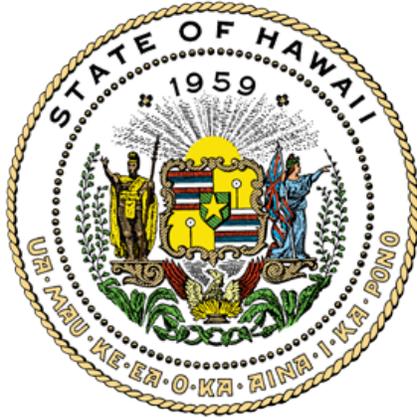


STATE OF HAWAII



## HAWAII ENTERPRISE ZONES PROGRAM



## CALENDAR YEAR REPORT FOR TAX YEAR 2023

Pursuant to Section §209E-3 (5), Hawaii Revised Statutes



STATE OF HAWAII • DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM



**HAWAII ENTERPRISE ZONES PROGRAM**

**ANNUAL REPORT**

Calendar Tax Year (CY) 2023

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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 economically challenged areas of Hawaii. Eligible businesses that meet EZ hiring requirements are exempt from the Hawaii General Excise Tax (GET) on eligible revenues and may 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 general contractor and licensed sub-contractors. 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, well over 2,000 eligible Hawaii companies have participated in the program. The main purpose of the program is to encourage certain types of business development and job creation in economically challenged areas of the state, through tax incentives. In the following section, we outline various program metrics for the calendar year 2023. In 2023, *reporting* EZ companies reported 876 new or maintained jobs statewide, an increase of 21 jobs from the 855 reported in 2022. This increase in jobs tends to show that businesses are recovering from the challenges of the COVID-19 pandemic where they needed to redesign and remodel the set-up of their physical operations, as well as adjust their operational practice, products, and services.

The business activities that reported the greatest number of jobs in the EZ Program in 2023 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 2023 were: 1) Telecommunication switching and delivery; 2) Manufacturing; 3) Agricultural Production or Processing; and 4) Wholesaling. Note, Telecommunication switching and delivery only comprised one company so this may not be statistically significant for that industry. The other three business activities also had the largest number of reporting companies, so these business activities tend 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 and almost half respectively of the total number of EZ enrolled companies.

The top three EZ business activities producing the most revenue statewide for 2023 were: 1) Agricultural Production or Processing; 2) Wholesaling; and 3) Manufacturing. The top EZ business activities by *average company revenue* were 1) Telecommunication switching and delivery 2) Wholesaling; 3) Manufacturing; 4) Aviation or maritime repair or maintenance; and 5) Agricultural Production or Processing. Note, Telecommunication switching and delivery only comprised one company so this may not be statistically significant for that industry.

One important metric for the Enterprise Zone Program annual reports is the number of jobs maintained or created in exchange for the 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 the credits claimed for unemployment insurance premiums companies pay for employees located in the enterprise zone. However, these figures are not available until a year or two after the Enterprise Zone Annual Report is completed so 2023 figures are not available yet (see the most recent report [Tax Credits Claimed by Hawaii Taxpayers Tax Year 2021](#) prepared by Tax Research and Planning Office, Department of Taxation).

For reference, however, the non-refundable income EZ tax credits claimed for tax year 2021 as reported by DOTAX amounted to \$0.5 million, down from \$0.7 million for tax year 2020 and \$1.3 million for tax year 2019.

Add to this the estimated foregone GET exemptions claimed by EZ companies in 2021, we have (see [Hawaii Enterprise Zone Report 2021](#)):

DESCRIPTION	AMOUNT
Total Revenue Reported by EZ Companies in 2021	\$159,561,090.
Multiply by 0.5% (wholesale GET exemption)	\$797,805.
Add foregone revenue from non-refundable EZ income tax credits	\$500,000.
Total foregone tax revenue for 2021	\$1,297,805.

In 2021, EZ companies reported 1,113 jobs either created or maintained. Therefore, cost to the state in 2021 was \$1,166. per job. The cost per job has been fairly consistent in past years for which there is DOTAX data available, with the total never in the past five years exceeding \$2,500.

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 2023, there were no new re-designated Enterprise Zones. The next Enterprise Zones that are eligible to be re-designated are in Honolulu and Maui Counties, but these re-designations are still a couple of years away.

Honolulu County	Effective Date	Expiration Date
Waimanalo	4/1/2008	3/31/2028

Maui County (Molokai / Lanai)	Effective Date	Expiration Date
Greater Maui	5/1/2006	4/30/2026
West Maui	5/1/2006	4/30/2026

DBEDT looks forward to even closer collaboration with the Counties in the coming years in using the EZ Program to support the Counties’ economic development objectives.



## PROGRAM METRICS FOR 2023

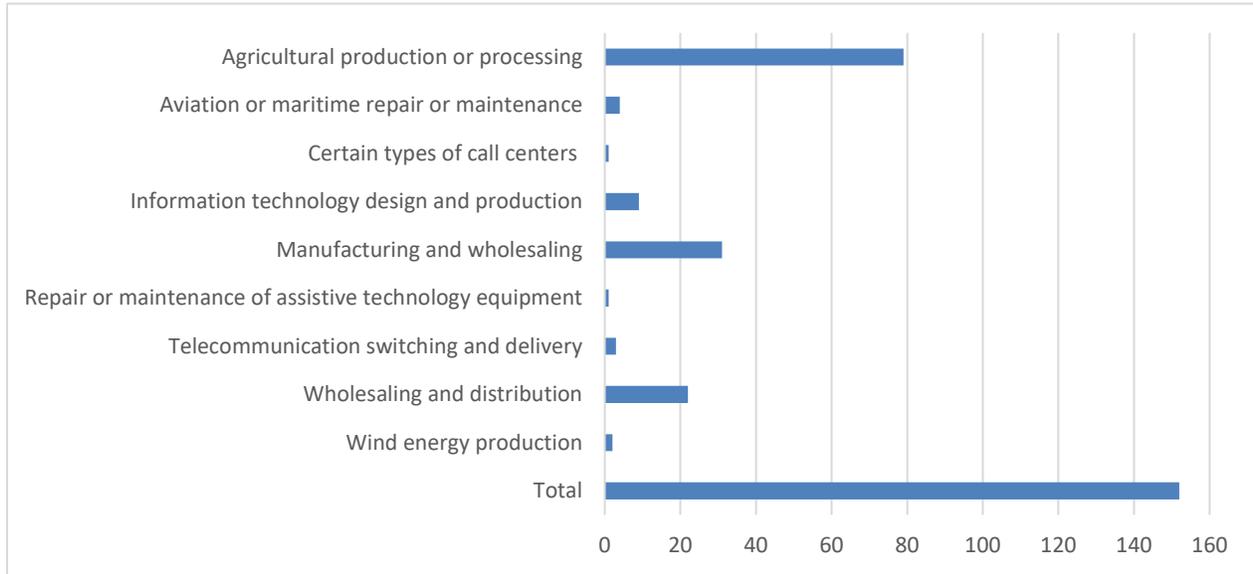
### Total Number of Enrolled Enterprise Zone Companies, by County, 2023

Country	Number of companies enrolled
Hawaii County	45 companies
Honolulu County	68 companies
Kauai County	14 companies
Maui County	25 companies
<b>Total State</b>	152 companies

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 some agricultural companies that cannot meet the job requirements. If a reporting company meets 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. However, county and contractor GET exemption benefits are available to all currently enrolled EZ companies regardless of their meeting or not meeting program requirements.

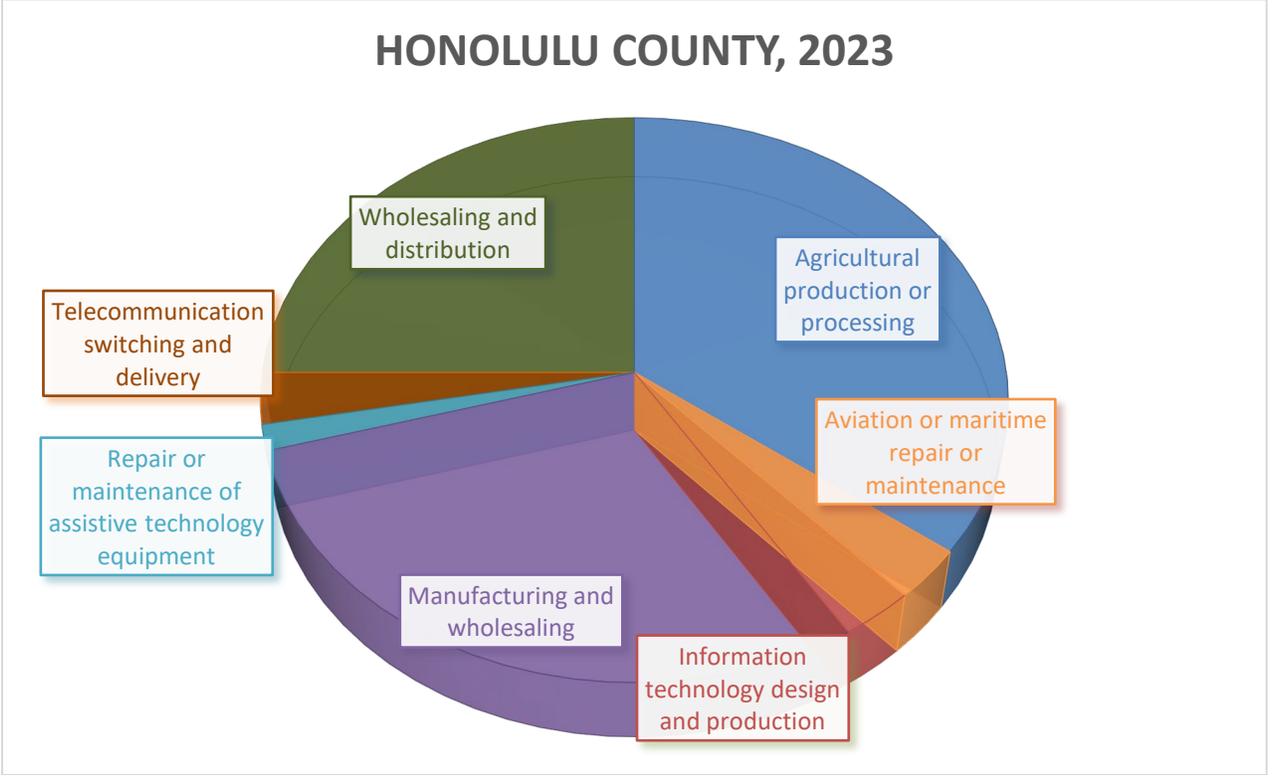
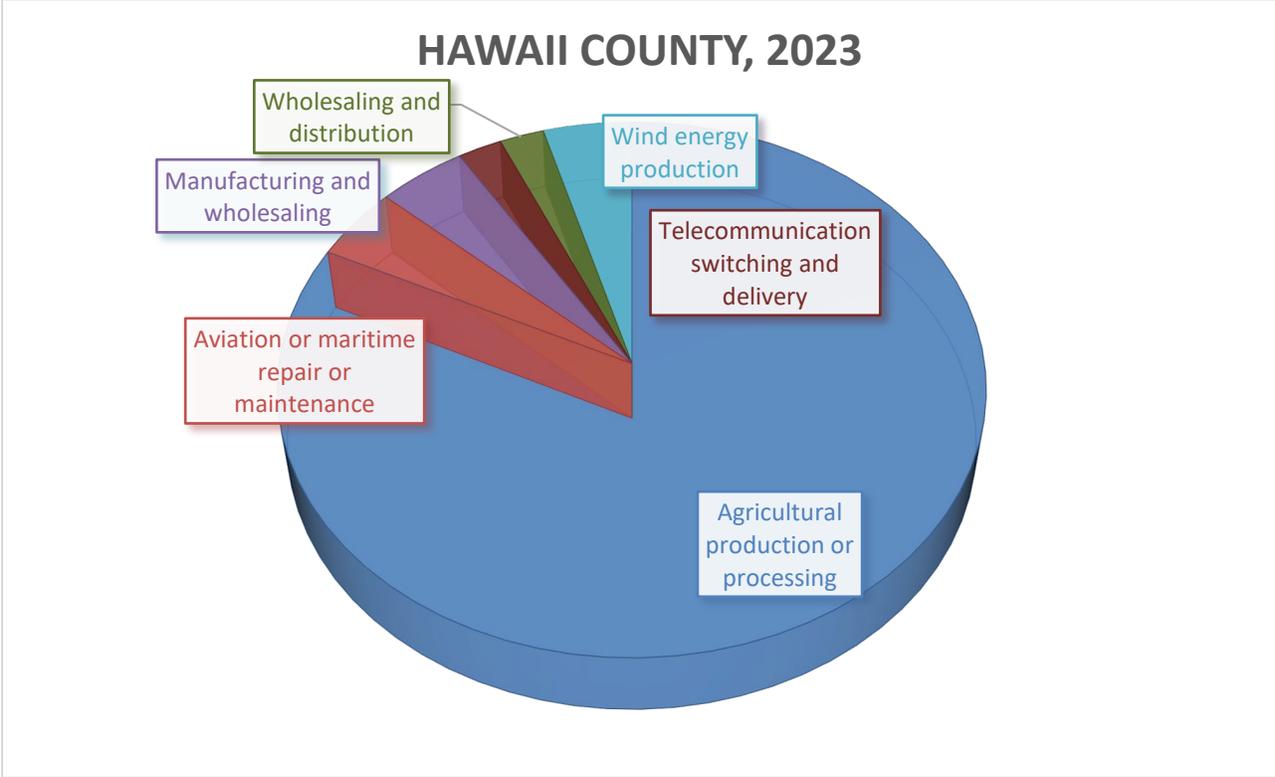
It should be noted that significant statistical information for 2023 is based on information provided by *reporting* companies in 2023. The number of *reporting* companies is less than the number of *enrolled* companies due to a number of companies not submitting their end-of-year reports. In 2023 there were no reporting companies in 1) Medical research, clinical trials, and telemedicine service; 2) Biotechnology research, development, production, or sales; 3) For-profit international business management training; and 4) Environmental remediation technician training. To improve our program tracking, efforts have been underway to encourage enrolled EZ companies to submit their end-of-year reports regardless of whether they have met the EZ Program requirements for tax incentives.

**Total Number of Enrolled Enterprise Zone Companies by Industry Statewide, 2023\***

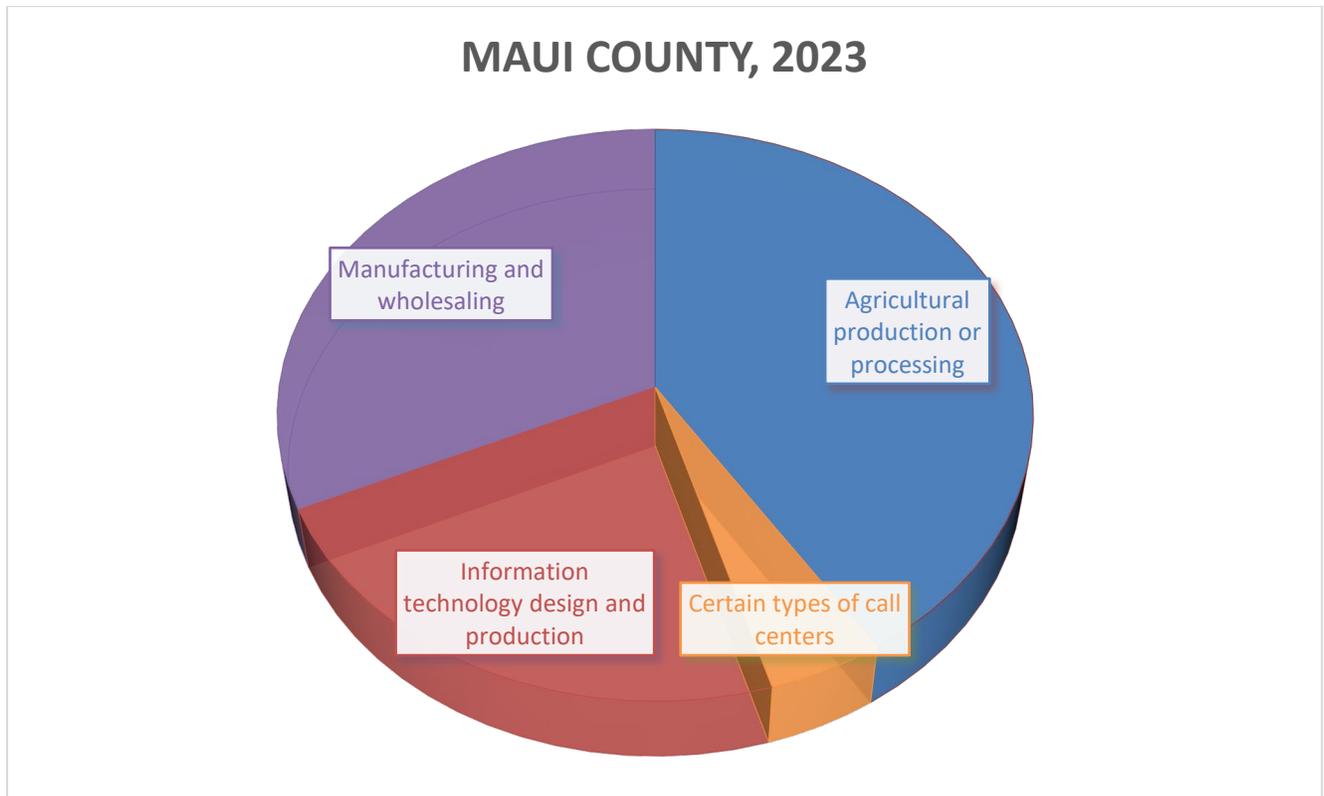
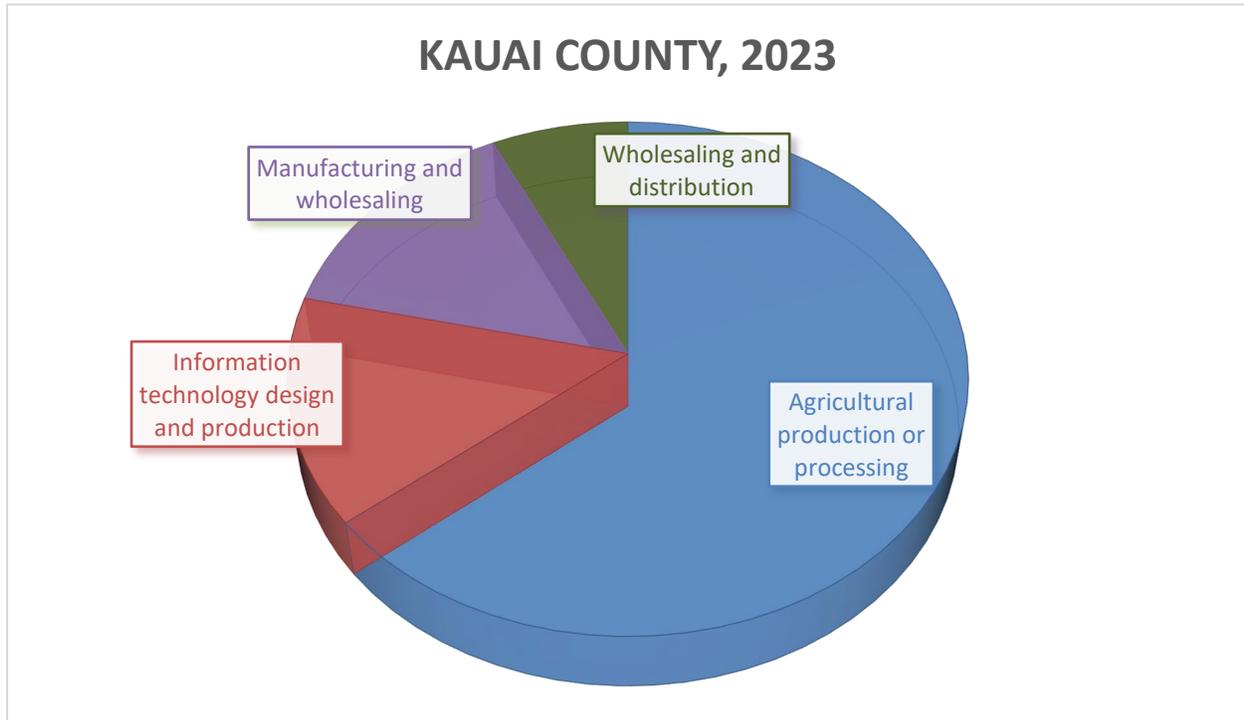


\*Note: in this report we use “industry” as synonymous with “business activity,” the term used in HRS 209D.

# Enrolled Enterprise Zone Companies as Industry Percentage by County



**Enrolled Enterprise Zone Companies as Industry Percentage by County (continued)**



Total Number of Jobs Created or Maintained of Reporting Companies by Industry Statewide and by County, 2023											
	Total	%	Hawaii	%	Honolulu	%	Kauai	%	Maui	%	
Agricultural production or processing	506	57.76%	142	93.42%	326	53.53%	36	66.67%	2	3.28%	
Aviation or maritime repair or maintenance	11	1.26%	4	2.63%	7	1.15%	0	0.00%	0	0.00%	
Biotechnology research, development, production	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Certain types of call centers	4	0.46%	0	0.00%	0	0.00%	0	0.00%	4	6.56%	
For-profit training programs, in international	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Information technology design and production	17	1.94%	0	0.00%	0	0.00%	2	3.70%	15	24.59%	
Manufacturing and wholesaling	191	21.80%	2	1.32%	144	23.65%	5	9.26%	40	65.57%	
Medical research and clinical trials	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Repair or maintenance of assistive technologies	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Telecommunication switching and delivery	32	3.65%	0	0.00%	32	5.25%	0	0.00%	0	0.00%	
Wholesaling and distribution	115	13.13%	4	2.63%	100	16.42%	11	20.37%	0	0.00%	
Wind energy production	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
<b>TOTAL</b>	<b>876</b>	<b>100.00%</b>	<b>152</b>	<b>100.00%</b>	<b>609</b>	<b>100.00%</b>	<b>54</b>	<b>100.00%</b>	<b>61</b>	<b>100.00%</b>	

Note: Some business activities not included if no job reports were submitted from the companies enrolled under those business activities.

**Average Number of Jobs Created or Maintained of Reporting Companies by Industry Statewide, 2023**

	<b>Total</b>	<b>No. of Reporting Companies</b>	<b>Ave. No. of Jobs per Company</b>
Agricultural production or processing	506	28	18
Aviation or maritime repair or maintenance	11	2	6
Biotechnology research, development, production, or sales	0	0	0
Certain types of call centers	4	1	4
For-profit training programs in international business management or environmental remediation	0	0	0
Information technology design and production	17	3	6
Manufacturing and wholesaling	191	9	21
Medical research and clinical trials	0	0	0
Repair or maintenance of assistive technology equipment	0	0	0
Telecommunication switching and delivery	32	1	32
Wholesaling and distribution	115	10	12
Wind energy production	0	0	0
<b>TOTAL</b>	<b>876</b>	<b>54</b>	<b>16</b>

Total Revenue of Reporting Companies by Industry Statewide and by County, 2023											
	Total	%	Hawaii	%	Honolulu	%	Kauai	%	Maui	%	
Agricultural production or processing	\$125,188,886.91	40.87%	\$26,958,000.89	87.57%	\$89,101,838.31	35.25%	\$8,652,430.53	62.26%	\$476,617.18	5.39%	
Aviation or maritime repair or maintenance	\$9,141,258.50	2.98%	\$1,799,117.50	5.84%	\$7,342,146.00	2.90%	0	0.00%	0	0.00%	
Biotechnology research, development, prod	\$0.00	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Certain types of call centers	\$404,987.56	0.13%	0	0.00%	0	0.00%	0	0.00%	\$404,987.56	4.58%	
For-profit training programs in international	\$0.00	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Information technology design and product	\$4,142,646.32	1.35%	0	0.00%	0	0.00%	\$139,484.44	1.00%	\$4,003,161.88	45.31%	
Manufacturing and wholesaling	\$46,180,826.10	15.08%	\$205,644.88	0.67%	\$40,952,680.22	16.20%	\$1,072,507.57	7.72%	\$3,949,993.43	44.71%	
Medical research and clinical trials	\$0.00	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Repair or maintenance of assistive technol	\$0.00	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Telecommunication switching and delivery	\$11,812,201.42	3.86%	0	0.00%	\$11,812,201.42	4.67%	0	0.00%	0	0.00%	
Wholesaling and distribution	\$109,445,227.41	35.73%	\$1,840,309.00	5.97%	\$103,571,159.61	40.97%	\$4,033,758.80	29.02%	0	0.00%	
Wind energy production	\$0.00	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
<b>TOTAL</b>	<b>\$306,316,034.22</b>	<b>100.00%</b>	<b>\$30,803,067.27</b>	<b>100.00%</b>	<b>\$252,780,025.56</b>	<b>100.00%</b>	<b>\$13,898,181.34</b>	<b>100.00%</b>	<b>\$8,834,760.05</b>	<b>100.00%</b>	

<b>Average Revenue per Company by Industry Statewide, 2023</b>			
	<b>Total</b>	<b>No. of Reporting Companies</b>	<b>Ave. Revenue per company</b>
Agricultural production or processing	\$125,188,886.91	28	\$4,471,031.68
Aviation or maritime repair or maintenance	\$9,141,258.50	2	\$4,570,629.25
Biotechnology research, development, produ	\$0.00	0	\$0.00
Certain types of call centers	\$404,987.56	1	\$404,987.56
For-profit training programs in international	\$0.00	0	\$0.00
Information technology design and productio	\$4,142,646.32	3	\$1,380,882.11
Manufacturing and wholesaling	\$46,180,826.10	9	\$5,131,202.90
Medical research and clinical trials	\$0.00	0	\$0.00
Repair or maintenance of assistive technolog	\$0.00	0	\$0.00
Telecommunication switching and delivery	\$11,812,201.42	1	\$11,812,201.42
Wholesaling and distribution	\$109,445,227.41	10	\$10,944,522.74
Wind energy production	\$0.00	0	\$0.00
<b>TOTAL</b>	<b>\$306,316,034.22</b>	<b>54</b>	<b>\$5,672,519.15</b>

## **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 percent of the population of each census tract shall have a median family income below 80 percent 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 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.

### **EZ OUTREACH ACTIVITIES IN 2023**

Due to the COVID-19 pandemic in-person outreach was still limited in 2023. As a substitute platform numerous EZ Program presentations via video-conference were held, often in collaboration with resource partners such as Hawaii Technology Development Corporation/ Innovate Hawaii, Hawaii Small Business Development Centers, and the Small Business Administration. On average, there were at least two EZ Program presentations each month through this reporting period.

### **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-Waialua 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 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 latter 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.

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.

In 2020 three new Enterprise Zones were designated or re-designated: North Kohala (Hawaii County), Lanai (Maui County), and East Maui, which was combined with Greater Maui (Maui County).

In 2021, two Enterprise Zones (EZ), the Urban Honolulu and Leeward EZs were re-designated for additional 20-Year terms. The Leeward Enterprise Zone was subsequently terminated and the Leeward EZ areas merged into the Central Oahu-Ewa Enterprise Zone.

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

### DESIGNATED ENTERPRISE ZONES

Honolulu County	Effective Date	Expiration Date
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
Urban Honolulu	4/1/2001	3/18/2041
Waimanalo	4/1/2008	3/31/2028

Hawaii County	Effective Date	Expiration Date
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	1/21/2020	1/20/2040

Kauai County	Effective Date	Expiration Date
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

Maui County (Molokai / Lanai)	Effective Date	Expiration Date
Molokai	12/11/2016	12/10/2036
Lanai	3/25/2020	3/24/2040
Greater Maui	5/1/2006	4/30/2026
West Maui	5/1/2006	4/30/2026

## **ENTERPRISE ZONE CHANGES BY COUNTY**

### ***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 was 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.
- In 2020 one new Enterprise Zones was re-designated: the North Kohala Enterprise Zone.

### ***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 Mokuieia 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.
- In 2021, two Enterprise Zones (EZ), the Urban Honolulu and Leeward EZs were re-designated for additional 20-year terms. The Leeward Enterprise Zone was subsequently terminated and the Leeward EZ areas merged into the Central Oahu-Ewa Enterprise Zone as delineated by City and County of Honolulu Resolution No. 20-303 and approved for 20-year redesignation and reconfiguration.

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

- In April of 1996, Lihue and the 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.
- In 2020, the Lanai Enterprise Zone was re-designated and the East Maui Enterprise Zone was combined with the Greater Maui 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 (6) 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).

<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>State Income Tax Credit</b>	80%	70%	60%	50%	40%	30%	20%
<b>Unemployment 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 (3) 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

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

Mark Ritchie, Branch Chief  
Phone: (808) 587-2785  
Email: [mark.j.ritchie@hawaii.gov](mailto:mark.j.ritchie@hawaii.gov)

Jason Ushijima, Economic Development Specialist  
Phone: (808) 583-5366  
Email: [jason.s.ushijima@hawaii.gov](mailto:jason.s.ushijima@hawaii.gov)

County of Hawaii            Michelle Agbigay  
Business Development Specialist  
Hawaii County, Department of Research and Development  
Phone: (808) 961-8375  
Email: [michelle.agbigay@hawaiicounty.gov](mailto:michelle.agbigay@hawaiicounty.gov)

City & County  
of Honolulu                 Amy Asselbaye  
Director  
Office of Economic Revitalization  
City & County of Honolulu  
Phone: (808) 768-6638  
Email: [amy.asselbaye@honolulu.gov](mailto:amy.asselbaye@honolulu.gov)

Constancio Paranal  
Innovation & Technology Program Manager  
Office of Economic Revitalization  
City & County of Honolulu  
Phone: (808) 768-4932  
Email: [c.paranal@honolulu.gov](mailto:c.paranal@honolulu.gov)

## ENTERPRISE ZONES COORDINATORS (Continued)

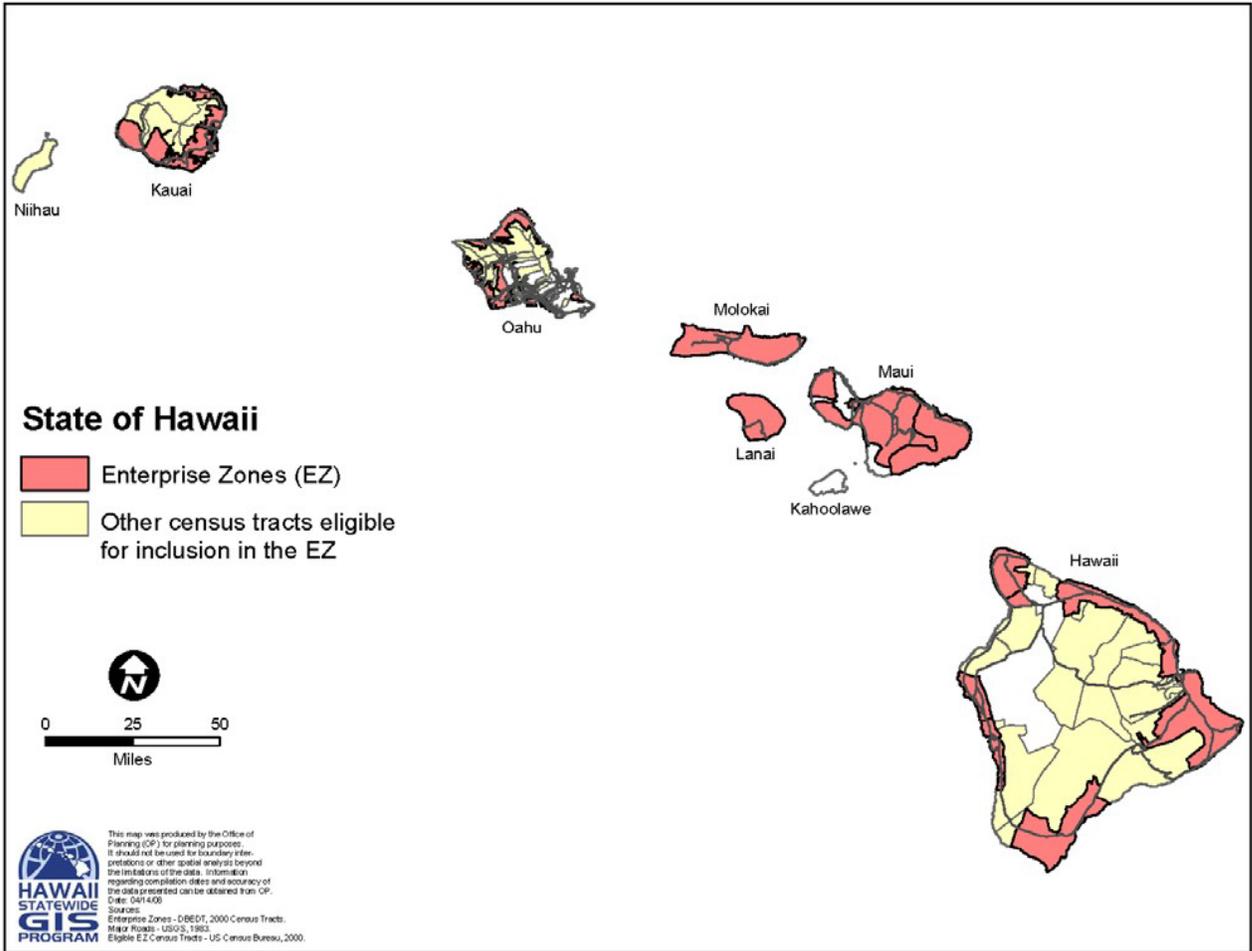
County of Kauai      Nate Prescott  
Business Specialist  
Office of Economic Development  
County of Kaua'i  
Phone: (808) 876-4932  
Email: [nprescott@kauai.gov](mailto:nprescott@kauai.gov)

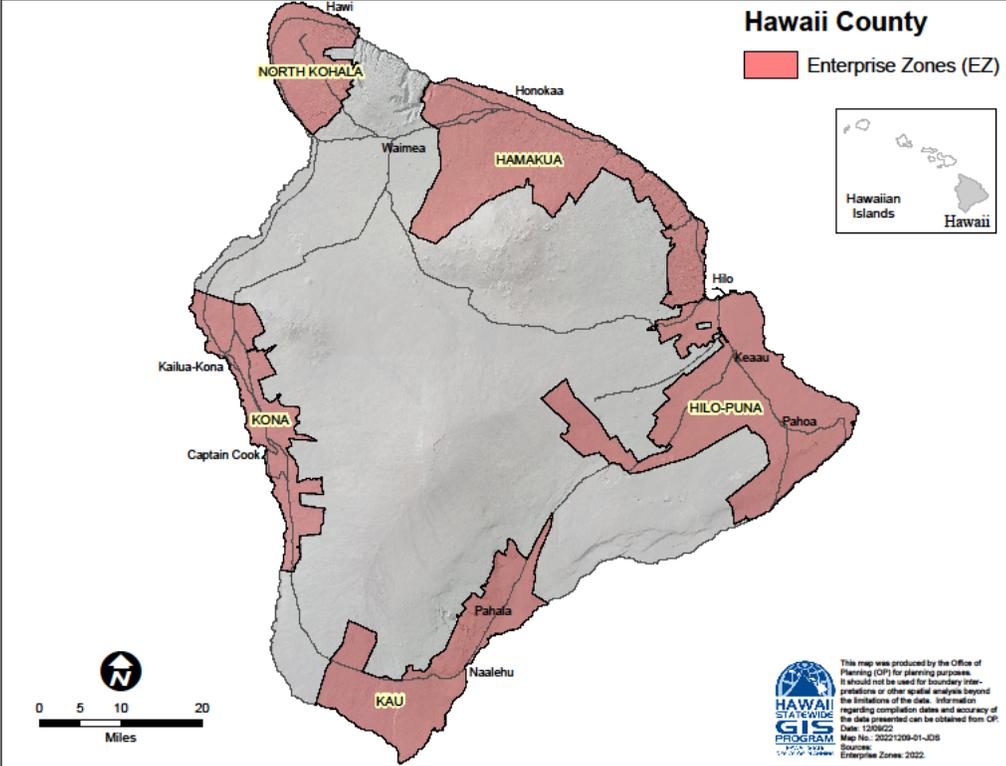
County of Maui      Patrick Ka'eo Ornellas  
Economic Development Specialist  
Business and Tourism  
Maui Mayor's Office of Economic Development  
Phone: (808) 270-7808  
Email: [patrick.p.ornellas@co.maui.hi.us](mailto:patrick.p.ornellas@co.maui.hi.us)

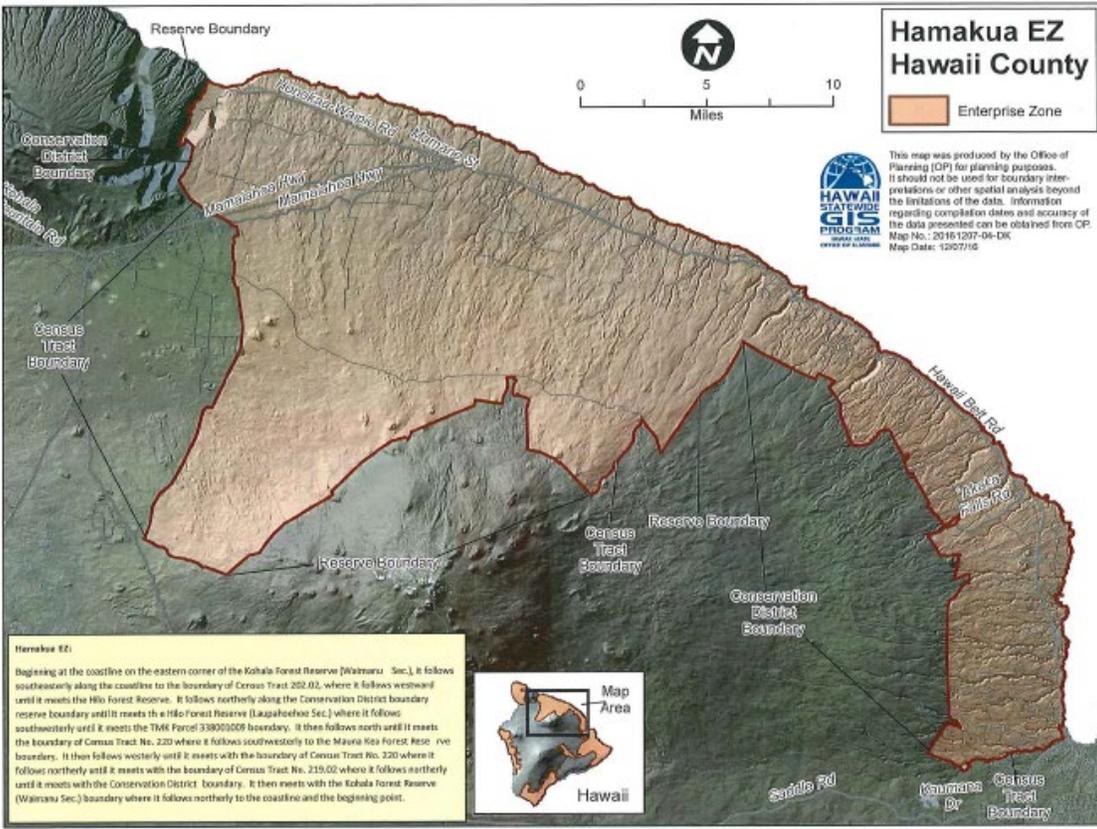
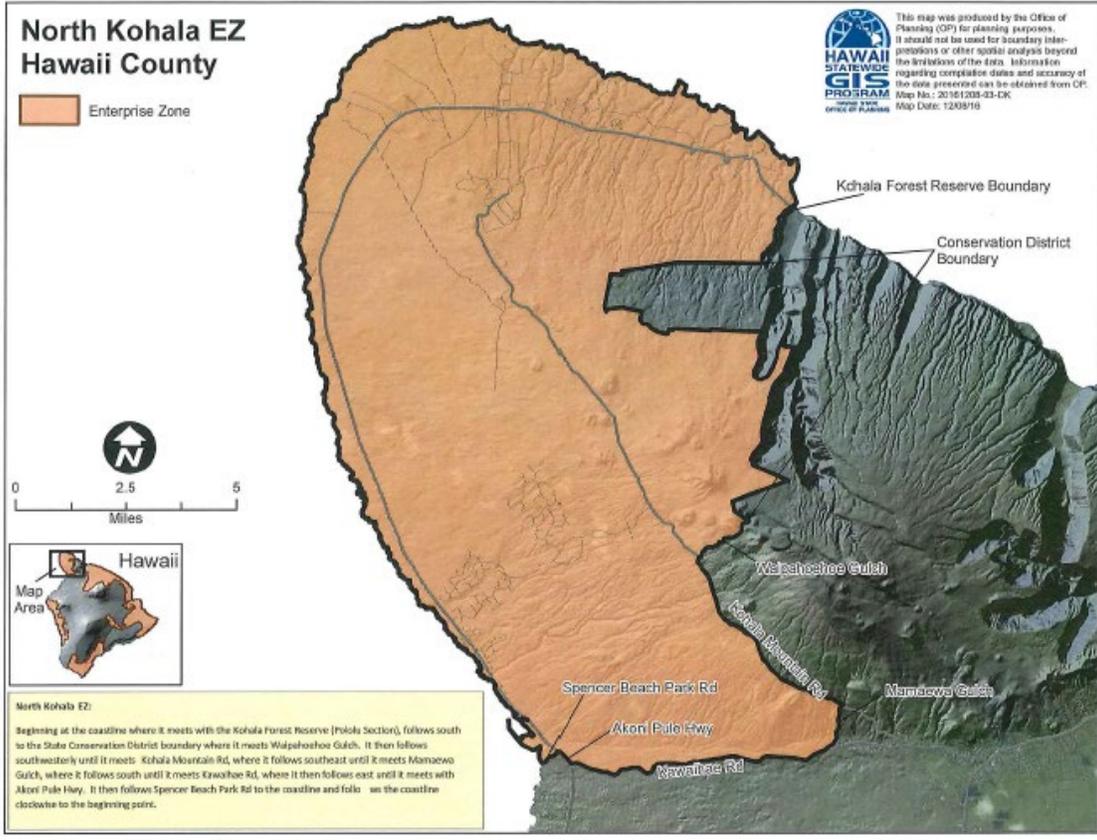


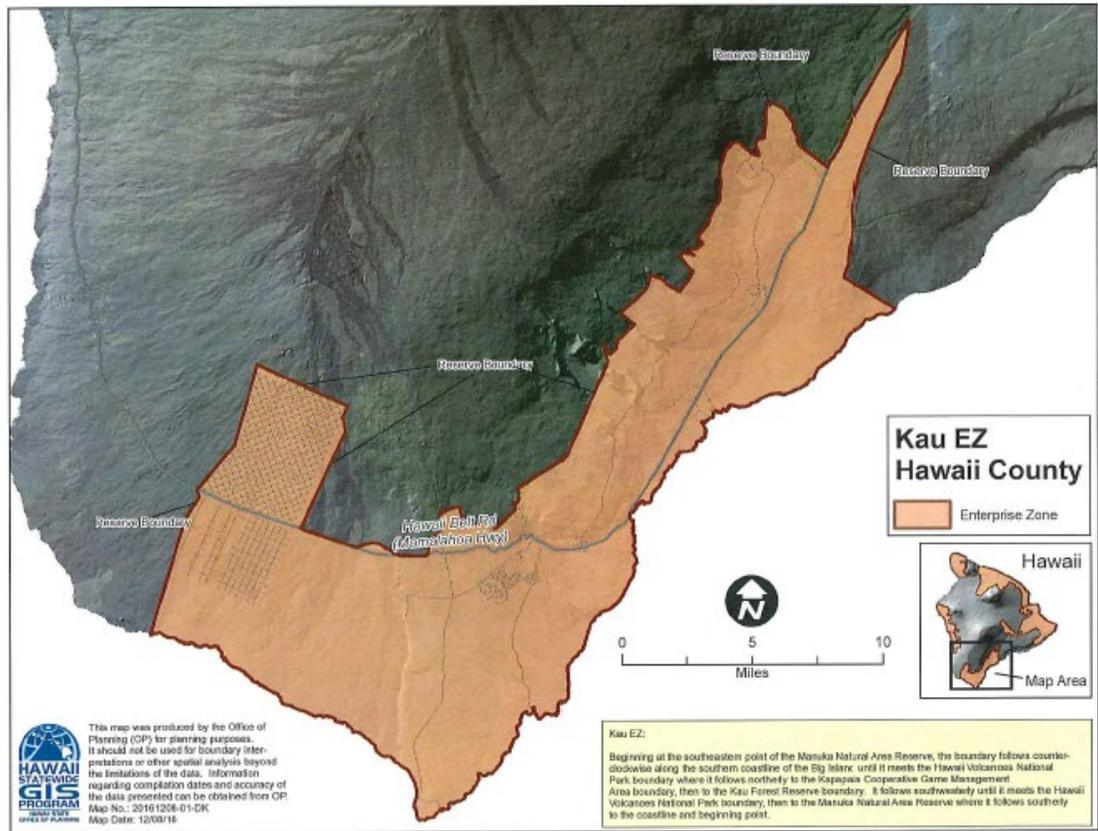
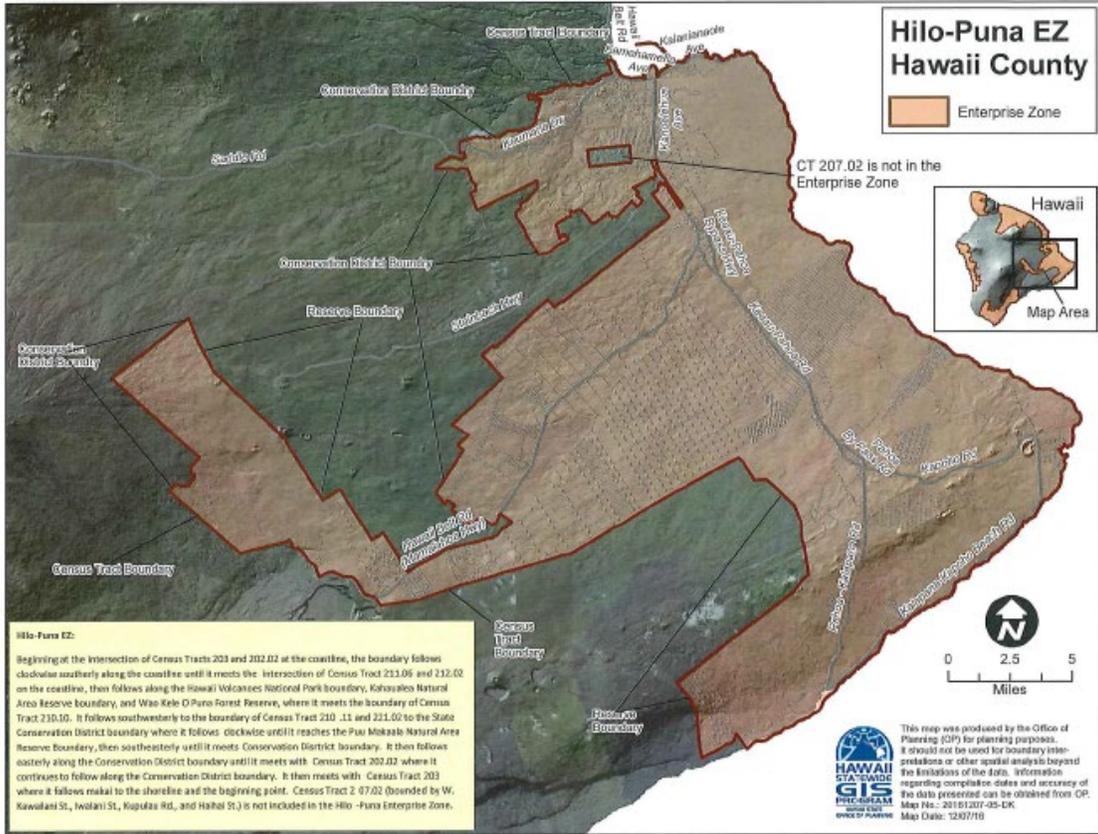
# **APPENDIX B**

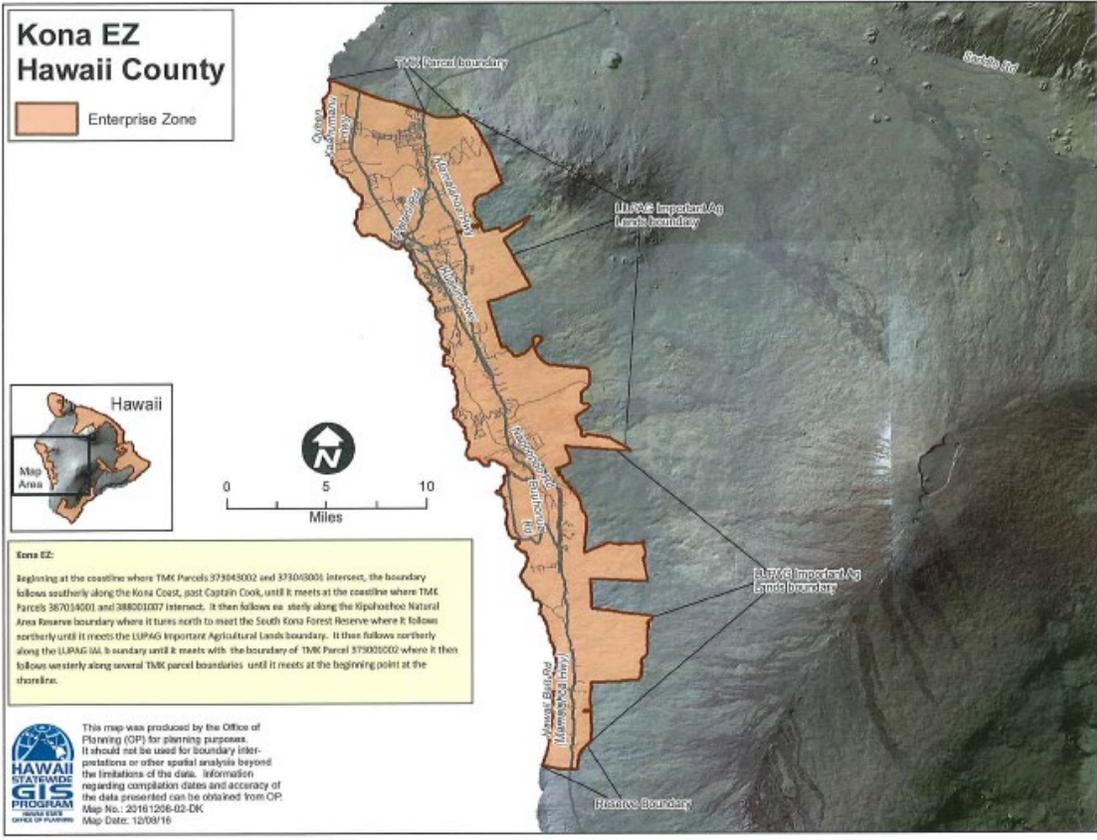
## **MAPS OF ENTERPRISE ZONES**

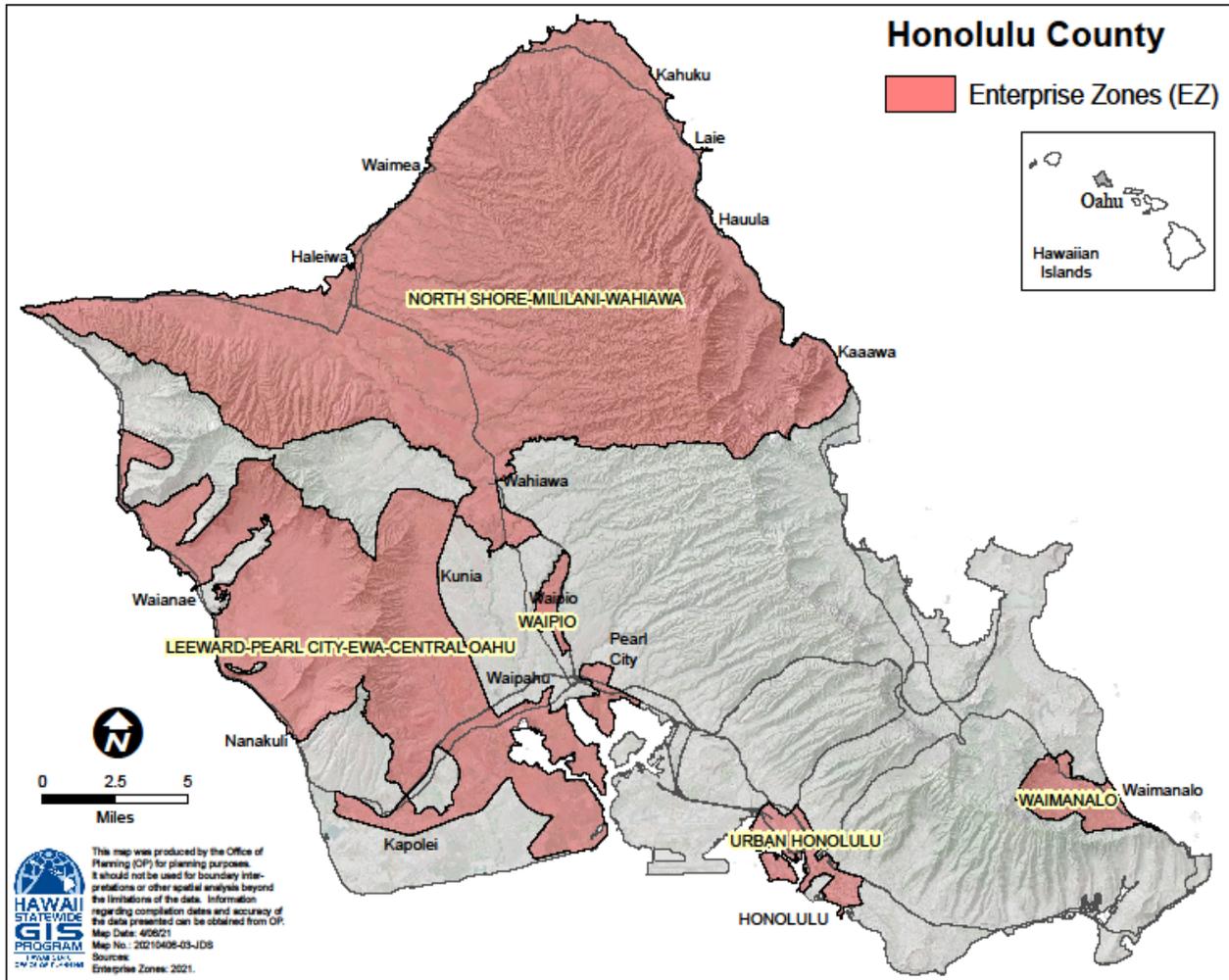


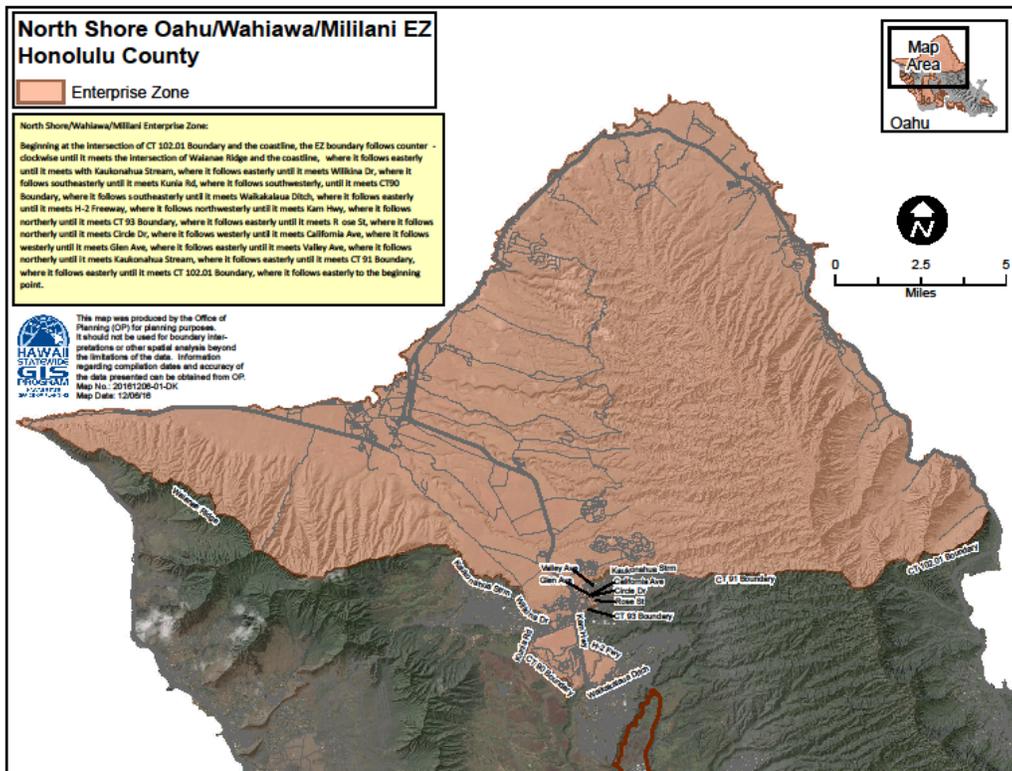
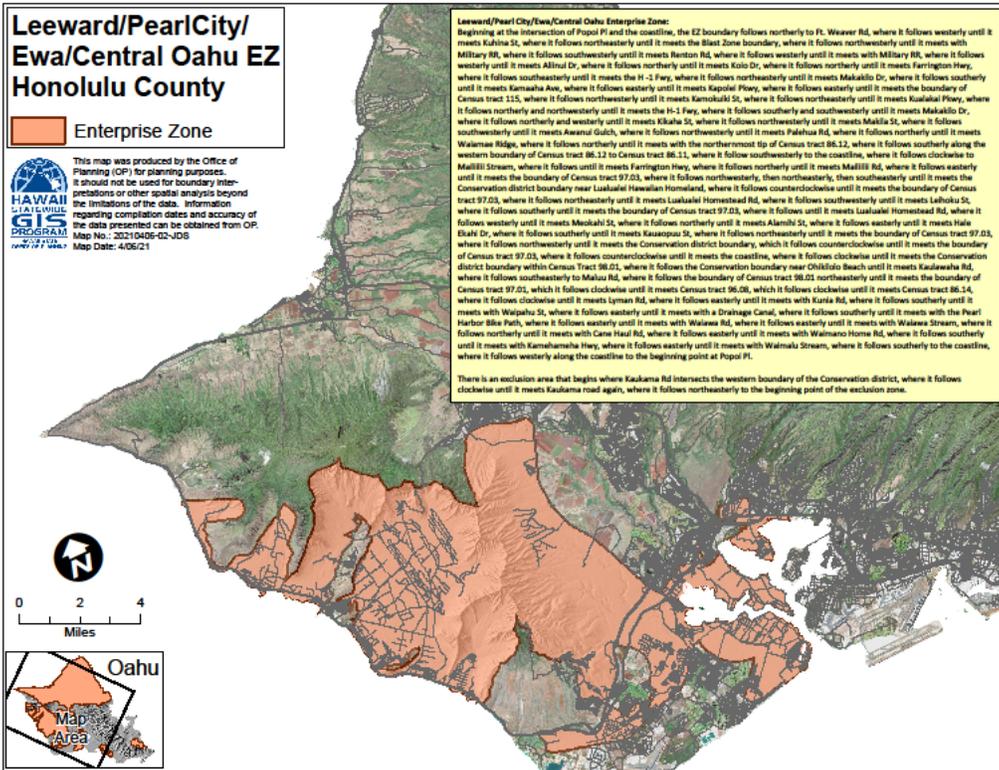


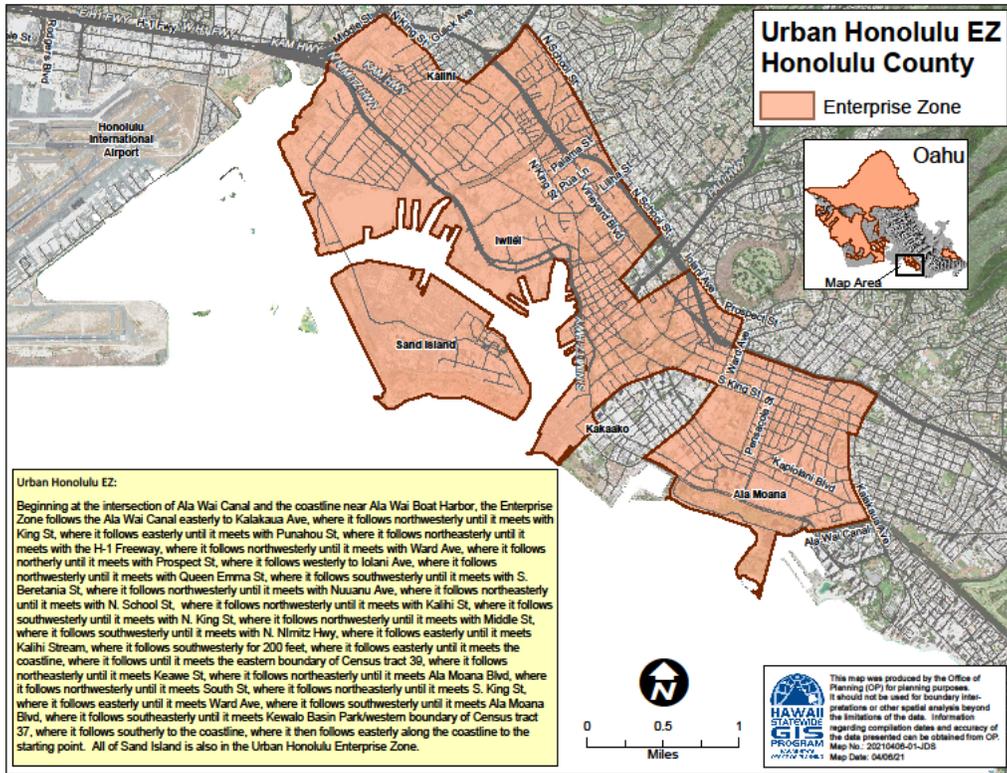
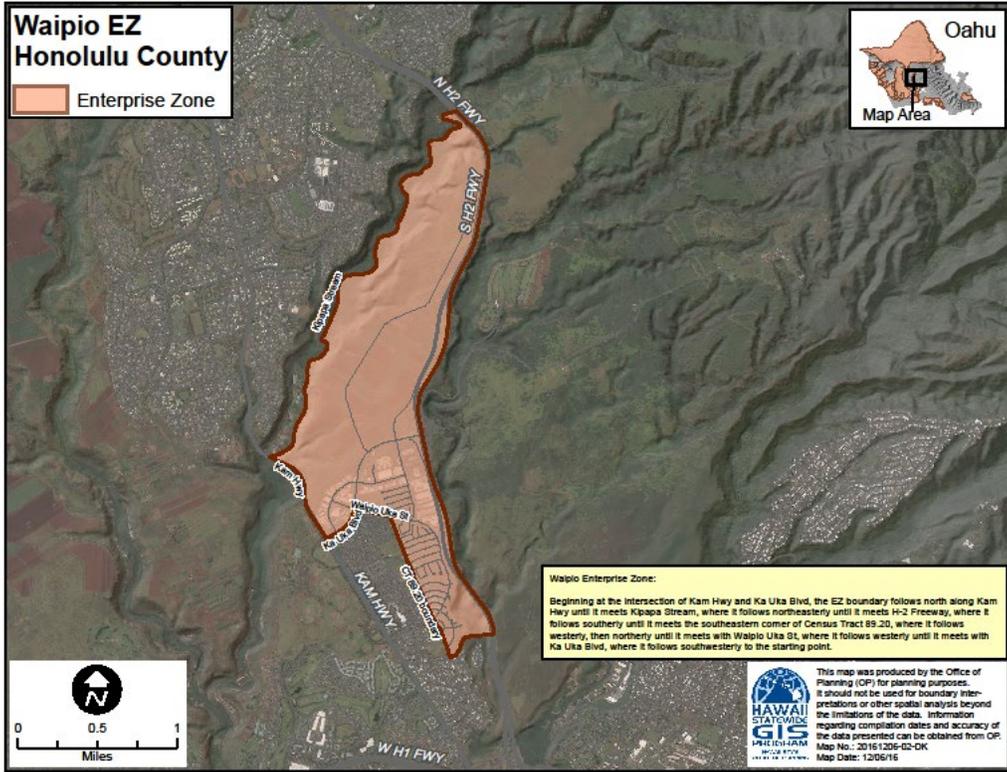


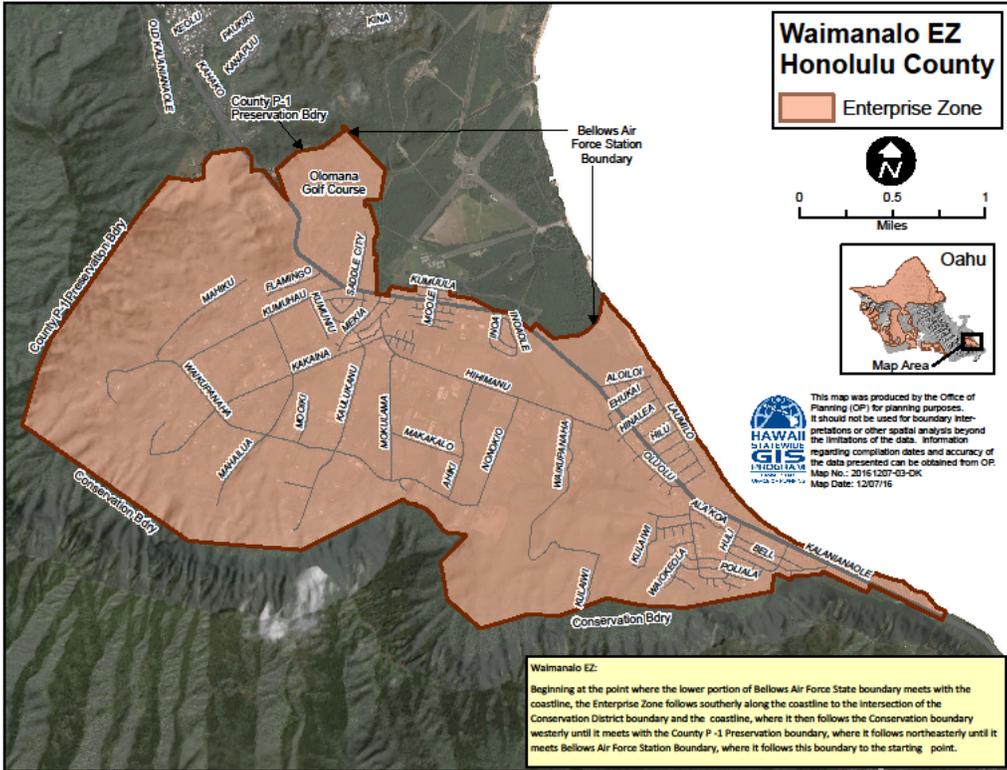








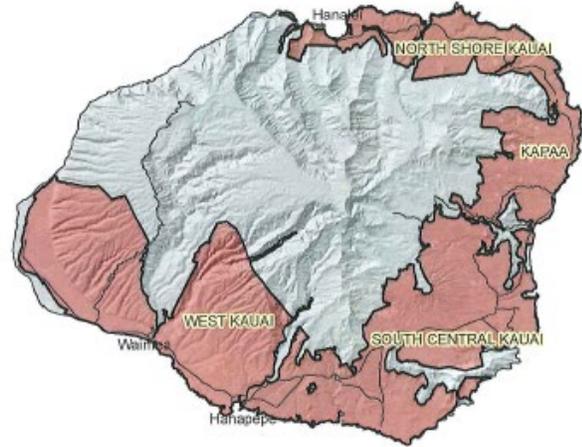




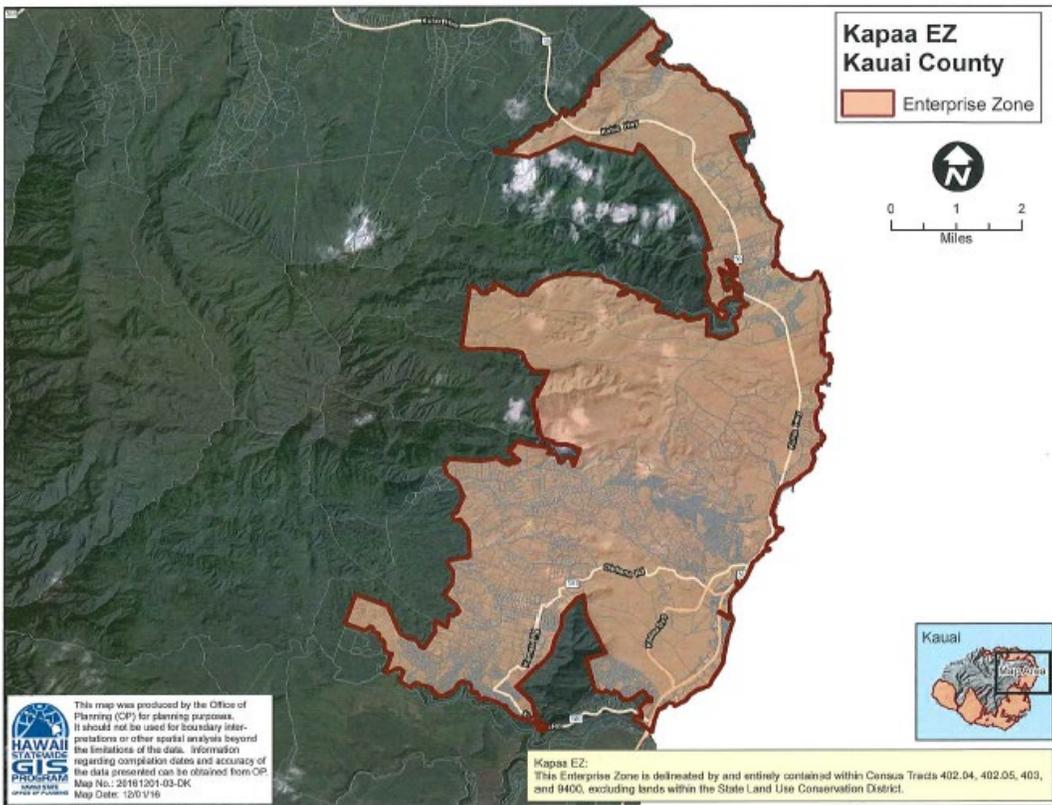
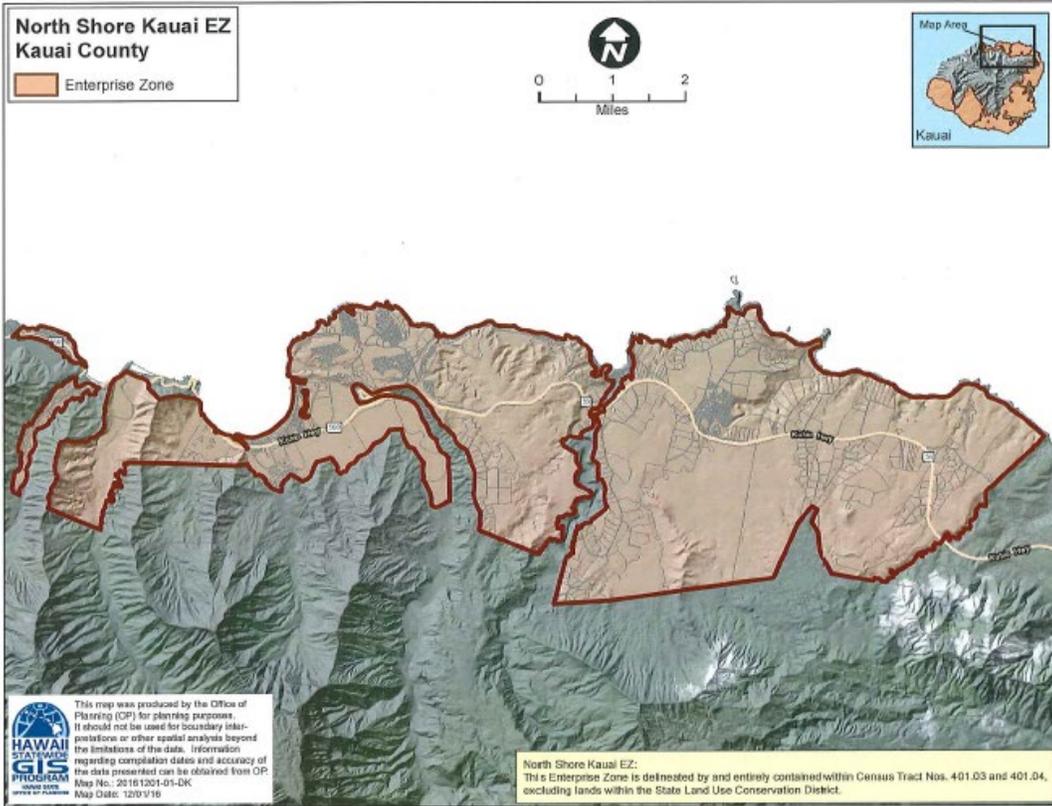
# Kauai County

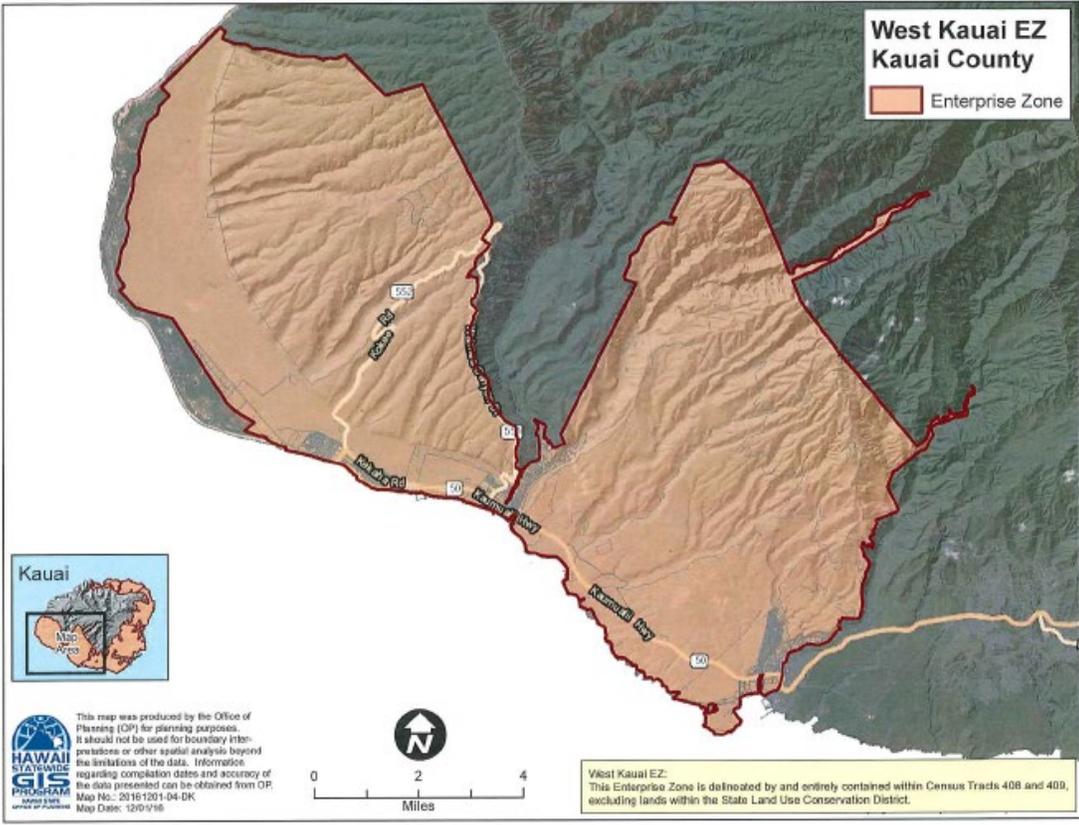
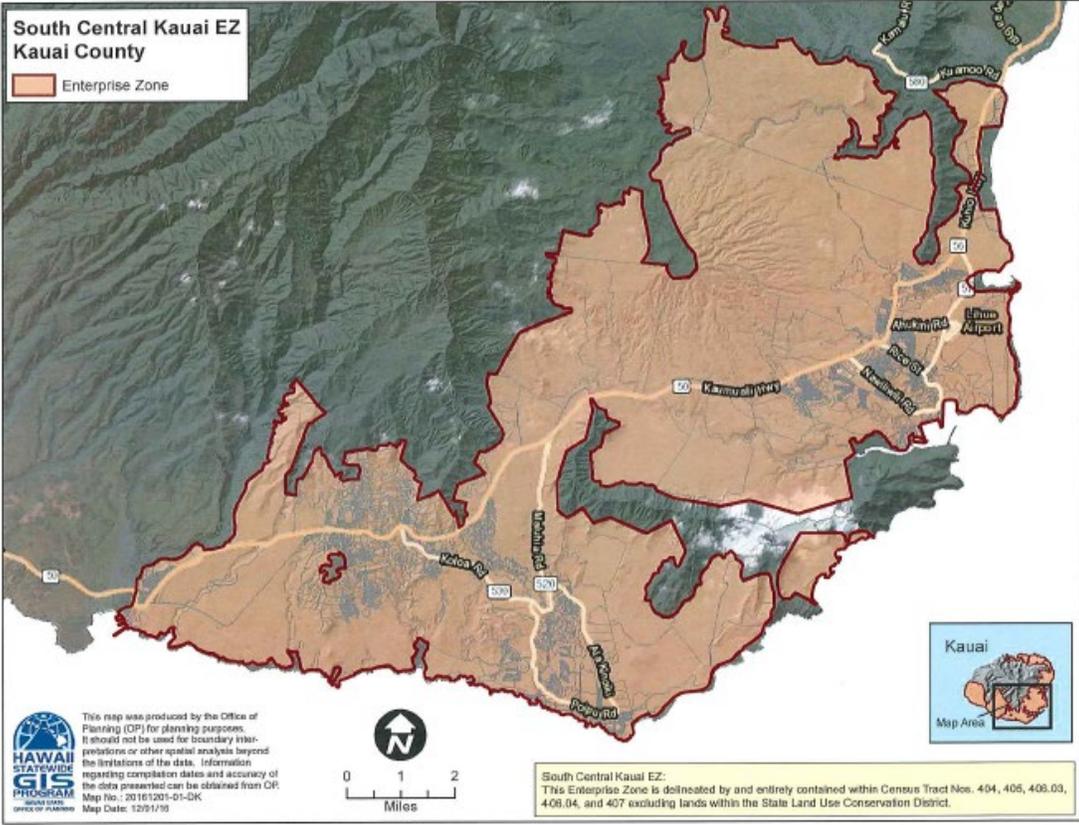
 Enterprise Zones (EZ)

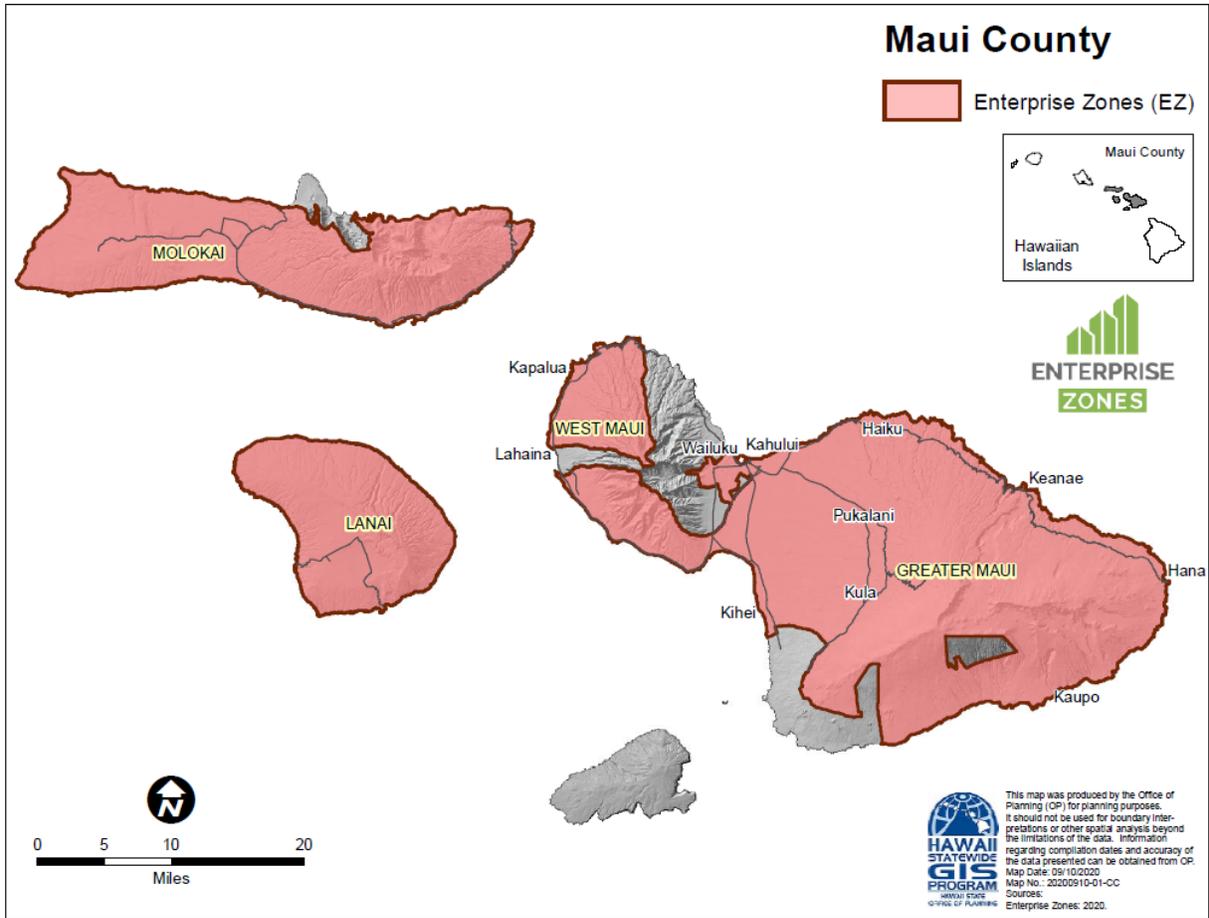
Note: All areas outside of the State Land Use Conservation District are in the Kauai Enterprise Zones.

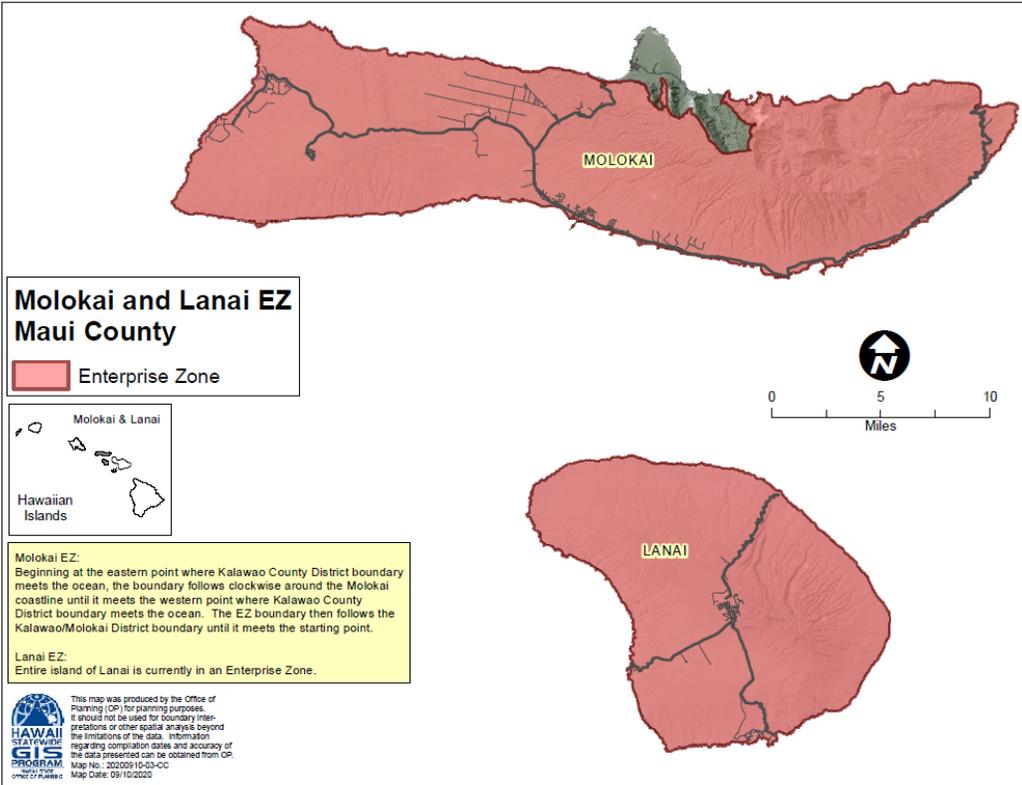
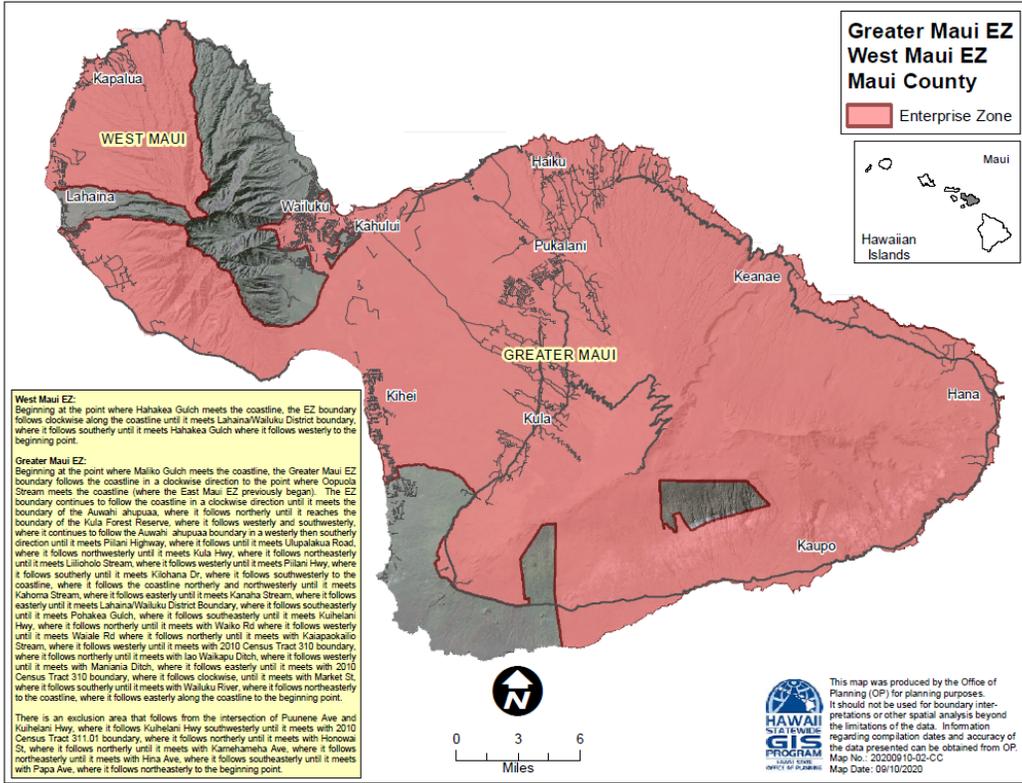


This map was produced by the Office of Planning (OP) for planning purposes. It should not be used for boundary interpretations or other spatial analysis beyond the limitations of the data. Information regarding compilation dates and accuracy of the data presented can be obtained from OP.  
Map Date: 11/18/16  
Map No.: 20161116-04-0K  
Source: Enterprise Zones: 2016.











# **APPENDIX C**

## **LIST OF FIRMS IN THE ENTERPRISE ZONES PROGRAMS**

**BY COUNTY 2023**

## FIRMS CURRENTLY ENROLLED IN THE EZ PROGRAM

### HAWAII COUNTY

Firms with an asterisk have been certified by DBEDT as eligible for the EZ tax incentives  
for tax year 2023

Acres of Aloha  
Ahualoa Family Farms LLC  
Big Island Coffee Roasters LLC\*  
Big Island Wasabi  
CN Renewable Resources LLC\*  
Diamond Sprinkler & Farm Supply, Inc\*  
Ecotech Nursery Systems LLC\*  
GD Sales L.L.C.  
Green Point Nurseries, Inc.  
GVS Connect  
Hala Tree  
Hale Cocoa LLC  
Hamakua Apiaries LLC  
Hawaii Akatsuka Farm, Inc  
Hawaii Fleet & Aviation Services\*  
Hawaii Fresh Produce Company, Inc.  
Hawaii Ulu Producers Cooperative  
Hawaiian Honey Badger dba Mauna Loa Honey\*  
Hawaiian Islands Trading Company LLC - Kona\*  
Hawaiian Macadamia Nut Orchards, LP  
Hoku Kai Biofuels LLC  
Inside Out Lock & Key LLC dba Rainbow Farms  
Jeffrey Juan  
Kahua Ranch Ltd  
Keahole FBO LP  
Kokoiki Brands  
Kona Brewery LLC  
KR Farms LLC  
Kulina Lani LLC  
Liko Lehua LLC\*  
Malulani Ranch  
Mauna Kea Cacao LLC  
Maxwell Farms LLC  
Meadow Gold Dairies Hawaii LLC (Hawaii County)\*  
Na Pua Makani Power Partners LLC  
Organic Kona Coffee Hawaii LLC  
Ponoholo Ranch Limited\*  
PRL English LLC\*  
Puna Chocolate Company\*

**Hawaii County EZ Companies (continued)**

Punachicks Farm\*  
QiCity LLC  
Sugar Hill Farmstead  
The Hippie and the Rasta Coffee Farm  
Upcycle Hawaii LLC\*  
Waiakea, Inc.

## HONOLULU COUNTY

Firms with an asterisk have been certified by DBEDT as eligible for the EZ tax incentives  
for tax year 2023

Agrefab LLC  
Aloha Beer Company LP  
American Loyalty Trading Corp.  
Barbers Point Aviation Services  
Big Tree Farm LLC\*  
C. Blue Farms  
Concentric LLC dba Industrial Battery Solutions  
Core & Main LP dba Pacific Pipe Company\*  
Dang Vessel Holdings LLC \*  
DCL, Inc dba Honolulu Ship Supply Company\*  
Erosion Control Specialists LLC  
Farm Link, Inc. (formally Counter Culture LLC)\*  
First Commercial Kitchen LLC  
Fishco Wholesale LLC\*  
Gabriel Health Inc  
Good Greens Hawaii  
Haleiwa Distilling Company  
Hawaii Pacific Data dba AlohaNAP  
Hawaiian Islands Trading Company LLC (Oahu) \*  
Hawaiian King Candies LLC  
Hawaiian Pie Company LLC\*  
Hawaiian Rainbow Bees LLC\*  
HI Performance Coatings, Inc., dba Hi-Line Distributors  
Ho Farms Hawaii LLC  
Holo Holo Distribution  
Honolulu Beerworks LLC  
Illuminage Group LLC\*  
Island Farms LLC  
Island Topsoil LLC  
Kainoital  
Kamani Millworks LLC  
Kreative Kamaaina Enterprises LLC  
Kunia Country Farms\*  
Lokoea Farms  
Lubrco LLC  
Manoa Honey Company LLC\*  
Manulele Distillers\*  
Mapco  
Meadow Gold Dairies Hawaii LLC (Honolulu County)\*  
Mid Pacific Aero Services LLC\*  
Mountain View Dairy Inc  
Native Farms LLC\*

**Honolulu County EZ Companies (continued)**

North Shore Embroidery, Inc\*  
Okuhara Foods Inc  
Outdoor Living Supply (formally Native Imports) dba Geobunga  
Pace Supply Corp  
Pacific Fishing & Supply, Inc\*  
Pacific Rim Connections LLC  
Pampas LLC  
Papakea Farm LLC  
Print Shop Hawaii  
Pyzel Surfboards LLC  
Raw Dog Brands, Inc  
Rengo Packaging, Inc\*  
Samurai, Inc\*  
Savor Brands, Inc\*  
Sea Imports\*  
Secure Bike Share Hawaii  
SKY Kombucha LLC  
Techmana  
TelaForce LLC\*  
Tina's Creation, Inc\*  
Tropical Js Inc  
Uncle's Ice Cream  
United Sake Co., Ltd.  
Villa Rose LLC\*  
Voyaging Foods  
Wehiwa Soap Company LLC

## **KAUAI COUNTY**

**Firms with an asterisk have been certified by DBEDT as eligible for the EZ tax incentives  
for tax year 2023**

Cool Waters Aquaponics\*  
Hanalei Poi Company LLC\*  
Hawaii Networks  
Jetapproach LLC\*  
Kaikini LLC  
Kauai Island Metals Inc\*  
Kauai Kunana Inc.  
Kauai Sea Farms LLC  
KRB LLC\*  
M & K Distributors, Inc\*  
Omao Labs LLC  
Omao Lands LLC  
Salty Wahine Gourmet Hawaiian Sea Salts  
Steelgrass Farm LLC\*

## **MAUI COUNTY**

**Firms with an asterisk have been certified by DBEDT as eligible for the EZ tax incentives for tax year 2023**

Akamai Distribution Ltd  
Aloha Distribution LLC  
Atrium Design Works LLC  
British Hawaiian Industries dba Pacific Millworks\*  
Fancy f  
Fragrant Orchids of Maui  
Guardian Capital Management Hawaii LLC dba Maui Collection Service\*  
Hana Farms  
Hawaii Sea Spirits LLC  
Hawaiian breeze Solutions Corp\*  
Hawaiian Classic Perfumes, INC  
Kahu 'Ohana Inc.  
Kealopiko Inc\*  
Koa IT LLC  
Kumu Live and Learn Inc  
Lahaina Brewery  
Maui Garden Designs LLC  
Maui Wine, LTD  
Natural Resource Data Solutions Inc\*  
Printer Pete Inc.  
Rimfire Imports, Inc.  
Sensei Holdings, Inc.  
The Scope of Things  
Two Chicks In A Hammock LLC  
Whispering Winds Bamboo Cooperative, Inc\*



# **APPENDIX D**

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

**FORM  
N-756**  
(REV. 2010)

**STATE OF HAWAII — DEPARTMENT OF TAXATION**  
**ENTERPRISE ZONE TAX CREDIT**  
**SEE SEPARATE INSTRUCTIONS BEFORE COMPLETING THIS FORM.**  
Or fiscal year beginning \_\_\_\_\_, 20\_\_\_\_, and ending \_\_\_\_\_, 20\_\_\_\_

**20\_\_**

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

Name

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

**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		9																				
<table border="0"> <tr> <td>Cycle Year</td> <td>Applicable Percentage</td> <td>Cycle Year</td> <td>Applicable Percentage</td> </tr> <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> </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%		
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%																			
*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		10																				

**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. (Note: 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	12a	
b. Divide line 12a by 12	12b	
c. Enter the percentage applicable to the cycle year referred to on line 11a. (See line 9 for percentage table)	12c	
d. Multiply line 12b by line 12c	12d	
e. Multiply line 7 by line 12d		12e
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	13a	
b. Divide line 13a by 12	13b	
c. Enter the percentage applicable to the cycle year referred to on line 11b. (See line 9 for percentage table)	13c	
d. Multiply line 13b by line 13c	13d	
e. Multiply line 7 by line 13d		13e

14. Maximum enterprise zone tax credit allowable for the year. Add lines 12e and 13e. Enter this amount on Part IV, line 19.....	14
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**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.....	16
17. If you are claiming other credits, complete the credit worksheet in the instructions and enter the total here.....	17
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.....	18
19. Enter the amount from Part II, line 10 or Part III, 14.....	19
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. ....	20

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 the DBEDT webpage:

<https://invest.Hawaii.gov/business/ez/>

Here you can find the incentives, eligible businesses, zone maps, previous annual reports and additional information.