ho Farms, LLC	Weston Solutions, Inc.-Kapolei
Ilio Products, LLC	Worldwide Flight Services, Inc. (Oahu)
Island Maid, Inc.	

## Maui County

519 Service Corp., LLC	Lanai Oil Company, Inc
Air Repair, LLC	Maui Cattle Company, LLC
Aloha Glass Recycling, Inc.	Maui Craft Beverages LLC
Araki-Regan & Associates	Maui Floral, Inc.
Atrium Design Works LLC	Maui Fresh Fish LLC
Auwahi Wind Energy	Maui Innovation Group LLC
Bump Networks, Inc.	Maui Kensington, LLC
Code Rebel, LLC	Maui Marble and Granite, Inc.
Cowboy Built, Inc., dba Maui Energy Company	Maui Oma Coffee Roasting Co., Inc.
Design Solution, Inc. dba The Maui Closet Co.	Maui Seafoods, LLC
Diamond B Ranch	Maui Soap Company
Envisions Entertainment & Productions, Inc.	Monsanto Company & Subsidiaries (Maui)
Eskimo Candy Maui, Inc.	Noni Maui, LLC
Fresh Island Fish Company, Inc.-Maui	Ocean 4 Hawaii, Inc.
Garden of Eden Arboretum LLC	Pacific Biodiesel Logistics, LLC (Maui)
Haliimaile Pineapple Co., Ltd.	Pacific Biodiesel, Inc. (Maui)
Hana Ranch Partners, LLC	Pacific Biotech, LLC
HNU Photonics	Pacific Produce, Inc.
Howard's Nurseries, Inc.	Paradise Flower Farms, Inc.
Island Landscape	Quantify IP
JYY, Inc. dba Maui Upcountry Jams & Jellies	TC Kokua, LLC
K-Deck Canvas Corp.	The Aloha Garden of Maui, LLC
Kealopiko Inc	The Scope of Things
Kihei Gardens & Landscaping Co., LLP	Tropic Fish Maui, LLC
Kihei Ice, Inc.	Tumbaga Enterprises, LLC
Koa IT LLC	Two Chicks In A Hammock, LLC
Koolau Aviation Services, Inc. (Maui)	Valley Isle Seafood LLC
Kula Country Farms	Watanabe Vegetable Processing, LLC
Kumu Live and Learn Inc.	Worldwide Flight Services, Inc. (Maui)
Lahaina Brewery	

### Kauai County

Agrigenetics, Inc.	Kauai Nut Roasters
Aunty Lilikoi, LLC	Koolau Aviation Services, Inc. (Kauai)
Eskimo Candy Kauai, Inc.	Laulima Systems LLC
Garden Isle Seafood - Kauai LLC	Monkeypod Jam, LLC
Grove Farm Fish & Poi LLC	Orchid Alley
Hawaii Dairy Farms, LLC	T. Esaki Farm, Inc.
Island Soap Company, LLC	Tropic Fish Kauai, LLC
Kaikini, LLC	Tropical Flowers Express



# **APPENDIX D**

## **Hawaii State Tax Form N-756 and Instructions**

**ATTACH THIS SCHEDULE TO FORM N-11, N-15, N-30, or N-70NP**

Name	SSN OR FEIN
------	-------------

**NOTE:** If you are claiming the Ethanol Facility Tax Credit, no other credit can be claimed for the taxable year.

Complete Parts I, II and IV if your 7 or 10-year cycle began at the **start** of your taxable year.  
 Complete Parts I, III and IV if your 7 or 10-year cycle began **during** your taxable year rather than at the start of your taxable year.  
 In order to claim the enterprise zone tax credit, **ALL of the following MUST be attached to your tax return:**

1. Form N-756, Enterprise Zone Tax Credit
2. Form N-756A, Information Statement, if you are a partner of a partnership, a shareholder of an S corporation, or a member of an LLC
3. A copy of the certification issued by the Department of Business, Economic Development & Tourism

**Part I - Computation of Tax and Unemployment Insurance Premiums Attributable to Zone Activity**

1. Total tax liability .....		<b>1</b>	
2. a. Total gross income from trade or business within the zone .....	<b>2a</b>		
b. Total gross income required to be reported to Hawaii.....	<b>2b</b>		
c. Percentage of business within the zone. Divide line 2a by line 2b .....		<b>2c</b>	
3. Multiply line 1 by line 2c .....		<b>3</b>	
4. Total unemployment insurance premiums paid for employees employed within Hawaii .....		<b>4</b>	
5. a. Total payroll for employees employed within the zone.....	<b>5a</b>		
b. Total payroll for employees employed within Hawaii.....	<b>5b</b>		
c. Percentage of unemployment insurance premiums paid on the payroll of employees employed within the zone. Divide line 5a by line 5b .....		<b>5c</b>	
6. Multiply line 4 by line 5c .....		<b>6</b>	
7. Add lines 3 and 6 .....		<b>7</b>	

**Part II - Computation of Tax Credit When the 7 or 10-Year Cycle Began at the Start of the Taxable Year**

8. Enter the cycle year _____																							
9. Enter the percentage from the table below that applies to your cycle year .....		<b>9</b>																					
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Cycle Year</th> <th style="text-align: left;">Applicable Percentage</th> <th style="text-align: left;">Cycle Year</th> <th style="text-align: left;">Applicable Percentage</th> </tr> </thead> <tbody> <tr> <td>1.....</td> <td>80%</td> <td>5.....</td> <td>40%</td> </tr> <tr> <td>2.....</td> <td>70%</td> <td>6.....</td> <td>30%</td> </tr> <tr> <td>3.....</td> <td>60%</td> <td>7.....</td> <td>20%</td> </tr> <tr> <td>4.....</td> <td>50%</td> <td>*8 - 10 .....</td> <td>20%</td> </tr> </tbody> </table>	Cycle Year	Applicable Percentage	Cycle Year	Applicable Percentage	1.....	80%	5.....	40%	2.....	70%	6.....	30%	3.....	60%	7.....	20%	4.....	50%	*8 - 10 .....	20%			
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4.....	50%	*8 - 10 .....	20%																				
*Allowed only for manufacturers of tangible personal property or producers or processors of agricultural products.																							
10. Maximum enterprise zone tax credit allowable for the year. Multiply line 7 by line 9. Enter this amount on Part IV, line 19.....		<b>10</b>																					

**Part III - Computation of Tax Credit When the 7 or 10-Year Cycle Began During the Taxable Year**

11. Enter the 2 cycle years contained in the taxable year. ( <b>Note:</b> If the taxable year contains only your first or last cycle year, you only need to complete lines 11a, 12a-12e, and 14.)			
a. Cycle year _____			
b. Cycle year _____			
12. Cycle year referred to on line 11a			
a. Enter the number of months during the taxable year attributable to the cycle year referred to on line 11a .....	<b>12a</b>		
b. Divide line 12a by 12.....	<b>12b</b>		
c. Enter the percentage applicable to the cycle year referred to on line 11a. (See line 9 for percentage table) .....		<b>12c</b>	
d. Multiply line 12b by line 12c .....	<b>12d</b>		
e. Multiply line 7 by line 12d.....		<b>12e</b>	
13. Cycle year referred to on line 11b			
a. Enter the number of months during the taxable year attributable to the cycle year referred to on line 11b .....	<b>13a</b>		
b. Divide line 13a by 12.....	<b>13b</b>		
c. Enter the percentage applicable to the cycle year referred to on line 11b. (See line 9 for percentage table) .....		<b>13c</b>	
d. Multiply line 13b by line 13c .....	<b>13d</b>		
e. Multiply line 7 by line 13d.....		<b>13e</b>	



14. Maximum enterprise zone tax credit allowable for the year. Add lines 12e and 13e. Enter this amount on Part IV, line 19.....	<b>14</b>	
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**FORM N-756**  
**(REV. 2010)**

**PAGE 2**

**Part IV - Computation of Credit Limitation**

15. Are you claiming the ethanol facility tax credit (Form N-324) for this taxable year? If yes, you may not claim any other Hawaii income tax credit for this taxable year. Enter -0- on line 20.		
16. Enter your total tax liability (from Part I, line 1) here.....	<b>16</b>	
17. If you are claiming other credits, complete the credit worksheet in the instructions and enter the total here.....	<b>17</b>	
18. Subtract line 17 from line 16. Enter the difference here. If line 17 is larger than line 16, enter -0- here and on line 20.....	<b>18</b>	
19. Enter the amount from Part II, line 10 or Part III, 14.....	<b>19</b>	
20. Enter the smaller of line 18 or line 19. This is the amount of your enterprise zone tax credit. Enter this amount on Schedule CR, line 3. ....	<b>20</b>	

INSTRUCTIONS  
FORM N-756  
(REV. 2016)

STATE OF HAWAII - DEPARTMENT OF TAXATION  
INSTRUCTIONS FOR FORM N-756  
ENTERPRISE ZONE TAX CREDIT

GENERAL INSTRUCTIONS  
PURPOSE OF FORM

Use Form N-756 to figure and claim the enterprise zone income tax credit under section 209E-10, Hawaii Revised Statutes (HRS).

WHO MAY CLAIM THIS CREDIT

A qualified business that has received certification from the Department of Business, Economic Development & Tourism (DBEDT) may claim the enterprise zone tax credit.

The amount of the credit is determined by applying a percentage based on the cycle year to: (a) the taxpayer's Hawaii income tax liability attributable to its enterprise zone activity, and (b) the taxpayer's share of unemployment insurance premiums paid for employees employed within the enterprise zone. **The Enterprise Zone Tax Credit is nonrefundable and limited to the taxpayer's tax liability. Any unused credit may not be carried over or carried back to another tax period.** (Section 209E-10, HRS).

FLOW-THROUGH ENTITIES

If you are a flow-through entity that is allocating this credit to your partners, shareholders, or beneficiaries, complete Part I, lines 2, 4, and 5, and Part II, line 8 (if applicable), or Part III, line 11 (if applicable) of Form N-756. Each partner, S corporation shareholder, or beneficiary of an estate or trust (member) that has been certified shall separately determine for the member's taxable year within which the business' taxable year ends, the member's share of the credit. The member's share of the entity's net income or loss and unemployment insurance credit shall be determined in accordance with the ratio in which the members divide the profits and losses of the partnership, S corporation, estate or trust respectively. The flow-through entity must provide a separate Form N-756A to each member to report the member's share of the entity's net income and unemployment insurance premiums paid relating to the credit. The flow-through entity must also provide a copy of the certification issued by DBEDT to each member, which must be filed with their income tax return.

WHEN THE CREDIT MAY NOT BE CLAIMED

The credit may not be claimed if you are claiming the Ethanol Facility Tax Credit for the same tax year.

CREDIT REQUIREMENTS

To claim this credit, you must complete and attach to your Hawaii income tax return:

1. Form N-756
2. Schedule CR (for Form N-11, N-15, N-30, and N-70NP filers)
3. Form N-756A (Required only if you are receiving this credit from a flow-through entity)
4. Credit certification letter from DBEDT.

A business that has been certified is entitled, subject to the apportionment provisions, to an enterprise zone tax credit against Hawaii income tax under chapter 235, HRS, according to the following formula:

First year	80% of tax due
Second year	70% of tax due
Third year	60% of tax due
Fourth year	50% of tax due
Fifth year	40% of tax due
Sixth year	30% of tax due
Seventh year	20% of tax due

Qualified businesses engaged in the manufacturing of tangible personal property or the producing or processing of agricultural products may continue to claim the credit in an amount equal to 20% of the taxes due during each of the subsequent three tax years.

In addition, a business that has been certified is entitled, subject to the apportionment provisions, to an enterprise zone tax credit against Hawaii income tax under chapter 235, HRS, in an amount equal to a percentage of unemployment insurance premiums paid on the payroll of all the business' employees employed in the enterprise zone, according to the following formula:

First year	80% of premiums paid
Second year	70% of premiums paid
Third year	60% of premiums paid
Fourth year	50% of premiums paid
Fifth year	40% of premiums paid
Sixth year	30% of premiums paid
Seventh year	20% of premiums paid

Qualified businesses engaged in the manufacturing of tangible personal property or the producing or processing of agricultural products may continue to claim the credit in an amount equal to 20% of the premiums paid during each of the subsequent three tax years.

The enterprise zone tax credit shall apply only to the extent that a qualified business conducts trade or business within the zone. A business which has income taxable both within and outside Hawaii shall apportion and allocate the business' net income under sections 235-21 to 235-39, HRS, prior to calculating the enterprise zone tax credit.

DEFINITIONS

*"Trade or business"* means all business activity by a qualified business within an enterprise zone, whereby 1) tangible personal property is sold at wholesale and the sale takes place within the zone, 2) a qualified business engages in a service business within the zone, or 3) value is added to materials or products that are manufactured within the zone. *"Trade or business"* also includes engaging in producing agricultural products where the business is a producer as defined in section 237-5; engaging in research, development, sale or production of all types of genetically-engineered medical, agricultural, or maritime biotechnology products; and engaging in producing electric power from wind energy for sale primarily to a public utility company for resale to the public.

*"Service business"* means any corporation, partnership, or sole proprietorship that repairs ships, aircraft, or assisted technology equipment, provides telecommunication services, information technology design and production services, medical and health care services, or education and training services as defined in Chapter 209E, HRS.

Tangible personal property shall be sold at wholesale at an establishment of a qualified business located within an enterprise zone. The transfer of title to the buyer of the tangible personal property shall take place in the same enterprise zone in which the tangible personal property is sold.

Services shall be sold at an establishment of a qualified business engaged in a service business within an enterprise zone and the services shall be delivered in the same enterprise zone in which the services are sold. Where the service business, in the same transaction, engages in both the sale of tangible property and services, the service business shall segregate the sale of services from the sale of tangible personal property.

Value must be added to materials or products that are manufactured within the enterprise zone.

SPECIFIC INSTRUCTIONS

**Note:** If you are only claiming your share of the enterprise zone tax credit from a partnership, S corporation, estate, or trust, complete Part I, lines 2, 4, and 5, and Part II, line 8 (if applicable), or Part III, line 11 (if applicable).

PART I

Complete this part to determine the taxpayer's Hawaii income tax liability attributable to its enterprise zone activity and its share of unemployment insurance premiums paid for employees employed within the enterprise zone. Then go to either Part II or Part III, whichever is applicable.

**Line 1.** — Enter the total tax liability from Form N-11, line 27; Form N-15, line 44; Form N-30, Schedule J, line 24; or Form N-70NP, line 16; whichever is applicable. (**Note:** For Forms N-11 and N-15, do not include the separate tax from Forms N-2, N-103, N-152, N-168, N-312, N-338, N-344, N-348, N-405, N-586, N-615, or N-814 in your total tax liability.)

**Line 2a.** — Enter the total gross income of the qualified business from trade or business within the zone during the taxable year. Gross income from trade or business within the zone is received when tangible personal property is sold at wholesale to business firms, a qualified business engages

in a service business, or value is added to materials or products that are manufactured by a qualified business.

For an individual operating as a sole proprietorship, enter the amount of the business' net income which is attributable to the conduct of trade or business within the zone. This is calculated by multiplying the business' net income by a fraction; the numerator being the total gross receipts of the trade or business within the zone and the denominator being the total gross receipts of the business within Hawaii.

Members should enter the amount from Form N-756A, line 2e.

**Line 2b.** — Enter the total gross income of the qualified business within Hawaii during the taxable year, including sales within and outside the enterprise zone. A business is taxable outside the enterprise zone if the business has: 1) income from business activity within the zone which does not fall within the definition of trade or business, or 2) income from business activity conducted outside the zone. This term includes work that a business located within a zone subcontracts to a business located outside the zone and the work is delivered outside the zone.

For an individual, enter the total gross income required to be reported to Hawaii, including your business's net income (if operating as a sole proprietorship), salary, interest income, dividend income, etc.

Members should include in the total amount reported on line 2b, the amount from Form N-756A, line 2a.

**Line 4.** — Enter the total amount of unemployment insurance premiums paid on the payroll of all the business' employees employed in Hawaii.

Members claiming their share of the entity's unemployment insurance premiums paid within the zone should skip lines 4, and 5a - 5c; and enter

the amount from Form N-756A, line 3e, on line 6. On the dotted line next to line 6, write "From Form N-756A" and go to line 7.

**Line 5a.** — Enter the total payroll for employees employed within the zone during the taxable year. **Caution:** The determination of "employees employed within the zone" is different than the increase in employees required in determining the eligibility for the income tax credit as set by the Department of Business, Economic Development, and Tourism. In order to qualify for the income tax benefits, an employee's services to the EZ company must be: 1) performed entirely within enterprise zones in the same county that the company has been qualified in, or 2) the individual's service must be performed both within and outside enterprise zones within the same county, but the service performed outside of enterprise zones in the same county is only incidental to the individual's service within the zones.

**Line 5b.** — Enter the total payroll for all employees within Hawaii.

**Part II**

Complete this part if your 7 or 10-year cycle began at the start of your taxable year, skip Part III, and go to Part IV. If your 7 or 10-year cycle began during your taxable year, then skip Part II and go to Part III.

**Part III**

Complete this part if your 7 or 10-year cycle began during your taxable year rather than at the start of your taxable year and then go to Part IV.

**Part IV**

Complete this part to determine your allowable credit.

**CREDIT WORKSHEET**

Tax Credit	Amount
a. Ethanol Facility Tax Credit . . . . .	_____
b. Credit for Low-Income Household Renters . . . . .	_____
c. Credit for Child and Dependent Care Expenses . . . . .	_____
d. Credit From a Regulated Investment Company . . . . .	_____
e. Fuel Tax Credit for Commercial Fishers . . . . .	_____
f. Credit for Child Passenger Restrain Systems . . . . .	_____
g. Capital Goods Excise Tax Credit . . . . .	_____
h. Motion Picture, Digital Media and Film Production Income Tax Credit . . . . .	_____
i. Refundable Food/Excise Tax Credit . . . . .	_____
j. Renewable Energy Technologies Income Tax Credit (Refundable) . . . . .	_____
k. Tax Credit for Research Activities . . . . .	_____
l. Important Agricultural Land Qualified Agricultural Cost Tax Credit . . . . .	_____
m. Income Taxes Paid to Another State or Foreign Country . . . . .	_____
n. Add lines a through m. Enter the amount here and on line 17. . . . .	_____



# **APPENDIX E**

## **References**



## REFERENCES

For the latest information on the Enterprise Zones Program, please access <http://invest.hawaii.gov/business/ez/>. Here you can find the incentives, eligible businesses, zone maps and previous annual reports.

For Enterprise Zones Program success stories, please access <http://invest.hawaii.gov/business/success-stories/> for background and results on participants who have successfully benefited from the Enterprise Zones Program.