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December 13, 2016

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

I am pleased to transmit a copy of the Department of Business, Economic Development and Tourism's Enterprise Zones (EZ) Partnership Calendar Year 2015 report for your information and file. The report provides a Summary of:

- The qualified industries and types of EZ-eligible businesses; the hiring and other requirements that enrolled, qualified businesses must satisfy before applying for and receiving tax and other benefits;
- The current status of the program (i.e., the number of zones, zone maps, and number of enrolled firms by county and industry); and
- The legislative history of the program.

This report is also available online at <http://www.invest.hawaii.gov/business/ez>.

If you have any questions, please contact Mark Ritchie at: (808) 587-2785 or mark.j.ritchie@hawaii.gov.

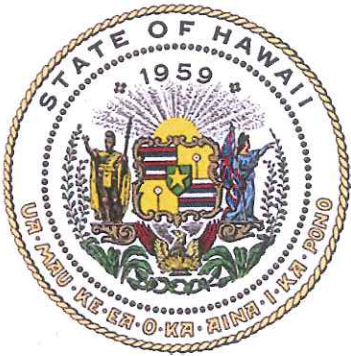
Sincerely,



Luis P. Salaveria

Enclosure

STATE OF HAWAII



HAWAII ENTERPRISE ZONE PROGRAM

ENTERPRISE
ZONES



2015 CALENDAR YEAR REPORT

HAWAII ENTERPRISE ZONES PARTNERSHIP PROGRAM

ANNUAL REPORT

Calendar Year (CY) 2015

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EXECUTIVE SUMMARY

The Hawaii Enterprise Zones Partnership 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. They also qualify for a GET exemption on work done at their site by a Hawaii State licensed contractor or sub-contractor. The counties may also offer additional incentives, such as incremental property tax relief, priority permit processing, or fee waivers.

Since the EZ Program's inception in 1986, at least 1000 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 2015. In 2015, "Certified" companies eligible to receive EZ benefits reported 1,764 new or maintained jobs statewide. The business activities that reported the greatest number of jobs in the EZ Program in 2015 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 2015 were: 1) Agricultural Production or Processing, 2) Repair or maintenance of assistive technology equipment for disabled people; and 3) Manufacturing. However, the second business activity had only one reporting company in the EZ Program and *overall* job totals for this business activity was small. Agriculture and Manufacturing were the two 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, Kauai and Maui 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 2015 were: 1) Manufacturing; 2) Agricultural Production or Processing; and 3) Wholesaling. And the top three business activities by *average company revenue* were: 1) Manufacturing; 2) Wholesaling and; 3) Aviation or Maritime Repair or Maintenance.

In 2015, the EZ Program entered its second year with a completely upgraded online application and reporting system. Client companies can now access and file their yearly reports and program managers can track and report metrics using the supporting backend database to the EZ Program. This web-based upgrade was planned, designed and implemented for greater program accessibility, efficiency and transparency for currently enrolled and eligible new EZ businesses.

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. DBEDT looks forward to even closer collaboration with the Counties in the coming years, particularly as Enterprise Zones expire at the end of their 20 year life and need to be re-configured and re-designated for the future.

PROGRAM METRICS FOR 2015

Total Number of Enrolled Enterprise Zone Companies, by County, 2015

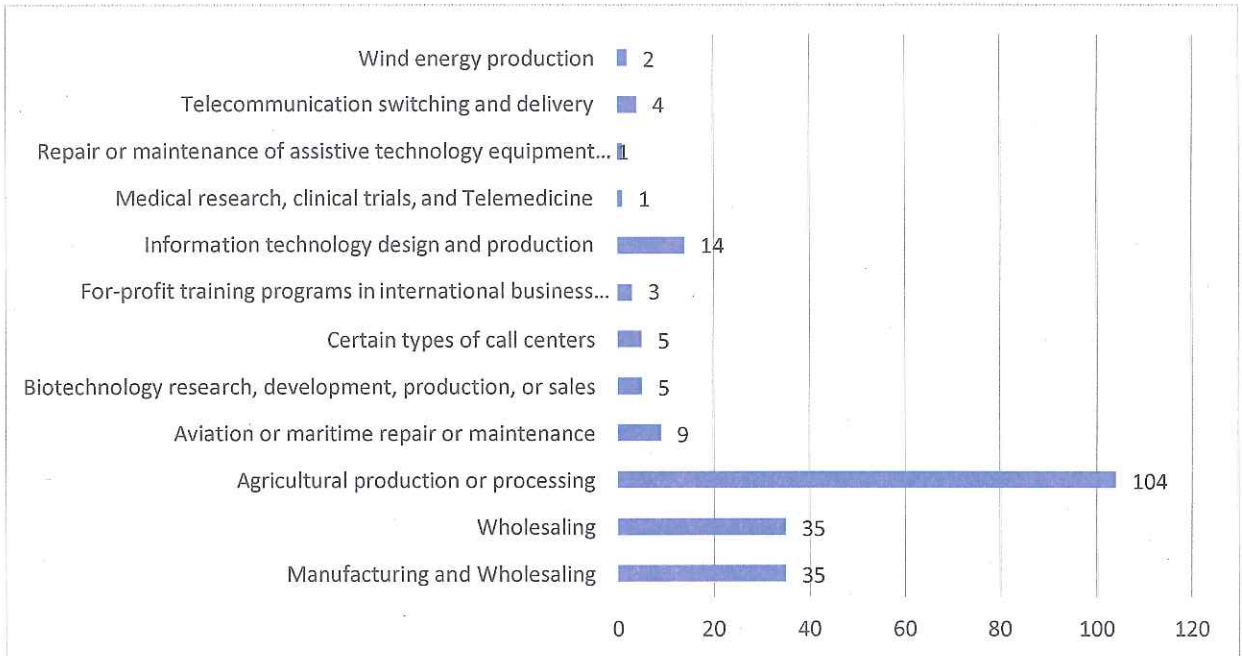
Enrolled Companies, 2015

Hawaii County	66 companies
Honolulu County	80 companies
Kauai County	16 companies
Maui County	56 companies
Total State of Hawaii	218 companies

DBEDT annually reviews End-of-the-Year Reports filed by enrolled companies that report 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-the-Year Report with DBEDT, the company may not claim any GET exemption or non-refundable income tax credits for that tax year with DOTAX.

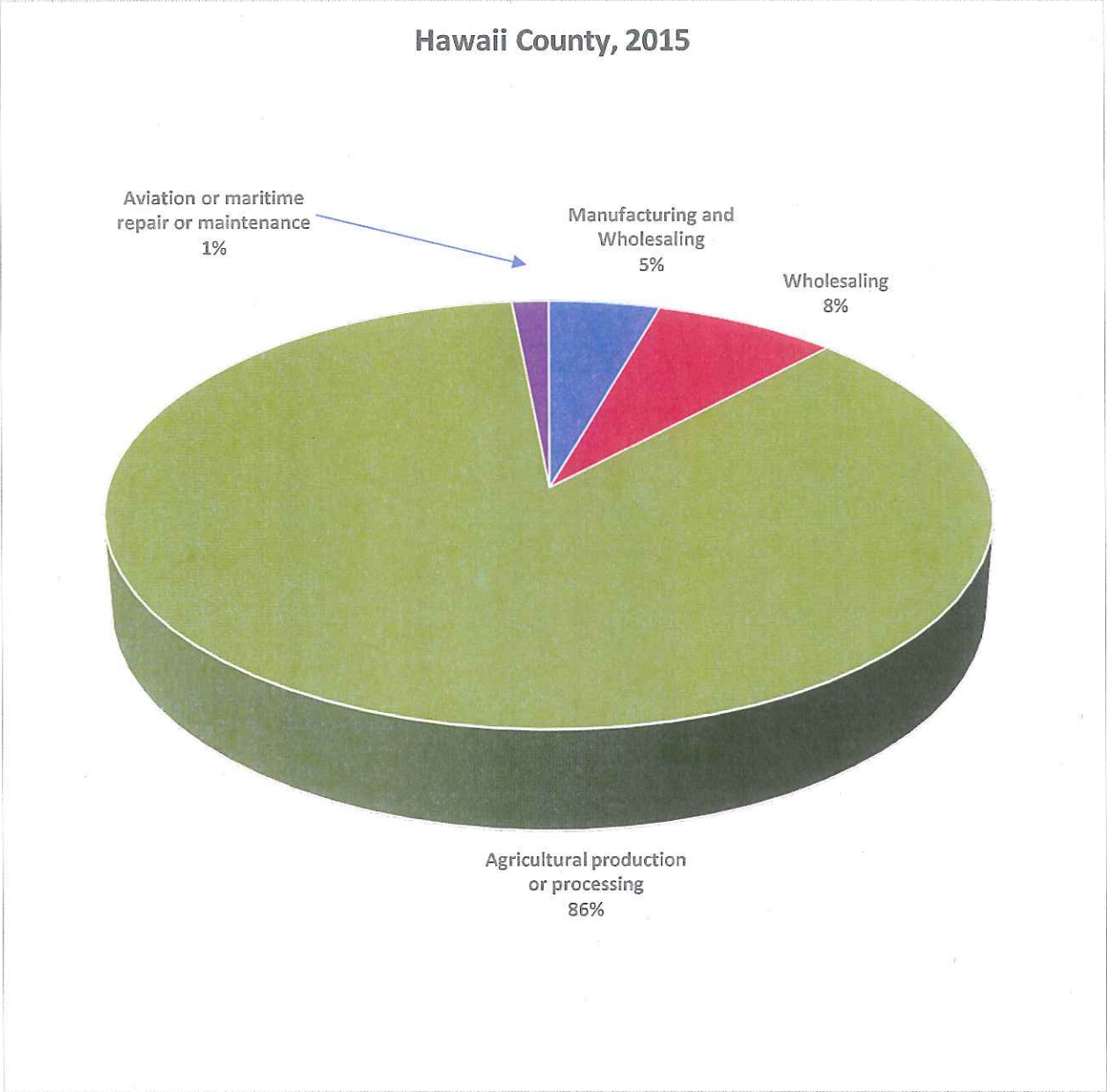
It should be noted that significant statistical information for 2015 is based on information provided by *reporting* companies in 2015, regardless if the company is on a calendar or fiscal year. The number of *reporting* companies is less than the number of *enrolled* companies due to a number of companies not submitting their End-of-the-Year Reports. To improve our program tracking, efforts are already underway to encourage enrolled EZ companies to submit their End-of-the-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, 2015

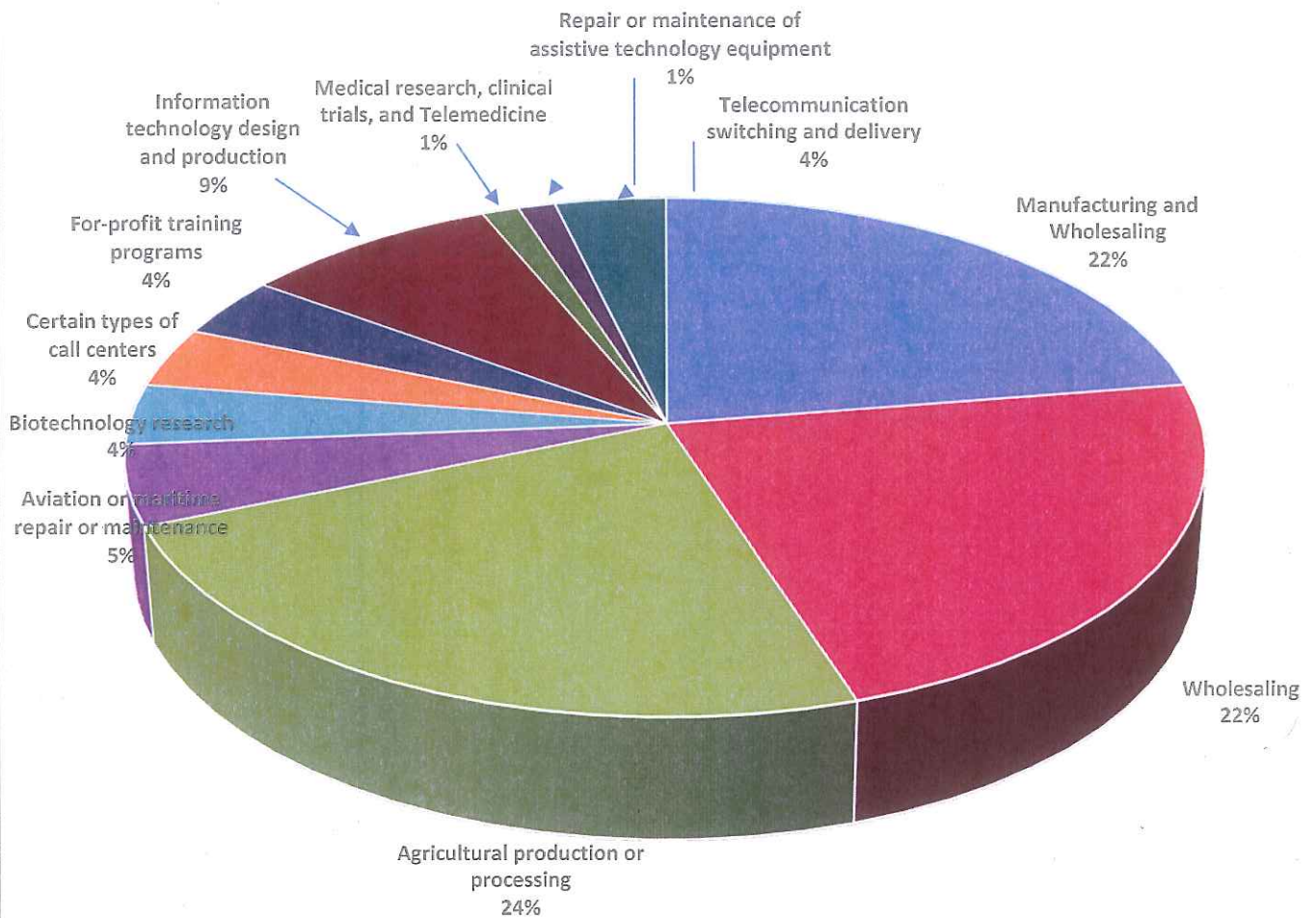


*Note: in this report we use “industry” as synonymous with “business activity,” the term used in HRS 209D.

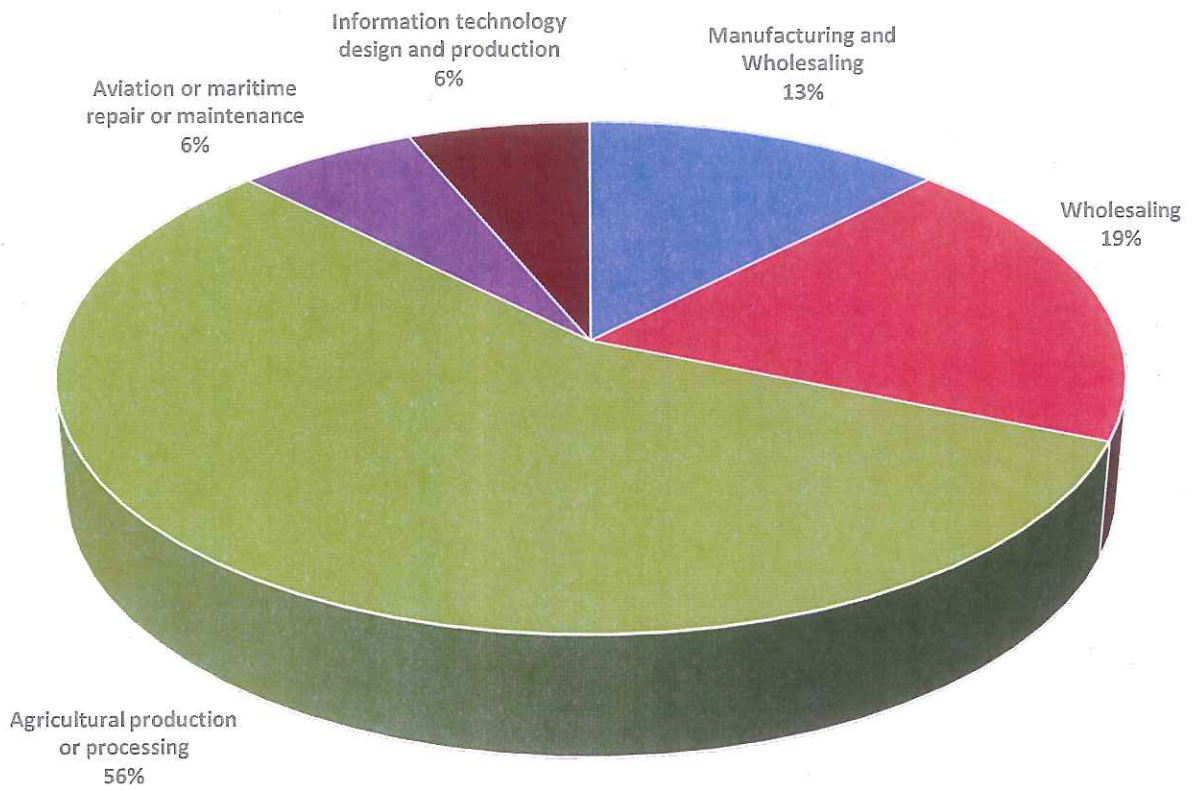
Enrolled Enterprise Zone Companies as Industry Percentage by County



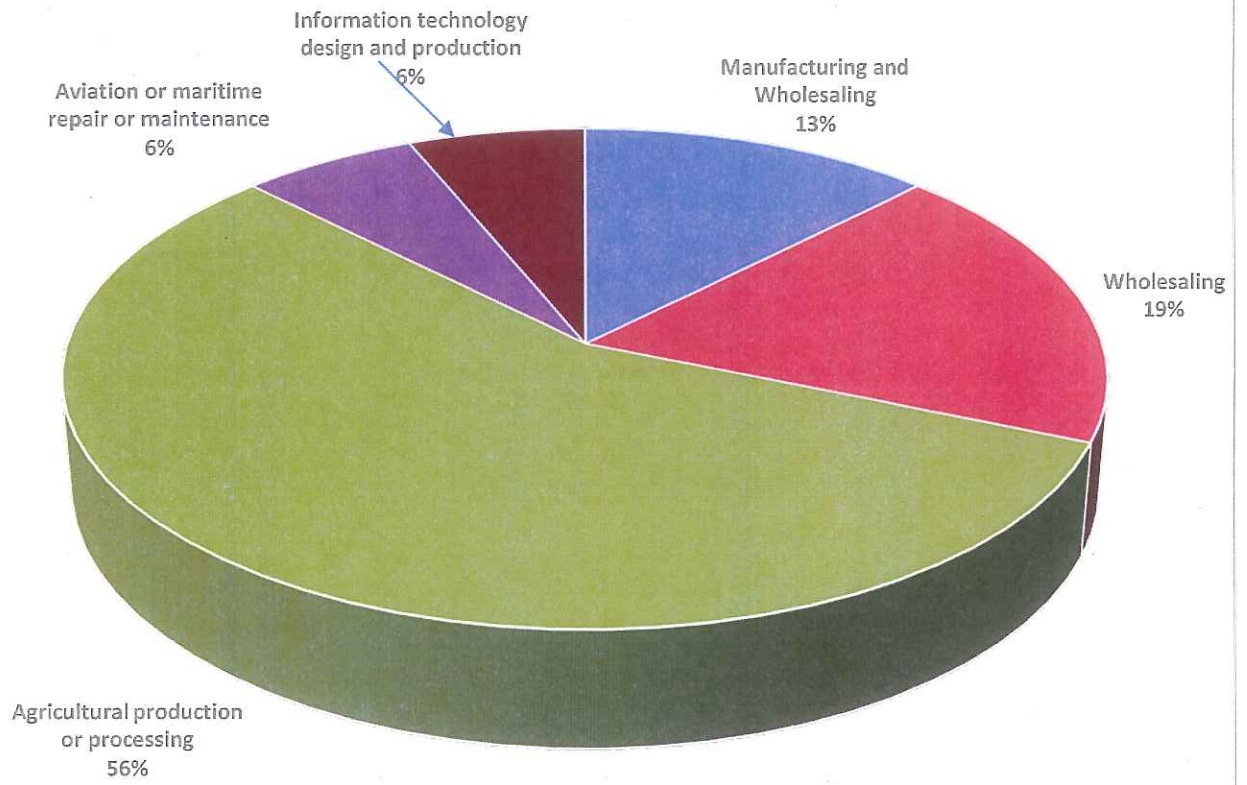
Honolulu County, 2015



Kauai County, 2015



Maui County, 2015



Total Number of Jobs Created or Maintained by Industry by County, 2015*

Industry	Total	%	Hawaii	%	Honolulu	%	Kauai	%	Maui	%
Manufacturing and Wholesaling	323	18.3%	12	2.7%	281	47.8%	11	47.8%	19	2.7%
Wholesaling	125	7.1%	14	3.1%	80	13.6%	6	26.1%	25	3.5%
Agricultural production or processing	1119	63.4%	416	93.5%	134	22.8%	0	0	569	80.4%
Aviation or maritime repair or maintenance	51	2.9%	3	0.7%	0	0	3	13.0%	45	6.4%
Certain types of call centers (bill collection, disease management, disaster management, product fulfillment, and/or customer support for computer hardware or software manufacturers	23	1.3%	0	0	11	1.9%	0	0	12	1.7%
Information technology design and production	68	3.9%	0	0	37	6.3%	3	13.0%	28	4.0%
Medical research, clinical trials, and telemedicine	11	0.6%	0	0	11	1.9%	0	0	0	0
Repair or maintenance of assistive technology	31	1.8%	0	0	31	5.3%	0	0	0	0
Telecommunication switching and delivery	13	0.7%	0	0	3	0.5%	0	0	10	1.4%
TOTAL	1764	100.0%	445	100.0%	588	100.0%	23	100.0%	708	100.0%

*No wind energy companies reporting for 2015

Average Number of Jobs Created or Maintained by Industry Statewide, 2015*

Industry	Total No. of Reported Jobs, by Industry	No. of Reporting Companies	Average No. of Jobs by Reporting Company, by Industry
Manufacturing and Wholesaling	323	14	23.1
Wholesaling	125	10	12.5
Agricultural production or processing	1119	29	38.6
Aviation or maritime repair or maintenance	51	4	12.8
Certain types of call centers (bill collection, disease management, disaster management, product fulfillment, and/or customer support for computer hardware or software manufacturers	23	3	7.7
Information technology design and production	68	6	11.3
Medical research, clinical trials, and telemedicine	11	1	11.0
Repair or maintenance of assistive technology	31	1	31.0
Telecommunication switching and delivery	13	2	6.5
TOTAL	1764	70	25.2

*No wind energy companies reporting for 2015

Total Revenue of Participating Companies by Industry and County, 2015*

Industry	total	%	Hawaii	%	Honolulu	%	Kauai	%	Maui	%
Manufacturing and Wholesaling	86525892.89	31.4%	870534	1.3%	81352163.34	51.7%	1311027	21.7%	2992168.55	11.3%
Wholesaling	66821395	24.2%	18806693	27.6%	33143734	21.0%	4182163	69.2%	10688805	40.5%
Agricultural production or processing	70899725.27	25.7%	48216239.39	70.8%	17020355.88	10.8%	0	0	5663130	21.4%
Aviation or maritime repair or maintenance	18418947.67	6.7%	222290	0.3%	0	0	135316	2.2%	357606	1.4%
Certain types of call centers (bill collection, disease	4313811	1.6%	0	0	3632723	2.3%	0	0	681088	2.6%
Information technology design and production	19496233	7.1%	0	0	13763036	8.7%	410834	6.8%	5322363	20.2%
Medical research, clinical trials, and telemedicine	1656243	0.6%	0	0	1656243	1.1%	0	0	0	0
Repair or maintenance of assistive technology	3596865.42	1.3%	0	0	3596865.42	2.3%	0	0	0	0
Telecommunication switching and delivery	4047000	1.5%	0	0	3340000	2.1%	0	0	707000	2.7%
TOTAL	275776113.3	100.0%	68115756.39	100.0%	157505120.6	100.0%	6039340	100.0%	26412160.55	100.0%

*No wind energy companies reporting for 2015

Average Revenue per Company by Industry Statewide, 2015*

Industry	Total Revenue	No. of Reporting Companies	Average Revenue per Company
Manufacturing and Wholesaling	86,525,893	13	6,655,838
Wholesaling	66,821,395	11	6,074,672
Agricultural production or processing	70,899,725	29	2,444,818
Aviation or maritime repair or maintenance	18,418,948	4	4,604,737
Certain types of call centers (bill collection, disease management, disaster management, product fulfillment, and/or customer support for computer hardware or software manufacturers	4,313,811	3	1,437,937
Information technology design and production	19,496,233	6	3,249,372
Medical research, clinical trials, and telemedicine	1,656,243	1	1,656,243
Repair or maintenance of assistive technology	3,596,865	1	3,596,865
Telecommunication switching and delivery	4,047,000	2	2,023,500
TOTAL	275,776,113	70	3,939,659

*No wind energy companies reporting for 2015

PROGRAM PURPOSE

The purpose of the Enterprise Zones (EZ) Partnership Program is to increase business activity, job retention, and job creation in areas and industries 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 twenty-five per cent of the population of each census tract shall have a median family income below eighty 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 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 percent.

OUTREACH ACTIVITIES

2015 Hawaii Small Business Fair - Winter

On Saturday, February 21, 2015, the Department of Business, Economic Development & Tourism (DBEDT) co-hosted the bi-annual Hawaii Small Business Fair, “Launch Your Dreams Into Reality” this time at Leeward Community College. The free one-day event featured more than 30 workshops and exhibits from Federal, State and local agencies and participating organizations to provide information and resources to local businesses and entrepreneurs seeking to start their own ventures.

Sponsored through a partnership of DBEDT, with other Federal, State and other local organizations, the free workshops and exhibits provided a great opportunity for more than 200 small business owners, future business owners, and community organizations to learn how to grow or start a businesses. A wide range of workshop topics were offered - including: Show Me the Money: Financing Options; Forming and Registering Your Business; Secrets of Marketing; The 24/7 Salesperson: Your Website; Getting FIT: Federal Income Taxes, and many more. In addition, SCORE provided one-on-one business counseling.

Partnering with DBEDT to offer this successful free one-day event were the US Small Business Administration, the Internal Revenue Service, Leeward Community College, the Hawaii Small Business Development Center (SBDC), Bank of Hawaii and the Business Action Center, Argosy University.

Providing information and assistance included more than 30 exhibitors including agencies such as DBEDT, SCORE, State Department of Transportation, USDA Rural Development, State Department of Taxation, State Department of Health, Office of Hawaiian Affairs, Patsy T. Mink Center for Business and Leadership, local banks and many more.



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).

2015 Hawaii Small Business Fair - Fall

Nearly 300 business owners and individuals with start-up ideas and businesses benefitted from a day spent at the no cost Hawaii Small Business Fair, held on Saturday, August 8, 2015 at Honolulu Community College (HCC). Co-hosted by DBEDT, attendees enjoyed a wide range of thirty (30) business workshop topics that included: Copyrights, Patents & Trademarks, Financing Your Business, Professional Networking, and Tax Tips for Small Business, and much more. SCORE professionals were on hand to provide small business owners and entrepreneurs free, invaluable one-on-one business counseling while a wide-range of more than thirty support agencies, financial institutions and other were also on hand to provide business resources and information.

Recently added to the bi-annual Fair's workshop schedule were the "Industry Insights" workshops which presented a deeper review of Fashion, Retail, and Food industries, covered in a two-hour session. Leading the "Industry Insights" workshops were Melissa May White, co-founder of the Hawaii Fashion Incubator (HIFI), Poni Askew (Street Grindz), Chef Lee Shinsato (KCC Culinary

Program Instructor), and Peter Oshiro (State Department of Health). These industry experts guided attendees through best practices and what it takes to be successful in these industries.

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 and 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 that agricultural producers are eligible to participate (Act 17) and to make 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 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 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 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 managements 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 enterprise zone 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 for the refineries).

In 2000, Lanai, East Maui, and North Kohala, on the Island of Hawaii, were zones added. Acts 118 and 160 EZ expanded 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 be renamed 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, to be valid until December 2035.

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

DESIGNATED ENTERPRISE ZONES

Enterprise Zones		
Honolulu County	Effective Date	Expiration Date
Mililani-Wahiawa	10/1/1996	9/30/2016
Pearl City-Ewa-Central Oahu	10/1/1996	9/30/2016
North Shore Oahu	10/1/1996	9/30/2016
Leeward Oahu	4/1/2001	3/31/2021
Urban Honolulu	4/1/2001	3/31/2021
Waimanalo	4/1/2001	2/28/2028
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	4/1/2000	3/31/2020
Kauai County	Effective Date	Expiration Date
Lihue	5/1/1996	4/30/2016
North Shore Kauai	2/1/1997	1/31/2017
Kapaa	2/1/1997	1/31/2017
South Central Kauai	4/1/1997	3/31/2017
West Kauai	4/1/1997	3/31/2017
Maui County (Molokai / Lanai)	Effective Date	Expiration Date
Molokai	1/1/1997	12/31/2016
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 that are eligible activity under the EZ Program.
- In August 2015, Governor Ige approved the City & County of Honolulu's request to expand the Mililani-Wahiawa Enterprise Zone 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.

Hawaii County (Island of Hawaii)

- In October of 1994, the state's first three 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 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 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 be renamed 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, 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 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.

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.

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 percent of tax liability the first year, decreasing 10 percent each year thereafter over the next six years to 20 percent of tax liability the last year (see below), and
- Non-refundable income tax credit equal to 80 percent of the unemployment insurance premiums paid during the first year, decreasing 10 percent each year over the next six years to 20 percent of premiums paid the last year (see below).

Year	1	2	3	4	5	6	7
State Income Tax Credit	80%	70%	60%	50%	40%	30%	20%
Unemp. Insurance Equivalent Tax Credit	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. But firms must report the number of full-time employees when the firm's EZ establishment becomes operational.)

County Incentives

These 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 Partnership Program
- D. Hawaii State Tax Form N-756
- 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: jhorike@co.hawaii.hi.us

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

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

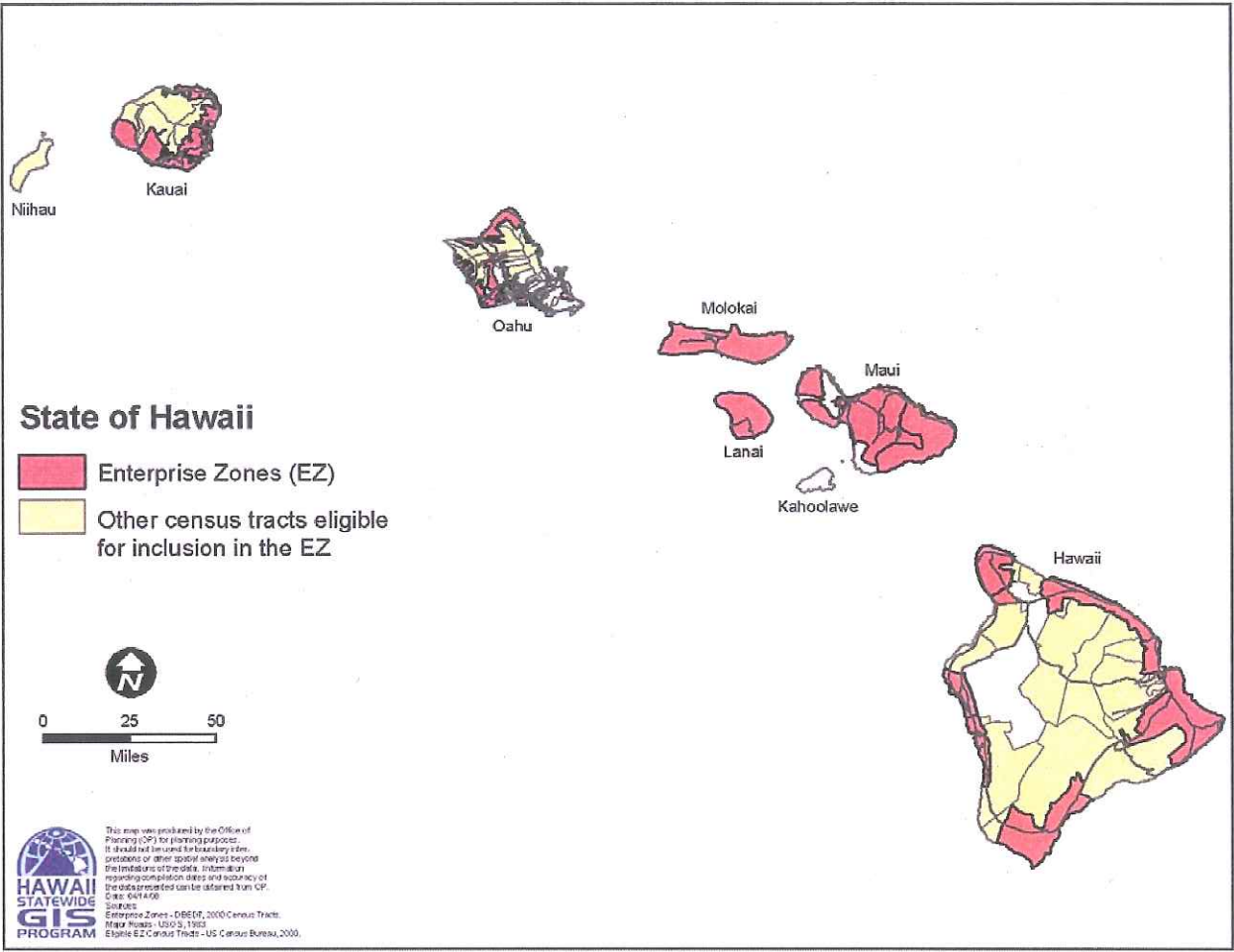
Honolulu, Hawaii 96813

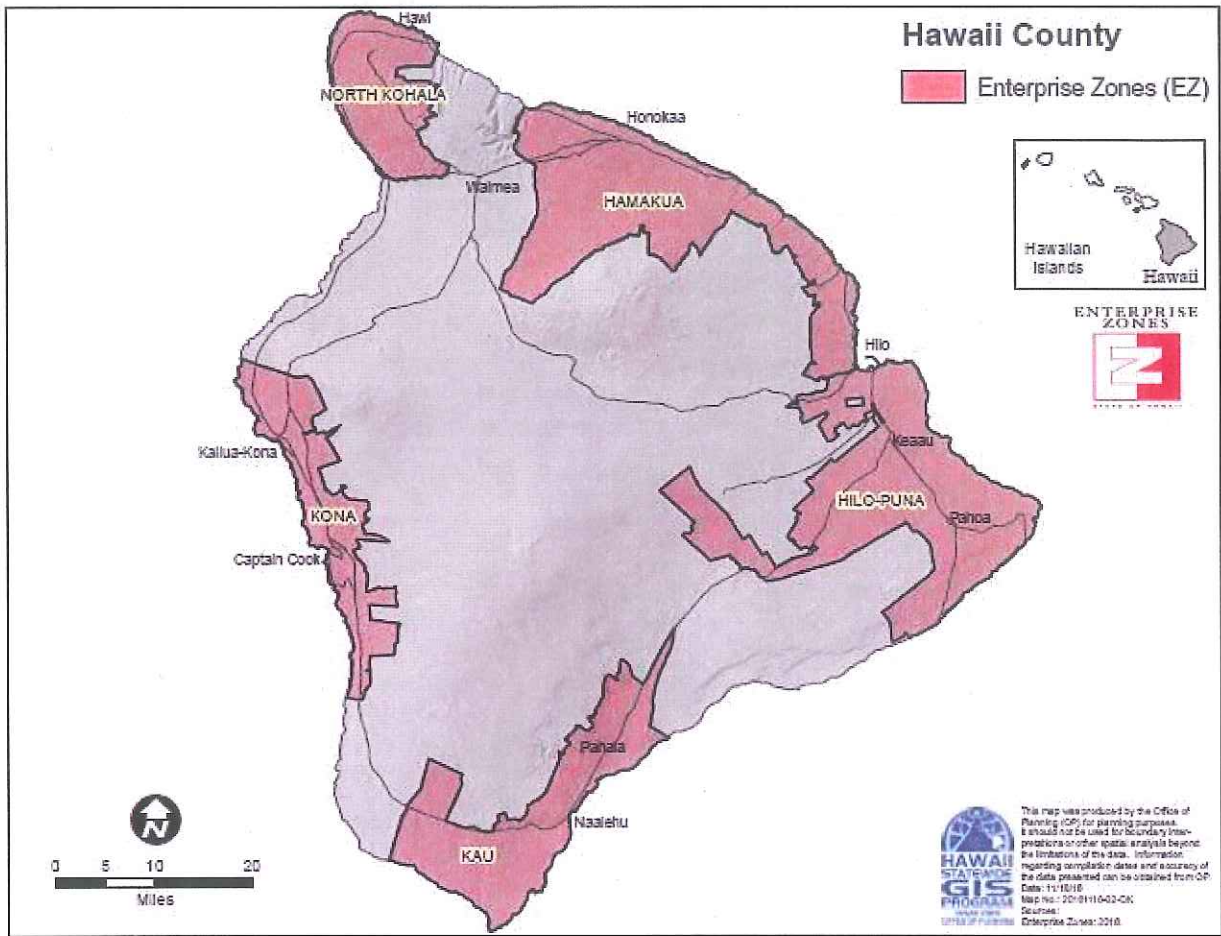
Phone: (808) 766-5861 Fax: (808) 768-1251

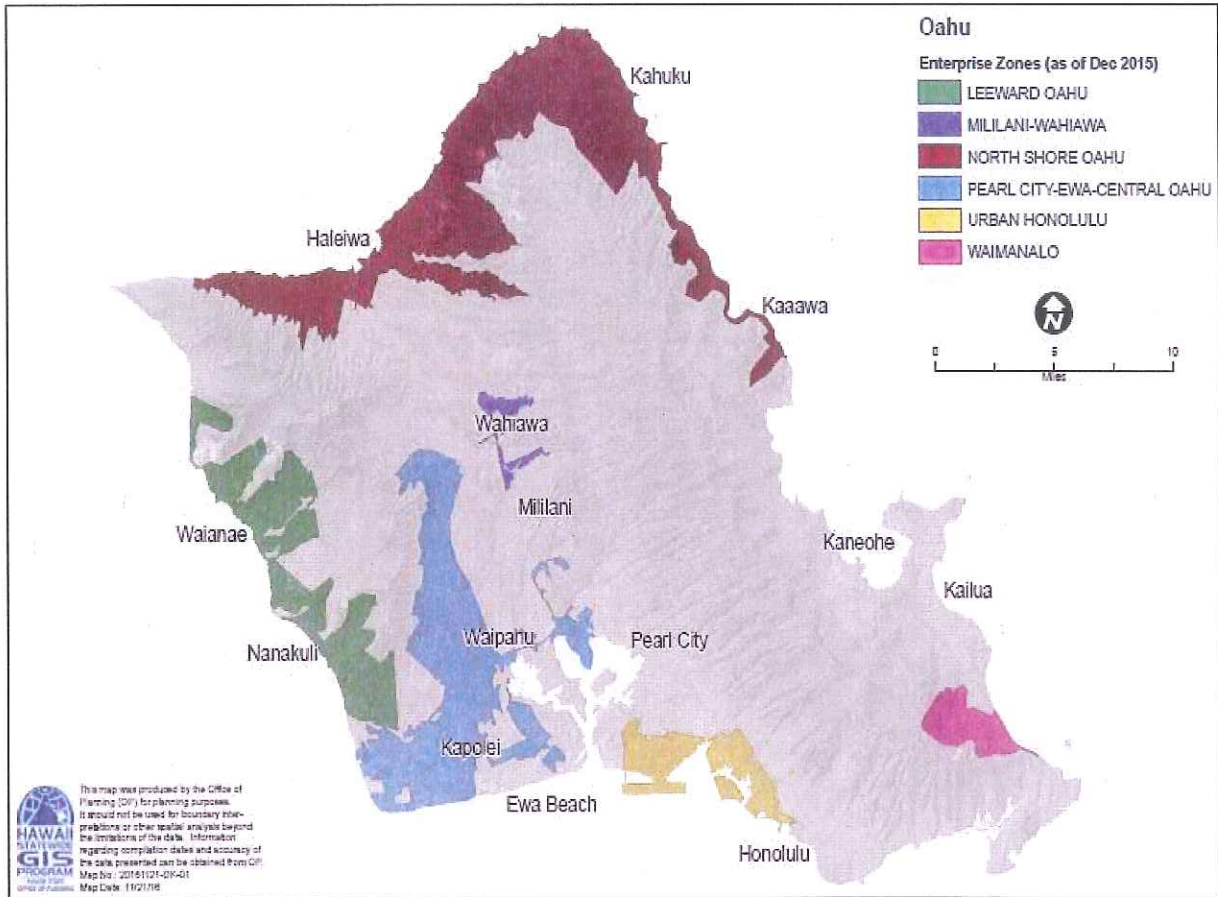
Email: jlota@honolulu.gov

APPENDIX B

MAPS OF ENTERPRISE ZONES

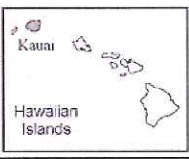
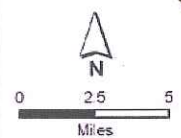
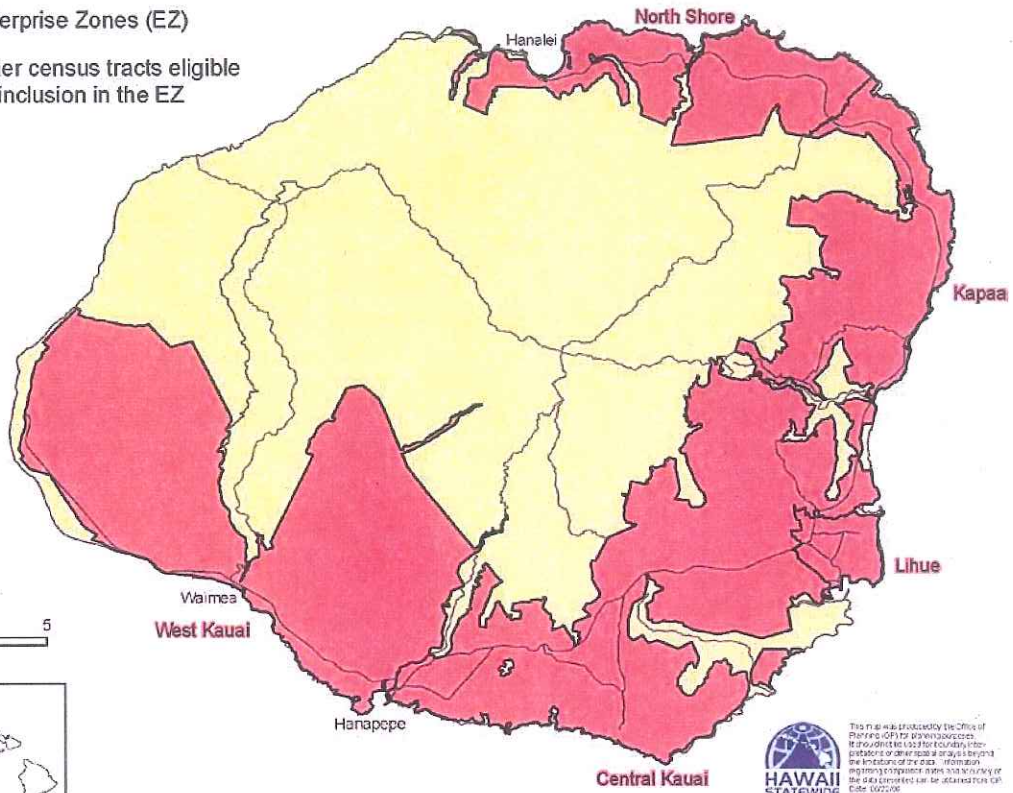






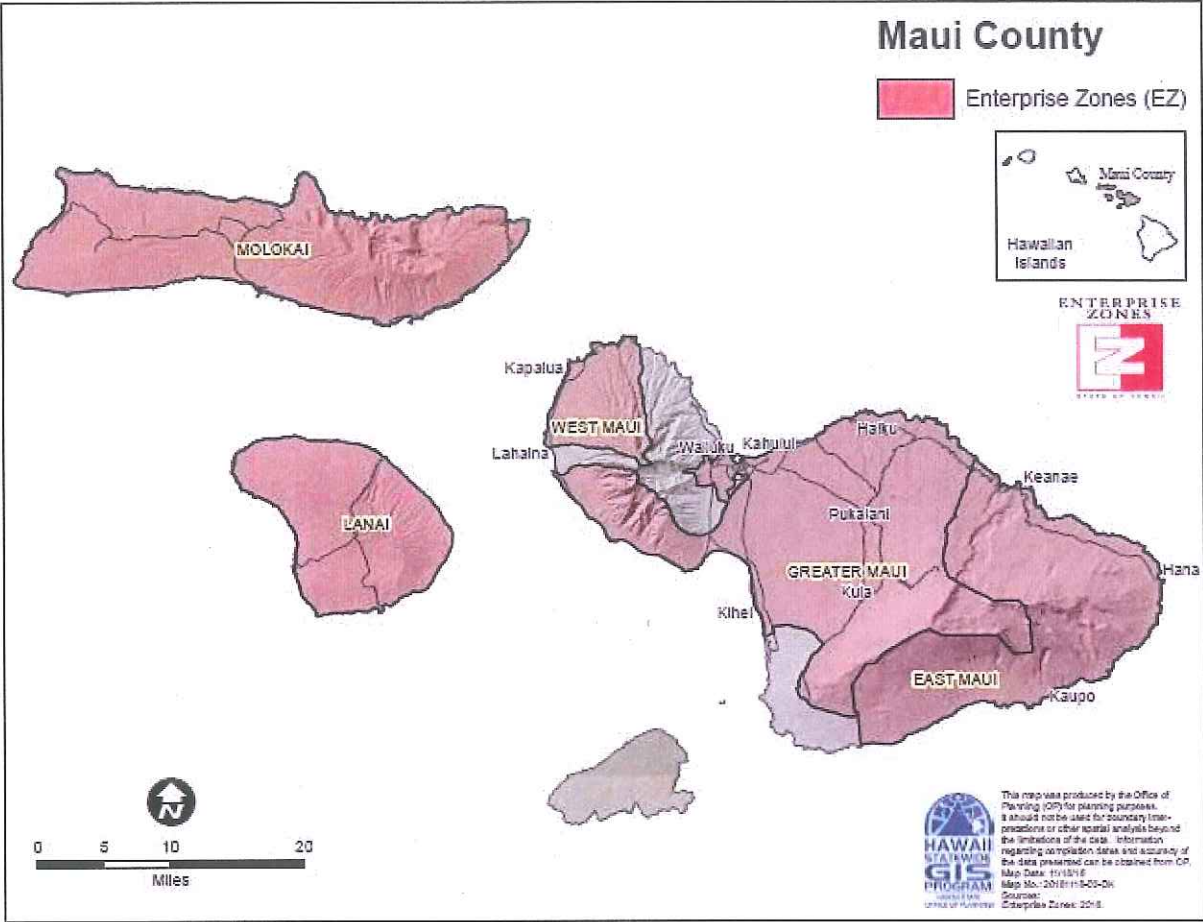
Kauai Enterprise Zones

- Enterprise Zones (EZ)
- Other census tracts eligible for inclusion in the EZ



HAWAII STATEWIDE GIS PROGRAM

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APPENDIX C

LIST OF EZ FIRMS BY COUNTY

As of December 31, 2015

FIRMS CURRENTLY ENROLLED IN THE EZ PARTNERSHIP PROGRAM

Hawaii County

Alan Kuwahara dba Puna Floriculture	Kau Farms Management LLC
Aloha Hawaiian Stores dba Donkey Ball Stores	Kohala Nursery Inc.
Aloha Hills Kona Coffee, LLC	Kona Brewery LLC
Aloha Orchids, 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	Nestor G. Madamba Farm
Full Circle Brewing Co. Ltd.	Orlando Manuel & Ella Manuel dba Manuel Farms
Garden Isle Seafood - Kona Division LLC	Pacific Biodiesel Logistics, LLC (Big Island)
Great Pacific Chocolate Co., Inc. dba The Original Hawaiian Chocolate Factory	Pacific Biodiesel Technologies, LLC
Green Point Nurseries, Inc.	Ponoholo Ranch Limited
Hamakua Macadamia Nut Co., Inc.	PRL English, LLC
Hawaii Akatsuka Farm, Inc	Punachicks Farm
Hawaii Beef Producers	R. R. & S. Flowers LLC
Hawaiian B Natural Farms, Inc.	Risley Farms
Hawaiian Legacy Hardwoods, LLC	Royal Hawaiian Orchards, L.P.
Hilo Fish Company, Inc.	Rusty's Hawaiian, LLC
Hog Heaven	S. Taka
Hoku Kai Biofuels, LLC	Shrimp Improvement Systems Hawaii, LLC
Inside Out Lock & Key, LLC DBA Rainbow Farms	The Dutch Hawaiian Cheesery, LLC
Island Harvest Organics, LLC	The Kona Coffee and Tea Company
Island Harvest, Inc.	Tradewinds Hawaiian Woods, LLC
Jeffrey Juan	Vantage Nursery, LLC
Kahua Ranch Ltd	Waiakea Bottling Inc.
Kapapala Ranch	Wailea Agricultural Group, Inc.

Honolulu County

3D Travel, Inc	Ho Farms, LLC
Aloha Beer Company LP	Ilio Products, LLC
Aloha Data Services, Inc.	Island Maid, Inc.
American LED and Energy Corporation	Island Taylor, L.L.C.
Animate Farm LLC	Jems Enterprises, LLC
Ba-Le, Inc. dba Tour Bakehouse	KK Poultry Farm, Inc.
Barbers Point Aviation Services	Komatsu Enterprises dba, K & K Distributors
Base 10, Inc dba Oils of Aloha	Kunia Country Farms
Black Sand Publishing, Inc.	Lady Ease Limited dba Ease Collection
C&S Wholesale Grocers, Inc.	Local Island Fresh Edibles, Inc.
C. Blue Farms	Luhina, LLC
CACI-ISS, Inc.	Makai Communications
Classic Sales, Inc.	Manoa Honey Company LLC
Credit Associates of Maui, Ltd (Oahu)	Manulele Distillers
David Fitz-Patrick MD Inc.	Mikilua Poultry Farm, Inc.
Delaware Resource Group of Oklahoma, LLC	MJC, Inc.
DOITNOW, INC. dba Carrier Hawaii	Monsanto Company & Subsidiaries (Oahu)
Epicenter Technologies, Inc.	Monstah Glass Hawaii LLP
Eskimo Candy Oahu, Inc.	Nalo Fresh, Inc.
EURAM, Inc. dba Hawaiian Paradise Coffee	Ohana Control Systems Hawaii, Inc.
Eyeugenix, LLC	Orange County Coastal Physicians dba Coastal Medical Supply
Fantastic Gardens Hawaii	Pacific Agricultural Sales & Services, Inc.
First Response Professional Security Service, LLC	Pacific Agriculture Research Co., LLC
Flying R Livestock Co., Ltd.	Pacific Biodiesel Logistics, LLC (Oahu)
For J's Hawaii, Inc.	Pacific Industrial Equipment Corp.
Garden & Valley Isle Seafood, Inc.	Pacific Rim Connections LLC
German Foods, LLC	Paina Hawaii, LLC
GLP Asphalt LLC	Panasonic Avionics Corporation
GOOD GREENS HAWAII	Plant Research Corporation
Guardian Capital Management Hawaii LLC	Rainbow Caffé, Inc. dba The Tea Chest
Hawaii Fruit Company	Rengo Packaging, Inc.
Hawaii Pacific Data d/b/a AlohaNAP	Rocky Road Products, Inc.
Hawaii Star Bakery	Skai Technologies, LLC
Hawaiian Agents Inc.	SKY Kombucha LLC
Hawaiian Agricultural Products, LLC	So Ono Food Products, LLC
Hawaiian Chip Company, LLC	Superb Development & Service Corp.
Hawaiian Pie Company, LLC	Sweet Home Waimanalo
Hawaiian Sun Products, Inc.	SystemMetrics Corporation
HI Performance Coatings, Inc., dba Hi-Line Distributors	Tradewinds Global
HI Planning Mill, LLC	Tropic Fish Hawaii, LLC

Trutag Technologies, Inc	Weston Solutions, Inc.-Iwiilei
Unitek Supply, LLC	Weston Solutions, Inc.-Kapolei
Virginia Paresa LLC	Worldwide Flight Services, Inc. (Oahu)

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

Maui County

519 Service Corp., LLC	Kealopiko Inc
Air Repair, LLC	Kihei Gardens & Landscaping Co., LLP
Aloha Glass Recycling, Inc.	Kihei Ice, Inc.
Araki-Regan & Associates	Koa IT LLC
Atrium Design Works LLC	Koolau Aviation Services, Inc. (Maui)
Aumakua Holdings Inc. dba Maui Brewing Company	Kula Country Farms
Auwahi Wind Energy	Kumu Live and Learn Inc
Bump Networks, Inc.	Lahaina Brewery
Code Rebel, LLC	Lanai Oil Company, Inc.
Cowboy Built, Inc., dba Maui Energy Company	Maui Cattle Company, LLC
Design Solution, Inc. dba The Maui Closet Co.	Maui Craft Beverages LLC
Diamond B Ranch	Maui Floral, Inc.
Envisions Entertainment & Productions, Inc.	Maui Fresh Fish LLC
Eskimo Candy Maui, Inc.	Maui Innovation Group LLC
Fresh Island Fish Company, Inc.-Maui	Maui Kensington, LLC
Garden of Eden Arboretum LLC	Maui Marble and Granite, Inc.
Haliimaile Pineapple Co., Ltd.	Maui Oma Coffee Roasting Co., Inc.
Hana Ranch Partners, LLC	Maui Seafoods, LLC
HNU Photonics	Maui Soap Company
Howard's Nurseries, Inc.	Monsanto Company & Subsidiaries (Maui County)
Island Landscape	Noni Maui, LLC
JYY, Inc. dba Maui Upcountry Jams & Jellies	Ocean 4 Hawaii, Inc.
K-Deck Canvas Corp.	Pacific Biodiesel Logistics, LLC (Maui)

Pacific Biodiesel, Inc. (Maui)	The Scope of Things
Pacific Biotech, LLC	Tropic Fish Maui, LLC
Pacific Produce, Inc.	Tumbaga Enterprises, LLC
Paradise Flower Farms, Inc.	Two Chicks In A Hammock, LLC
Quantify IP	Valley Isle Seafood LLC
TC Kokua, LLC	Watanabe Vegetable Processing, LLC
The Aloha Garden of Maui, LLC	Worldwide Flight Services, Inc. (Maui)

APPENDIX D

Hawaii State Tax Form N-756

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

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

Table with 7 main rows and sub-rows (a, b, c) for lines 2, 5, and 6. Includes columns for line numbers and shaded calculation areas.

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

Table for Part II including a percentage table for cycle years (1-10) and a line 10 entry for maximum credit.

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

Table for Part III including lines 11-14 with sub-rows (a-e) for cycle year calculations and shaded calculation areas.

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	

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.