



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DEPT. COMM. NO. 159
DAVID Y. IGE
GOVERNOR
MARY ALICE EVANS
DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Website: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

December 20, 2018

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

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, 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 2017 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.

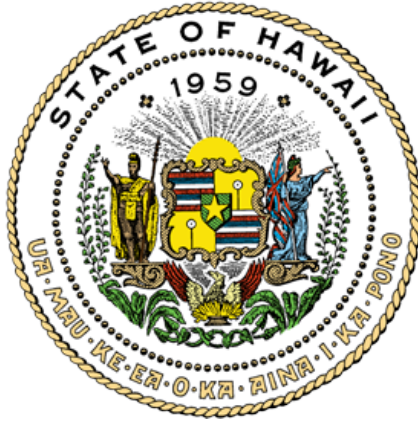
Sincerely,

Mary Alice Evans

Enclosure

c: Legislative Reference Bureau

STATE OF HAWAII



HAWAII ENTERPRISE ZONES PROGRAM



2017 CALENDAR YEAR REPORT

HAWAII ENTERPRISE ZONES PROGRAM

ANNUAL REPORT

Calendar Year (CY) 2017

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EXECUTIVE SUMMARY

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

Since the EZ Program's inception in 1986, well over 1,000 eligible Hawaii companies have participated in the EZ Program, the main purpose of which is to create certain types of business activities and jobs in economically challenged areas of the state in exchange for tax incentives. In the following section, we outline various program metrics for the calendar year 2017. In 2017, "Certified" companies eligible to receive EZ benefits reported 1,746 new or maintained jobs statewide. The business activities that reported the greatest number of jobs in the EZ Program in 2017 were, in order: 1) Agricultural Production or Processing; 2) Wholesaling; and 3) Manufacturing. The top three business activities that produced the greatest number of jobs, *on average per company*, in 2017 were: 1) Wholesaling; 2) Manufacturing; and 3) Agricultural Production or Processing. Wholesaling and Manufacturing and Agricultural Production or Processing were the business activities that tended to produce the most jobs *overall* and the most jobs *on average per reporting company*.

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

especially in Hawaii and Kauai Counties where they comprise over half of the total number of EZ enrolled companies.

The top three business activities producing the most revenue statewide for 2017 were: 1) Wholesaling; 2) Manufacturing; and 3) Agricultural Production or Processing. The top three business activities by *average company revenue* were: 1) Aviation or Maritime Repair or Maintenance; 2) Wholesaling; and 3) Manufacturing.

One important metric for the Enterprise Zone annual reports is the amount of foregone state tax revenue as a result of the EZ Program. The Department of Taxation (DOTAX) calculates non-refundable EZ tax credits companies claim as well as unemployment insurance premiums companies pay for employees located in the enterprise zone. However, these figures are not available until a year or two after the Enterprise Zone annual report is due so 2017 figures are not available yet (see the most recent report Tax Credits Claimed by Hawaii Taxpayers Tax Year 2015, prepared by Tax Research and Planning Office, Department of Taxation).

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

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

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

The EZ Program is a State-County partnership. There is an EZ Program Coordinator from each County who works with DBEDT in all aspects of the program including recruiting, administration and customer care. The Counties take the lead in identifying eligible County Enterprise Zones and use the program as a tool for their County’s economic development plans. In 2017, three were no new Enterprise Zones designated or re-designated. The next Enterprise Zones that will expire and need to be re-designated if they are still eligible are:

Hawaii County	Effective Date	Expiration Date
North Kohala	4/1/2000	3/31/2020

Maui County (Molokai / Lanai)	Effective Date	Expiration Date
Lanai	4/1/2000	3/31/2020
East Maui	4/1/2000	3/31/2020

Honolulu County	Effective Date	Expiration Date
Leeward Oahu	4/1/2001	3/31/2021
Urban Honolulu	4/1/2001	3/31/2021

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

PROGRAM METRICS FOR 2017

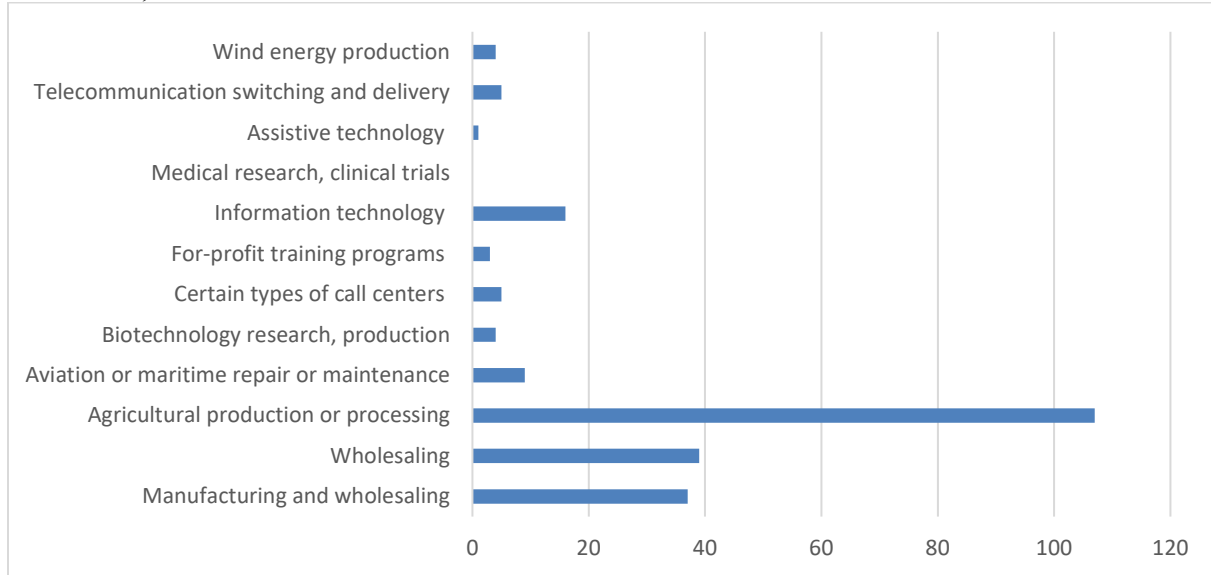
Total Number of Enrolled Enterprise Zone Companies, by County, 2017

County	Number of Companies Enrolled
Hawaii County	67 companies
Honolulu County	82 companies
Maui County	63 companies
Kauai County	18 companies
Total State of Hawaii	230 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 agricultural companies. If a reporting company has met the requirements of the program, DBEDT issues a letter of “Certification,” and the company may then file with the State Department of Taxation (DOTAX) for GET exemption and non-refundable income tax benefits on eligible income (Form N-756 - see Appendix D). If a company does not file an end-of-year report with DBEDT, the company may not claim any GET exemption or non-refundable income tax credits for that tax year with DOTAX.

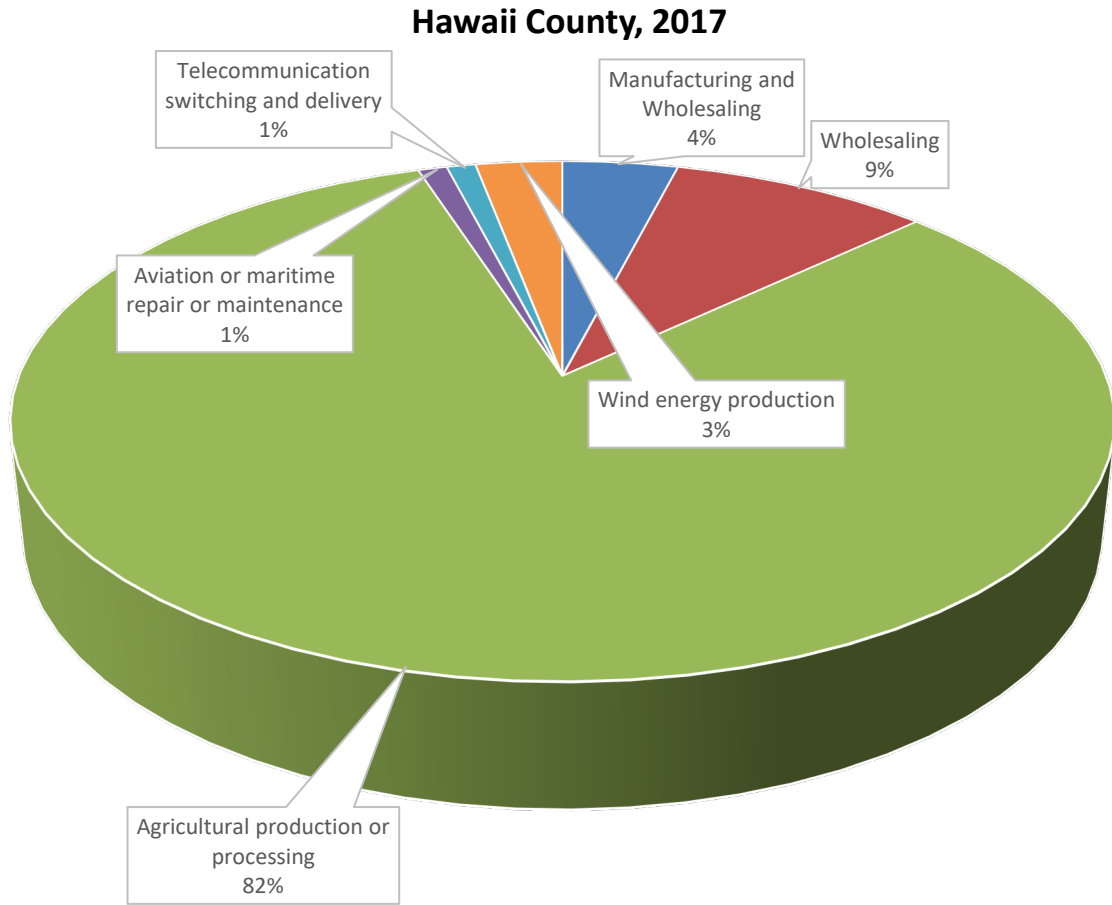
It should be noted that significant statistical information for 2017 is based on information provided by *reporting* companies in 2017, regardless if the company is on a calendar or fiscal tax year. The number of *reporting* companies is less than the number of *enrolled* companies due to a number of companies not submitting their end-of-year reports. To improve our program tracking, efforts are already underway to encourage enrolled EZ companies to submit their end-of-year reports regardless of whether or not they have met the EZ Program requirements for tax incentives.

**Total Number of Enrolled Enterprise Zone Companies by Industry (see Note 1 below)
Statewide, 2017**

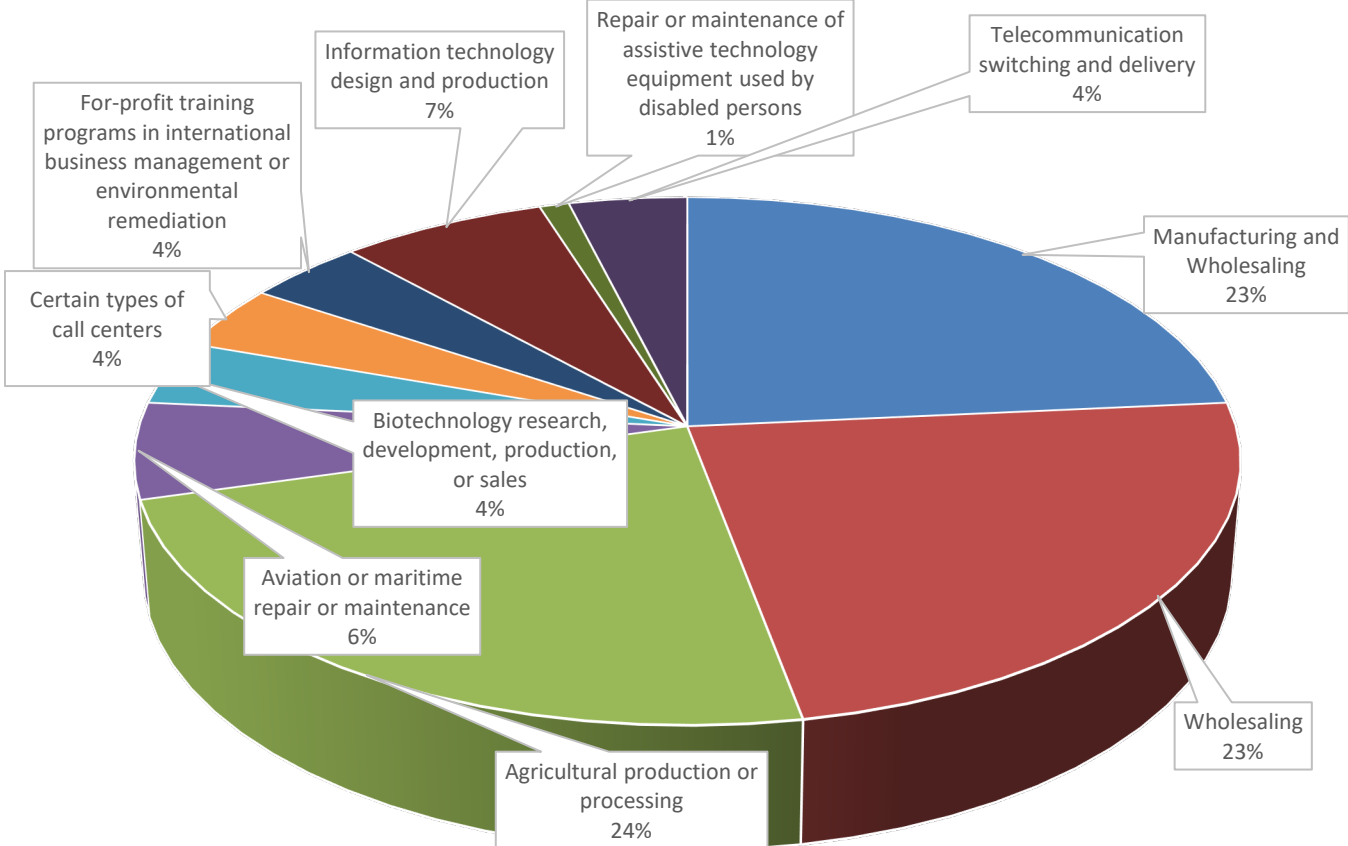


Note 1: in this report we use “industry” as synonymous with “business activity,” the term used in HRS 209D.

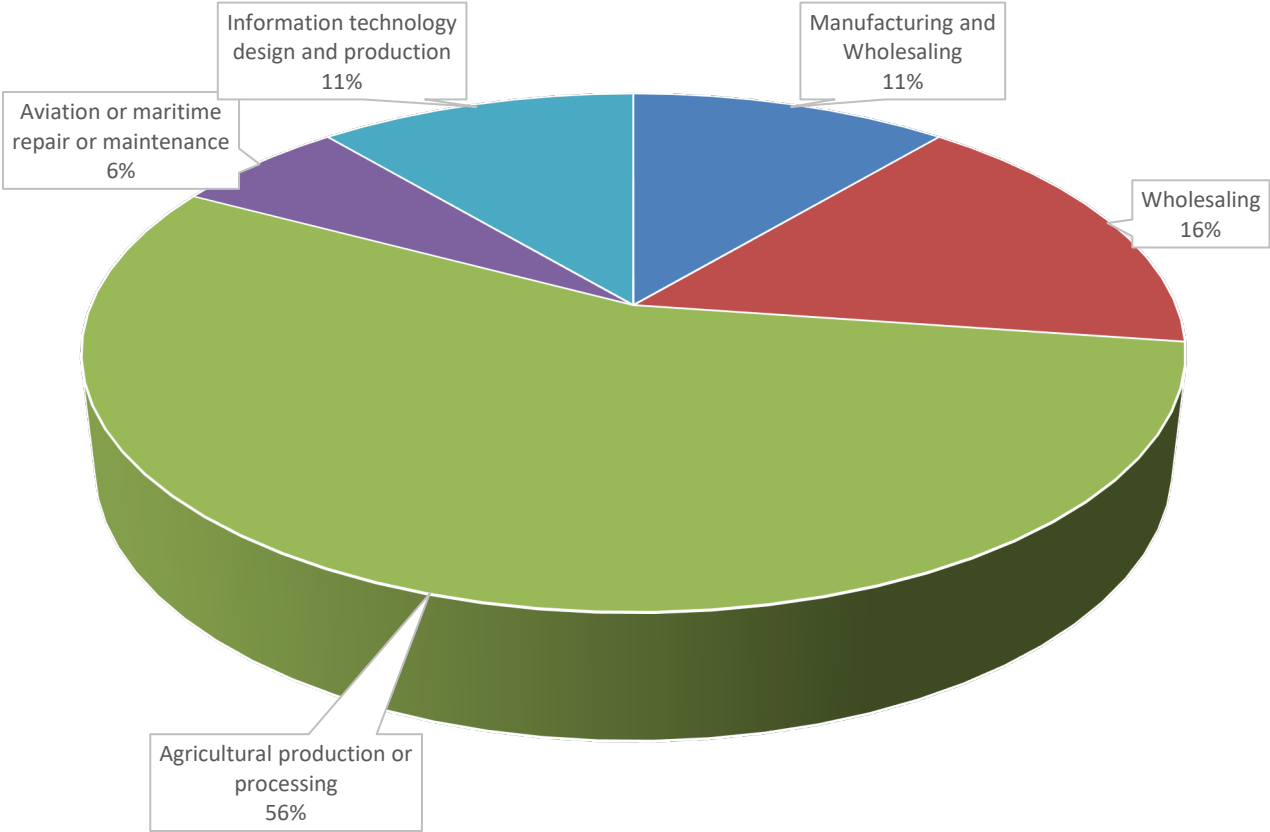
Enrolled Enterprise Zone Companies as Industry Percentage by County



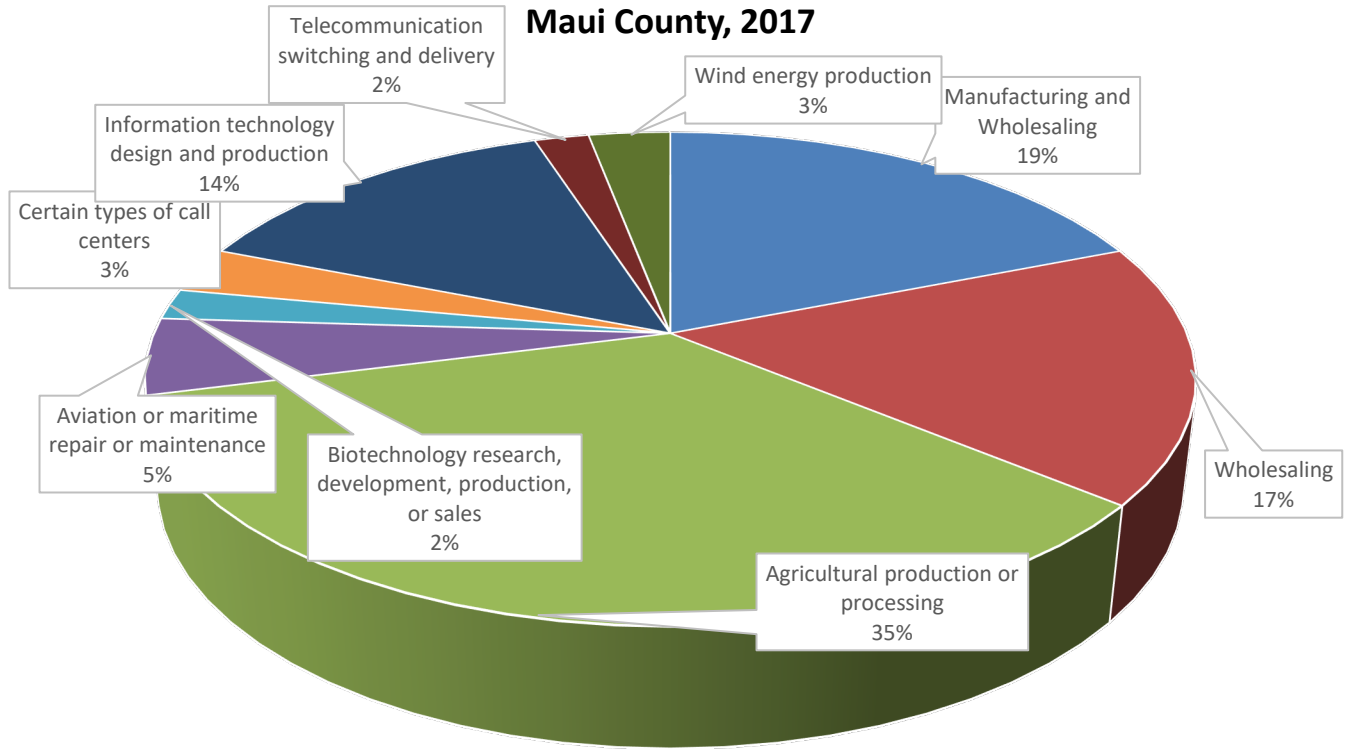
City and County of Honolulu, 2017



Kauai County, 2017



Maui County, 2017



Total Number of Jobs Created or Maintained of Reporting Companies, 2017 (see Note 1)

Industry	Total	%	Hawaii	%	Honolulu	%	Kauai	%	Maui	%
Manufacturing and Wholesaling	387	23%	19	4%	327	37%	12	28%	29	9%
Wholesaling	551	32%	111	22%	363	41%	7	16%	70	23%
Agricultural production or processing	590	34%	374	73%	125	14%	16	37%	108	35%
Aviation or maritime repair or maintenance	84	5%	6	1%	9	1%	5	12%	64	21%
Biotechnology research, development, production, or sales	0	0%	0	0%	0	0%	0	0%	0	0%
Certain types of call centers	31	2%	0	0%	21	2%	0	0%	10	3%
For-profit training programs in international business management or environmental remediation	0	0%	0	0%	0	0%	0	0%	0	0%
Information technology design and production	51	3%	0	0%	32	4%	3	7%	16	5%
Medical research, clinical trials, and Telemedicine	0	0%	0	0%	0	0%	0	0%	0	0%
Repair or maintenance of assistive technology equipment used by disabled persons	0	0%	0	0%	0	0%	0	0%	0	0%
Telecommunication switching and delivery	19	1%	0	0%	5	1%	0	0%	14	4%
Wind energy production	0	0%	0	0%	0	0%	0	0%	0	0%
Total	1713	100%	510	100%	882	100%	43	100%	311	100%

Note 1: No biotechnology, for-profit training, medical research or wind energy companies reporting for 2017

Average Number of Jobs Created or Maintained of Reporting Companies by Industry Statewide, 2017 (see Note 1)

Industry	Total No. of Reported Jobs	No. of Reporting Companies	Average No. of Jobs per Reporting Company
Manufacturing and Wholesaling	387	17	22.8
Wholesaling	551	21	26.2
Agricultural production or processing	623	35	17.8
Aviation or maritime repair or maintenance	84	5	16.8
Biotechnology research, development, production, or sales	0	0	0
Certain types of call centers	31	3	10.3
For-profit training programs in international business management or environmental remediation	0	0	0
Information technology design and production	51	7	7.3
Medical research, clinical trials, and Telemedicine	0	0	0
Repair or maintenance of assistive technology equipment used by disabled persons	0	0	0
Telecommunication switching and delivery	19	2	9.5
Wind energy production	0	0	0
Total	1746	90	19.4

Note 1: No biotechnology, for-profit training, medical research or wind energy companies reporting for 2017

Total Revenue of Reporting Companies by Industry Statewide and by County, 2017 (see Note 1)										
	Total	%	Hawaii	%	Honolulu	%	Kauai	%	Maui	%
Manufacturing and Wholesaling	104,602,625	22%	2,574,030	3%	96,565,258	37%	1,371,615	14%	4,091,721	4%
Wholesaling	216,261,789	46%	58,548,623	57%	125,219,751	48%	3,875,366	41%	28,618,049	31%
Agricultural production or processing	71,719,569	15%	41,249,097	40%	15,817,377	6%	2,531,322	27%	12,121,773	13%
Aviation or maritime repair or maintenance	55,849,107	12%	293,339	0%	10,344,681	4%	190,309	2%	45,020,779	49%
Biotechnology research, development, production, or sales	-	0%	-	0%	-	0%	-	0%	-	0%
Certain types of call centers (bill collection, disease management, disaster management, product fulfillment, and/or customer support for computer hardware or software manufacturers	See Note 2	See Note 2	-	0%	See Note 2	See Note 2	-	0%	See Note 2	See Note 2
For-profit training programs in international business management or environmental remediation	-	0%	-	0%	-	0%	-	0%	-	0%
Information technology design and production	6,944,744	1%	-	0%	3,528,205	1%	1,578,515	17%	1,838,024	2%
Medical research, clinical trials, and Telemedicine	-	-	-	-	-	-	-	-	-	-
Repair or maintenance of assistive technology equipment used by disabled persons	-	0%	-	0%	-	0%	-	0%	-	0%
Telecommunication switching and delivery	See Note 2	See Note 2	-	0%	See Note 2	See Note 2	-	0%	See Note 2	See Note 2
Wind energy production	-	0%	-	0%	-	0%	-	0%	-	0%
Total	468,261,625	100%	102,665,089	100%	263,560,352	100%	9,547,126	100%	92,489,058	100%
Note 1: No biotechnology, for-profit training, medical research or wind energy companies reporting for 2017										
Note 2: Few reporting companies in category; information not disclosed for reason of business confidentiality										

Average Revenue per Company by Industry Statewide, 2017 (see Note 1)

Industry	Total Revenue	No. of Reporting Companies	Average Revenue per Company
Manufacturing and Wholesaling	104,602,625	17	6,153,096
Wholesaling	216,261,789	21	10,298,180
Agricultural production or processing	71,919,570	35	2,054,845
Aviation or maritime repair or maintenance	55,849,107	5	11,169,821
Biotechnology research, development, production, or sales	0	0	0
Certain types of call centers	See Note 2	3	See Note 2
For-profit training programs in international business management or environmental remediation	0	0	0
Information technology design and production	6,944,944	7	992,106
Medical research, clinical trials, and Telemedicine	0	0	0
Repair or maintenance of assistive technology equipment used by disabled persons	0	0	0
Telecommunication switching and delivery	See Note 2	2	See Note 2
Wind energy production	0	0	0
Total	468,461,624	90	5,205,129

Note 1: No biotechnology, for-profit training, medical research or wind energy companies reporting for 2017

Note 2: Few reporting companies in category; information not disclosed for reason of business confidentiality

PROGRAM PURPOSE

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

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

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

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

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

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

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

ELIGIBLE BUSINESS ACTIVITIES

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

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

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

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

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

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

EZ OUTREACH ACTIVITIES

2017 Hawaii Small Business Fairs



Small Business Fair at Leeward Community College. From the left: Leslie Kawamoto (DBEDT), Wayne Thom (DBEDT) and Mark Ritchie (DBEDT).

On May 6, 2017, DBEDT co-sponsored the **2018 Hawaii Small Business Fair** in collaboration with **UH-Leeward Community College (LCC)**. The free one-day event featured 18 workshops and more than 35 exhibitors from federal, state and local agencies and non-profit business support organizations. The event was attended by more than 200 individuals, 50 per cent of whom were currently business owners and 50 per cent who were not yet in business, but interested in starting their own businesses.



DBEDT at 16th Annual Native Hawaiian Convention.

On October 11, 2016, DBEDT sponsored a **Hawaii Small Business Fair** at the Council for Native Hawaiian Advancement’s (CNHA) **16th Annual Native Hawaiian Convention** held at the Sheraton Waikiki Hotel and Resort. The Annual Native Hawaiian Convention is a unique venue that encourages and promotes collaboration among community leaders, cultural practitioners, policy advocates, business owners, entrepreneurs and agency officials, to further the well-being of Hawaii’s Native Hawaiian community. The free one-day event featured 20 business resource exhibitors from federal, state and local agencies and non-profit organizations.

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 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 Pupukeya.

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

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

- Biotechnology research, development, production and sales;
- Repair and maintenance of assistive technology equipment used by disabled persons;

- Wind energy production; and
- Certain types of call centers (bill collection, product fulfillment, disaster management, and technical support for computer hardware and software companies, but not direct telemarketing or sales).

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

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

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

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

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

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

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

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

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

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

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

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

DESIGNATED ENTERPRISE ZONES

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
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
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	4/1/2000	3/31/2020
East Maui	4/1/2000	3/31/2020
Greater Maui	5/1/2006	4/30/2026
West Maui	5/1/2006	4/30/2026

ENTERPRISE ZONE CHANGES BY COUNTY

City and County of Honolulu (Island of Oahu)

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

Hawaii County (Island of Hawaii)

- In October of 1994, the state's first three (3) EZs were designated in Hamakua, Hilo-Puna, and Kona.
- In May of 1995, a fourth Big Island zone was designated in Kau, and the Hilo-Puna and Kona zones were expanded.
- In March of 1996, further expansion of the Hilo-Puna zone and designation of a fifth zone in southern Kona were approved.
- In January of 1999, expansion of the Hamakua zone was approved.
- In April of 2000, North Kohala 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.

Kauai County (Islands of Kauai and Niihau)

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

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

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

PROGRAM BENEFITS

State Incentives

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

Year	1	2	3	4	5	6	7
State Income Tax Credit	80%	70%	60%	50%	40%	30%	20%
Unemployment Insurance Equivalent Tax	80%	70%	60%	50%	40%	30%	20%

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

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

County Incentives

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

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

ENTERPRISE ZONE NOMINATION, DESIGNATION, AMENDMENT AND TERMINATION PROCESS

County zone nominations must include the following information:

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

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

APPENDICES

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

APPENDIX A
STATE AND COUNTY
COORDINATORS

HAWAII STATE AND COUNTY ENTERPRISE ZONES COORDINATORS

CONTACT INFORMATION

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

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

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

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

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

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

County of Maui

Teena Rasmussen, Economic Development Director
Office of Economic Development
County of Maui
2200 Main Street, Suite 305
Wailuku-Maui, Hawaii 96793
Phone: (808) 270-7710 Fax: (808) 270-7995
Email: teena.rasmussen@co.maui.hi.us

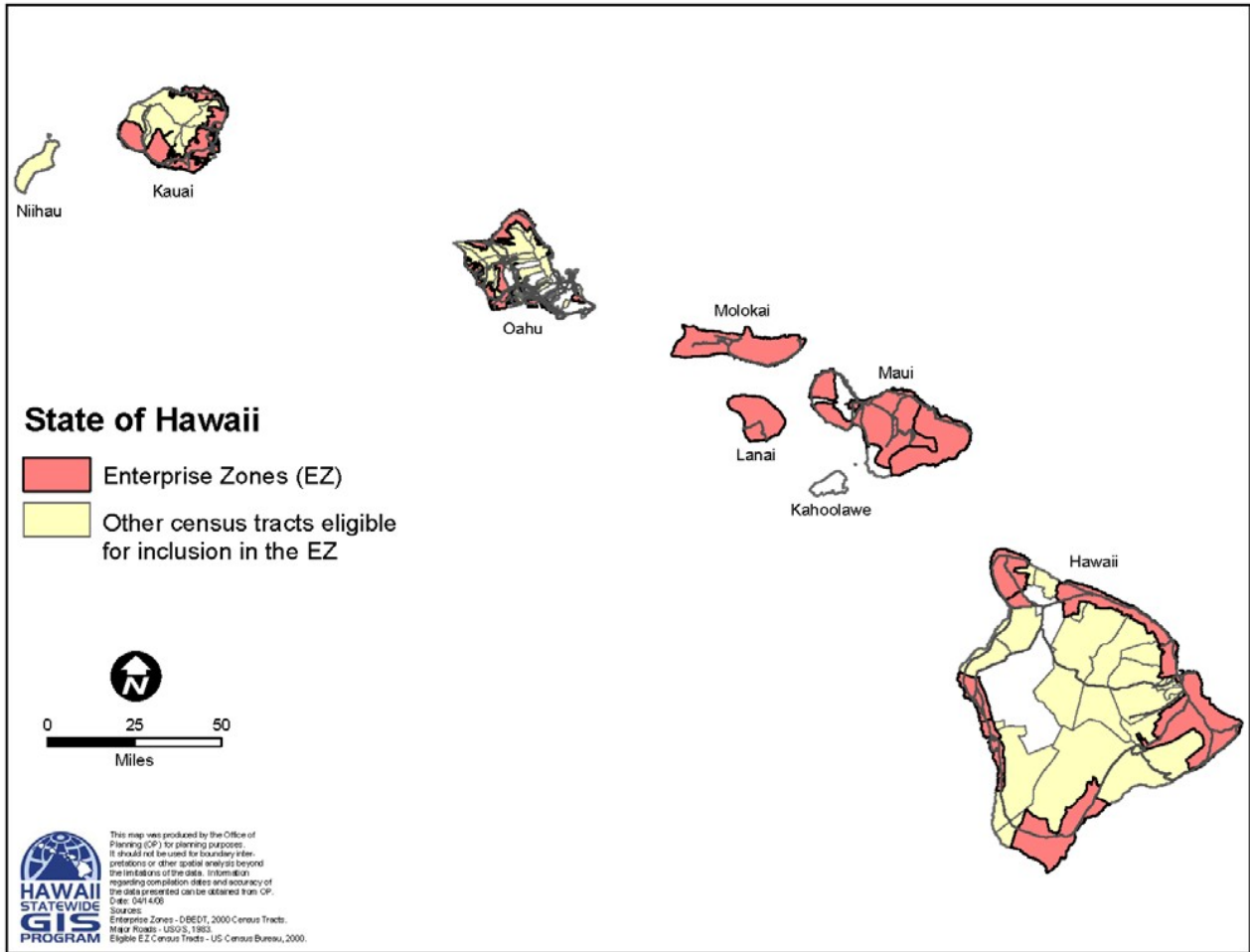
James Ipo Mossman, Project Specialist
Maui County Business Resource Center
County of Maui
70 E. Kaahumanu Avenue, Unit B-9
Kahului, Hawaii 96732
Phone: (808)270-5770 Fax: (808)269-1092
Email: ipo.mossman@co.maui.hi.us

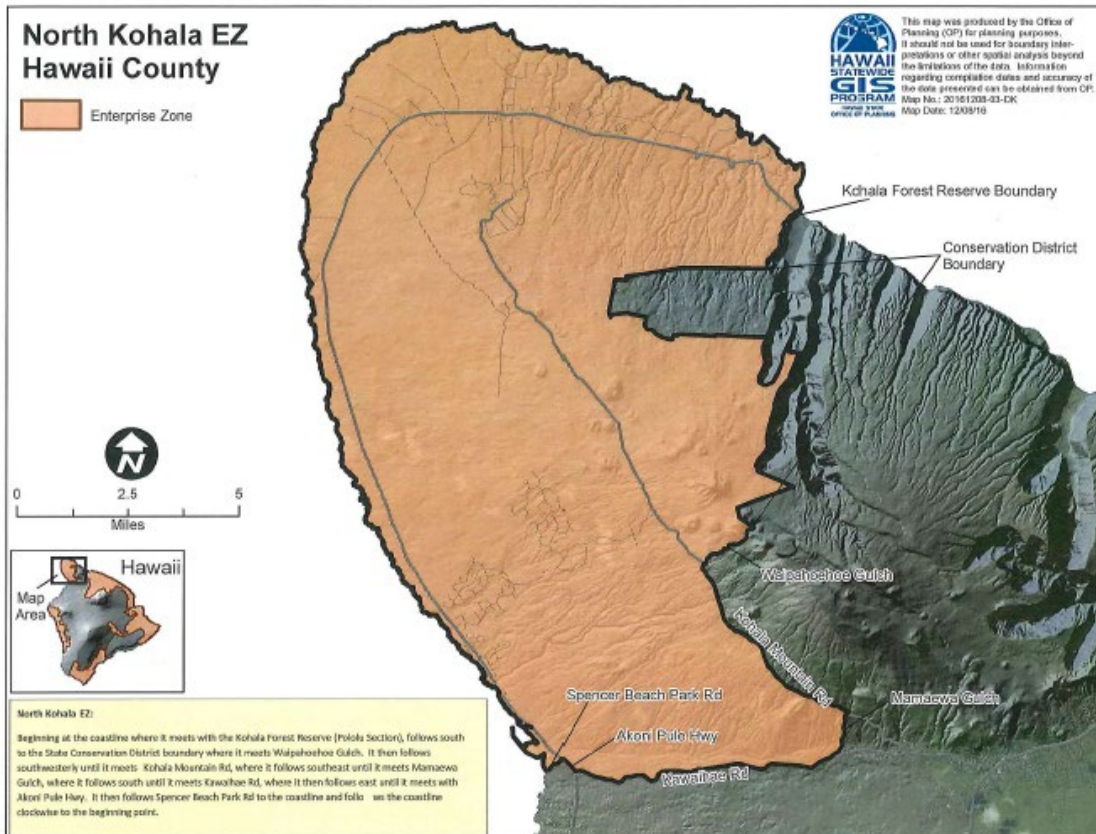
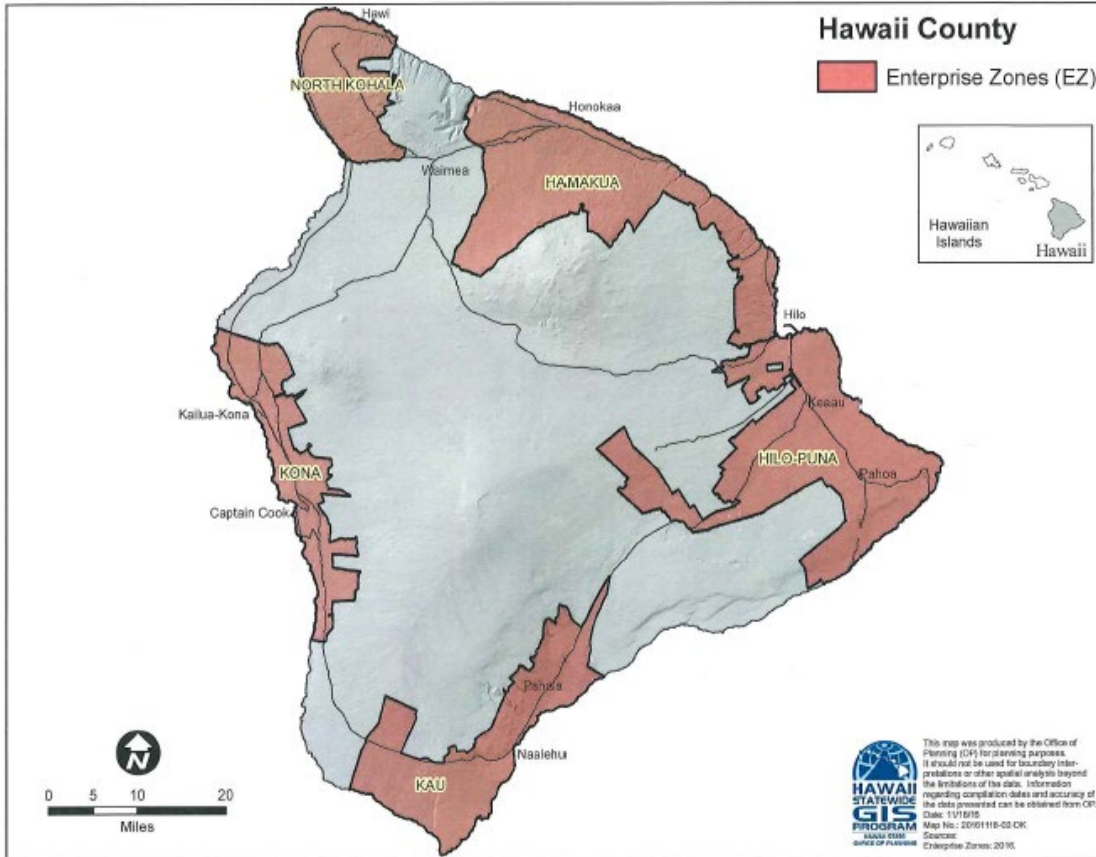
City & County
of Honolulu

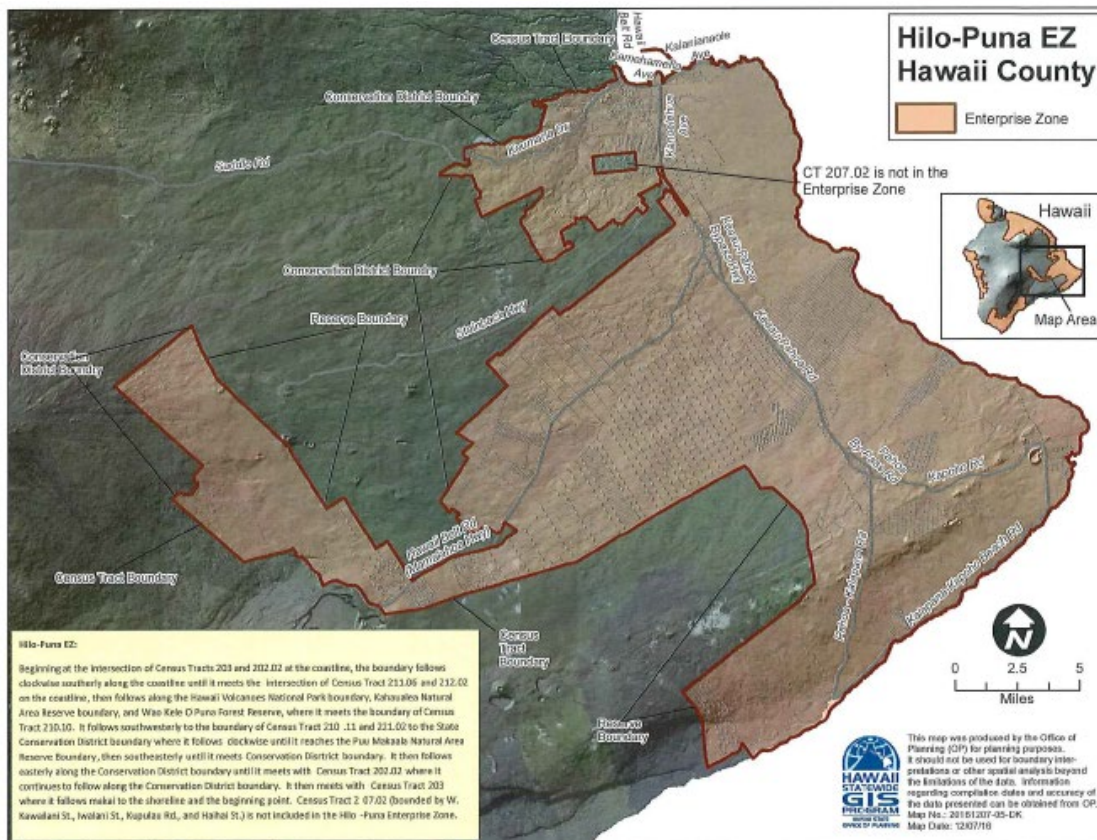
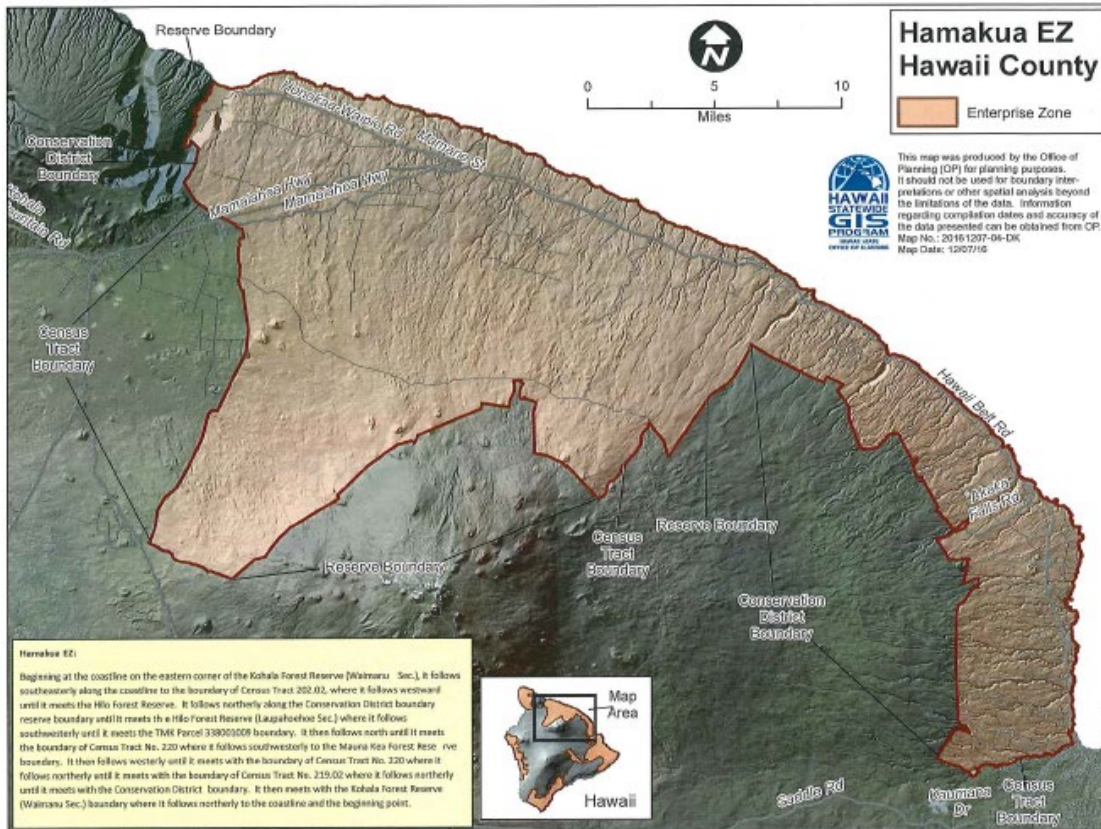
James Lota, Planner
Office of Special Projects
Department of Community Services
City & County of Honolulu
715 South King Street, Suite 311
Honolulu, Hawaii 96813
Phone: (808) 768-5859 Fax: (808) 532-8424
Email: jlota@honolulu.gov

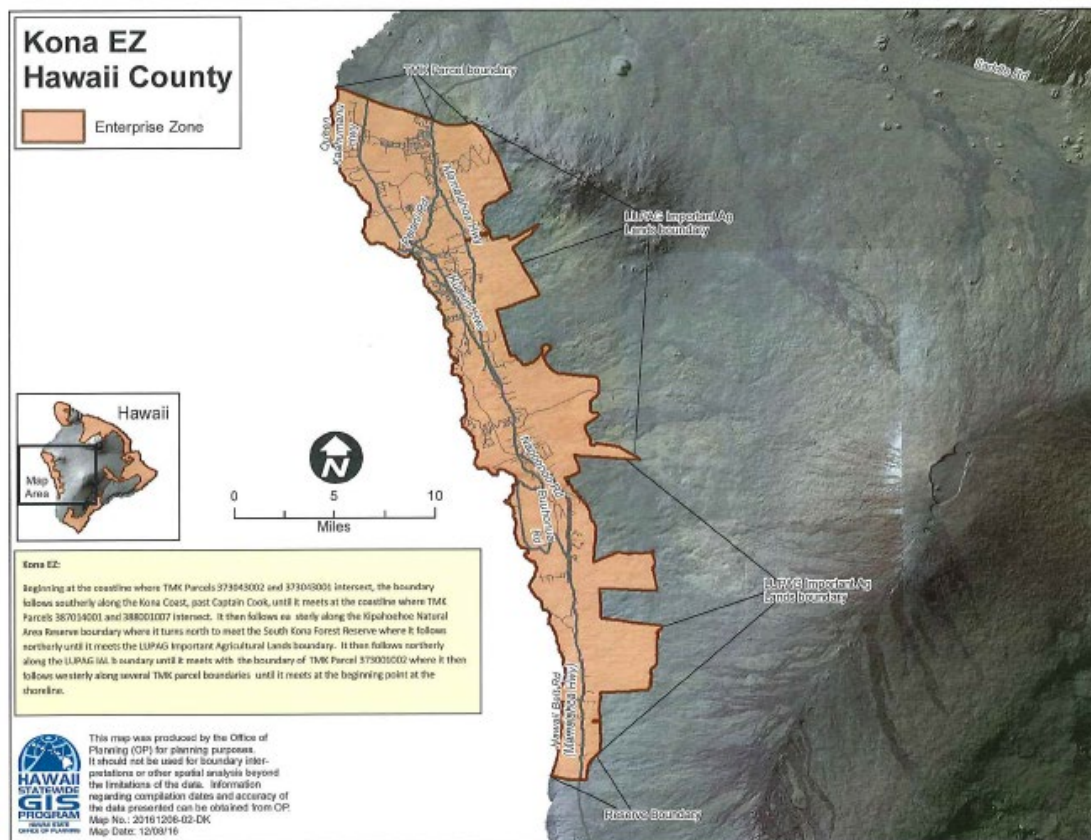
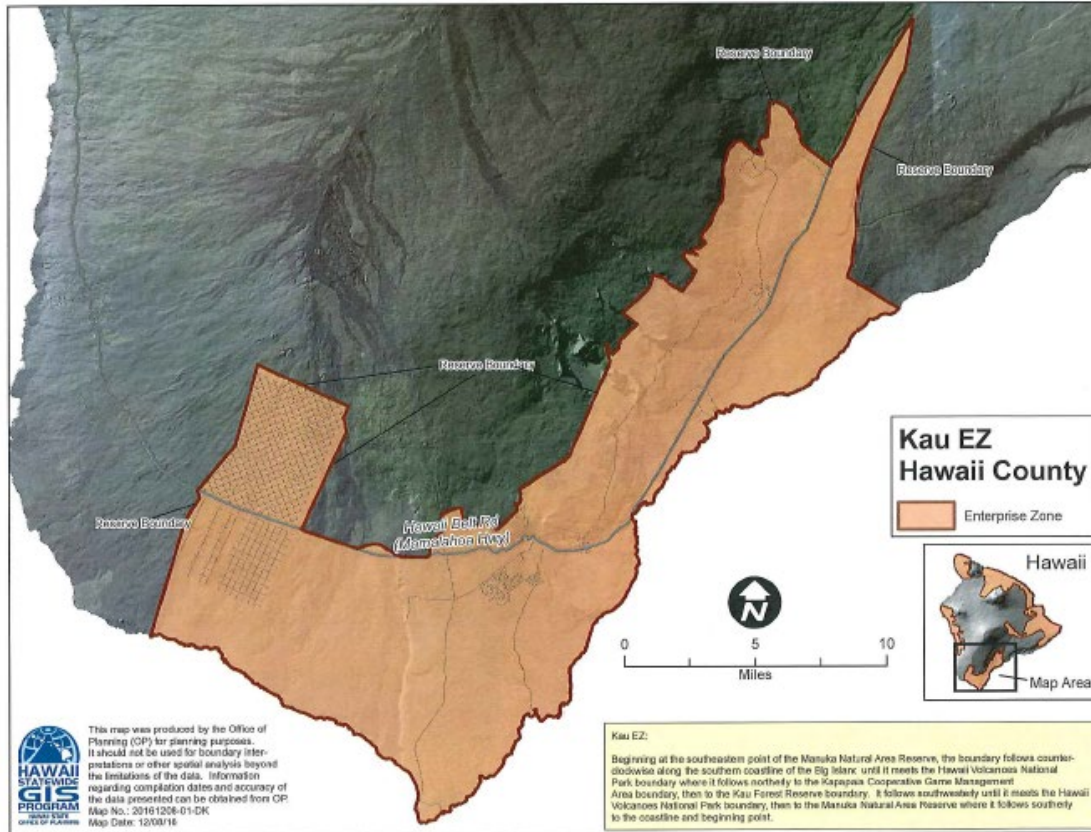
APPENDIX B

MAPS OF ENTERPRISE ZONES









Waipio EZ Honolulu County

 Enterprise Zone



Waipio Enterprise Zone:
Beginning at the intersection of Kam Hwy and Ka Uka Blvd, the EZ boundary follows north along Kam Hwy until it meets Kipapa Stream, where it follows northeasterly until it meets H-2 Freeway, where it follows southerly until it meets the southeastern corner of Census Tract 89.20, where it follows westerly, then northerly until it meets with Waipio Uka St, where it follows westerly until it meets with Ka Uka Blvd, where it follows southerly to the starting point.

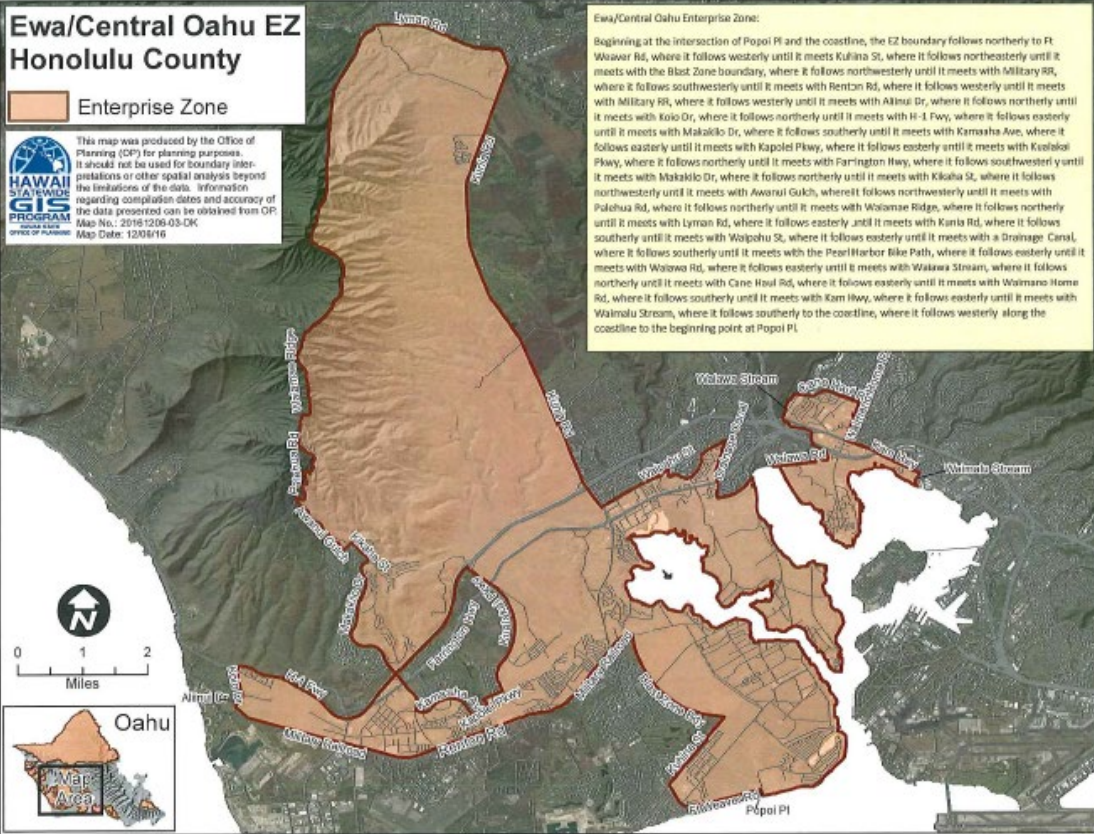
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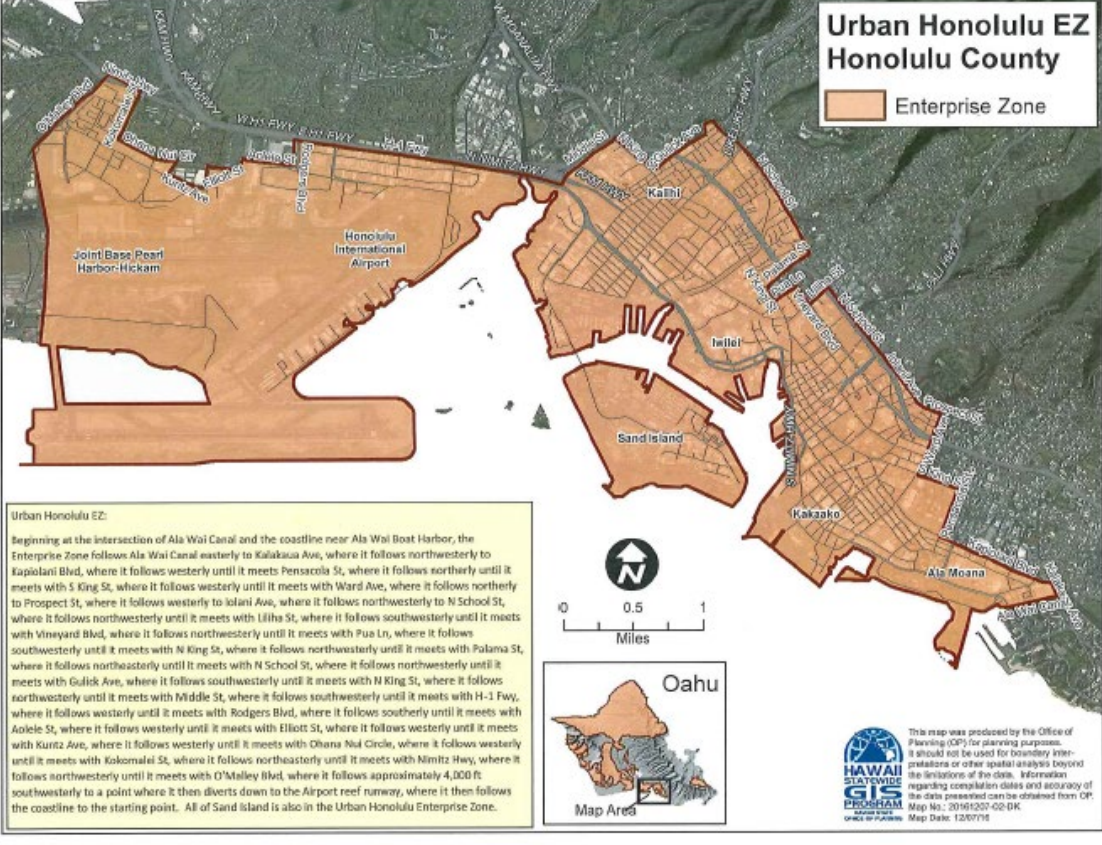
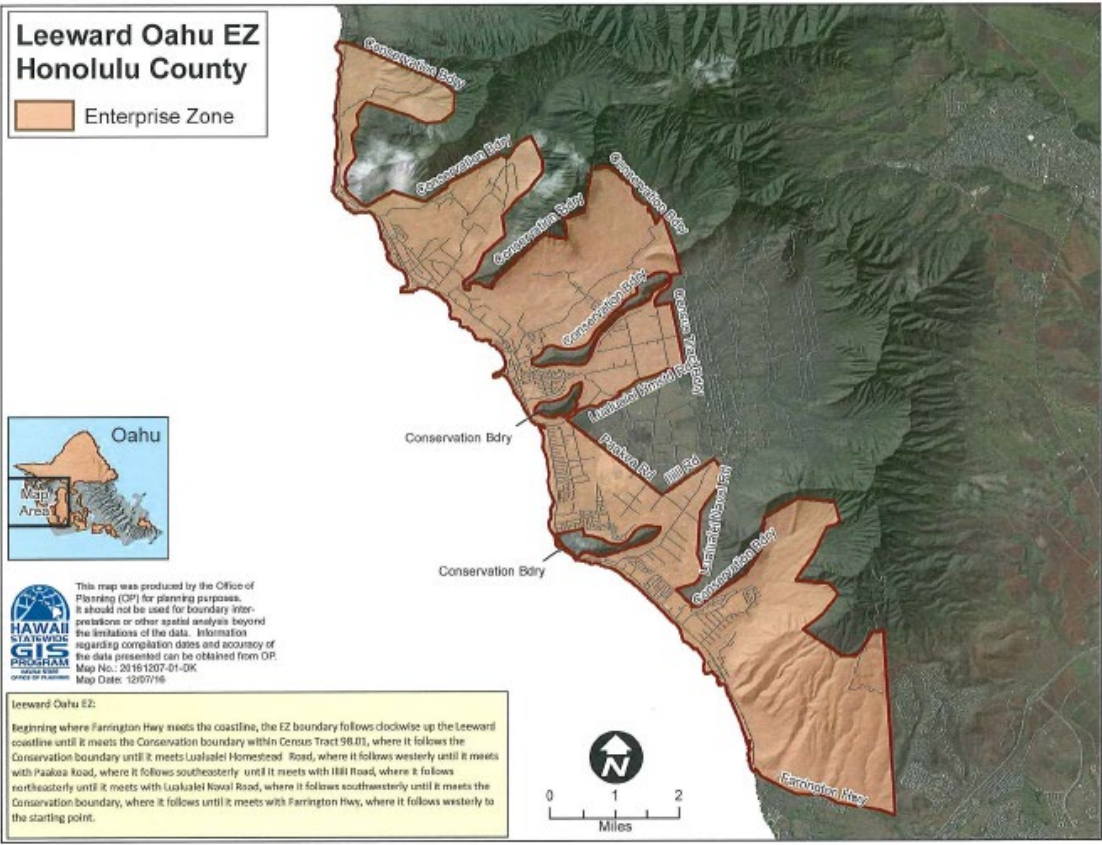
Ewa/Central Oahu EZ Honolulu County

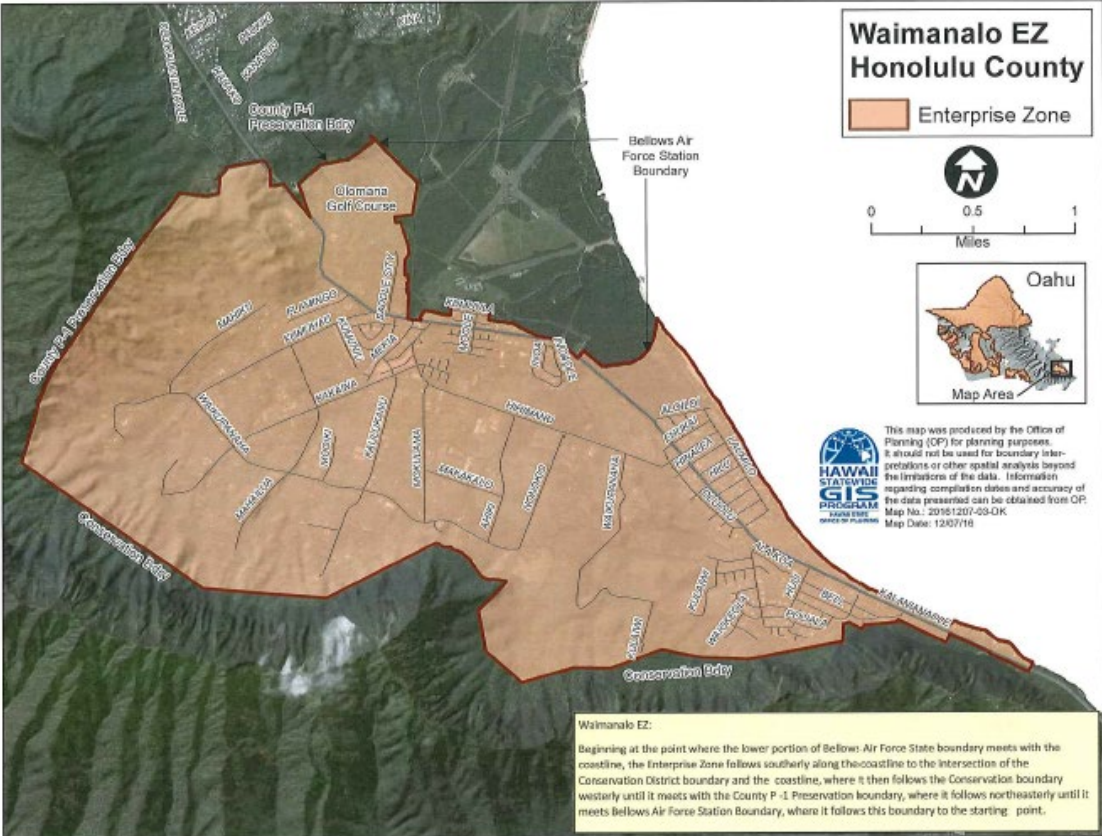
 Enterprise Zone

This map was produced by the Office of Planning (OP) for planning purposes. It should not be used for boundary interpretations or other spatial analysis beyond the limitations of the data. Information regarding compilation dates and accuracy of the data presented can be obtained from OP. Map No.: 2016-1208-03-DK. Map Date: 12/06/16

Ewa/Central Oahu Enterprise Zone:
Beginning at the intersection of Popoia Pt and the coastline, the EZ boundary follows northerly to Pt Weaver Rd, where it follows westerly until it meets Kuliina St, where it follows northeasterly until it meets with the Bldg Zone boundary, where it follows northwesterly until it meets with Military Rd, where it follows southwesterly until it meets with Renton Rd, where it follows westerly until it meets with Military Rd, where it follows westerly until it meets with Alima Dr, where it follows northerly until it meets with Koio Dr, where it follows northerly until it meets with H-1 Fwy, where it follows easterly until it meets with Makaliko Dr, where it follows southerly until it meets with Kamaha Ave, where it follows easterly until it meets with Kapolei Pkwy, where it follows easterly until it meets with Kaulaoli Pkwy, where it follows northerly until it meets with Farrington Hwy, where it follows southwesterly until it meets with Ahakalia Dr, where it follows northerly until it meets with Kikaha St, where it follows northwesterly until it meets with Awanaulani Gulch, where it follows northwesterly until it meets with Palaniua Rd, where it follows northerly until it meets with Waiolawe Ridge, where it follows northerly until it meets with Lyman Rd, where it follows easterly until it meets with Kania Rd, where it follows southerly until it meets with Waipahu St, where it follows easterly until it meets with a Drainage Canal, where it follows southerly until it meets with the Pearl Harbor Bike Path, where it follows easterly until it meets with Waiawa Rd, where it follows easterly until it meets with Waiawa Stream, where it follows northerly until it meets with Cane Haul Rd, where it follows easterly until it meets with Waimano Home Rd, where it follows southerly until it meets with Kam Hwy, where it follows easterly until it meets with Waimalu Stream, where it follows southerly to the coastline, where it follows westerly along the coastline to the beginning point at Popoia Pt.



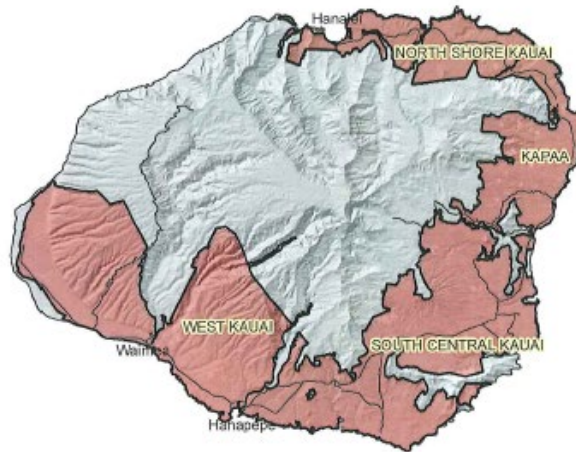




Kauai County

 Enterprise Zones (EZ)

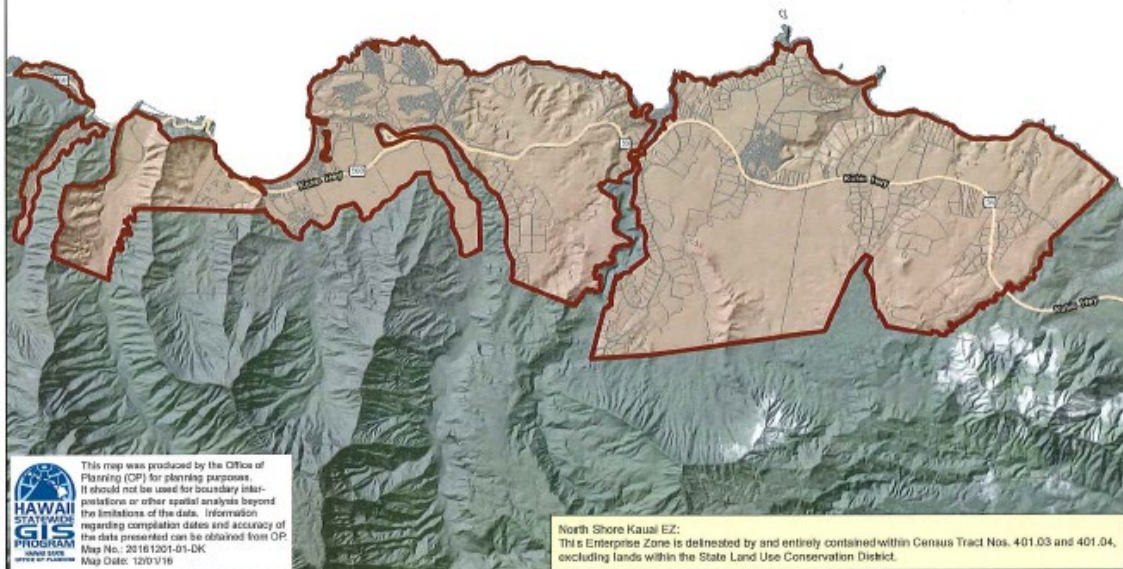
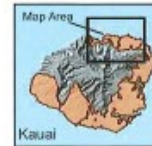
Note: All areas outside of the State Land Use Conservation District are in the Kauai Enterprise Zones.



This map was produced by the Office of Planning (OP) for planning purposes. It should not be used for boundary interpretations or other spatial analysis beyond the limitations of the data. Information regarding compilation dates and accuracy of the data presented can be obtained from OP.
 Map Date: 10/10/16
 Map No.: 2016110-04-DK
 Source: Enterprise Zones, 2016.

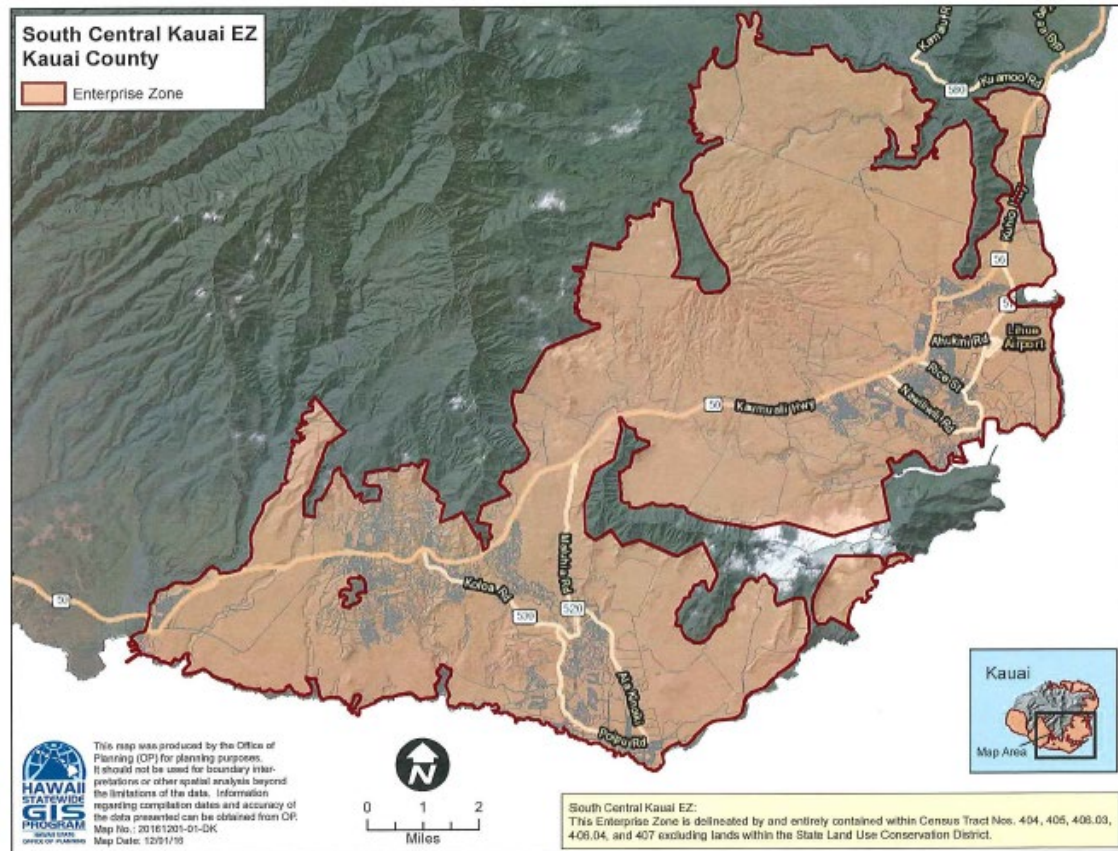
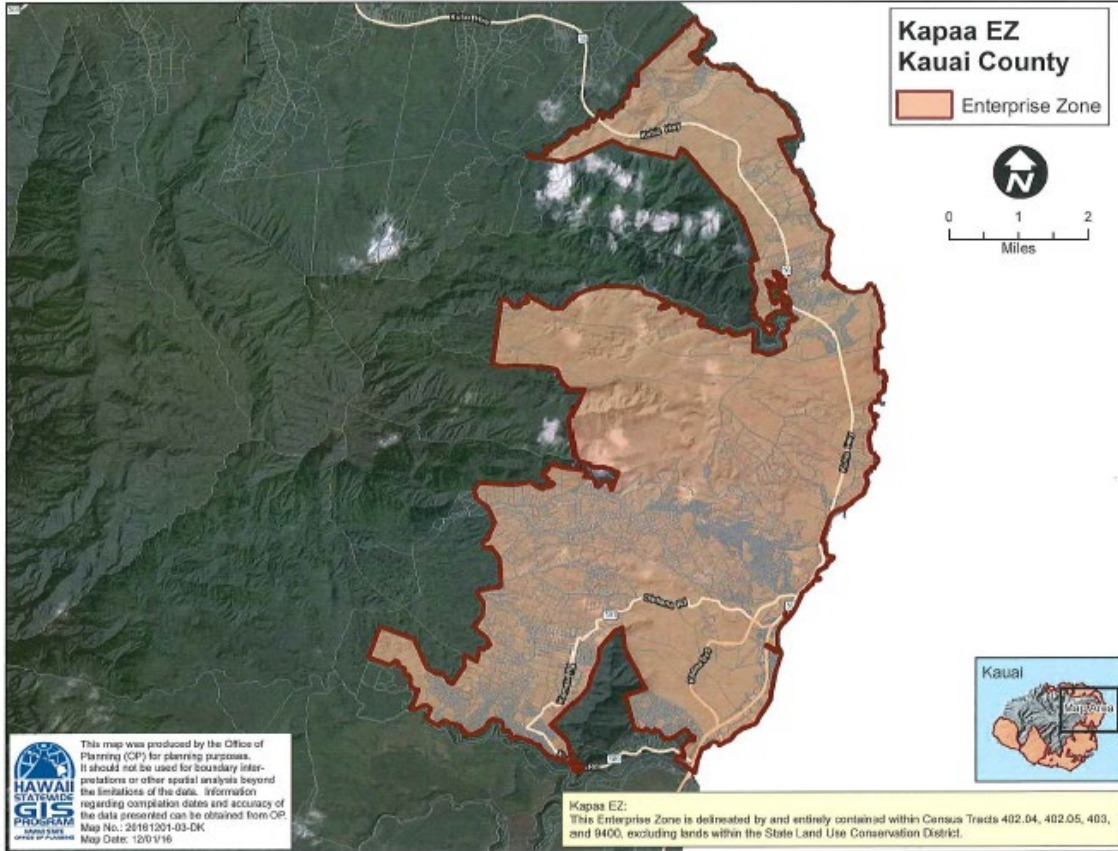
North Shore Kauai EZ Kauai County

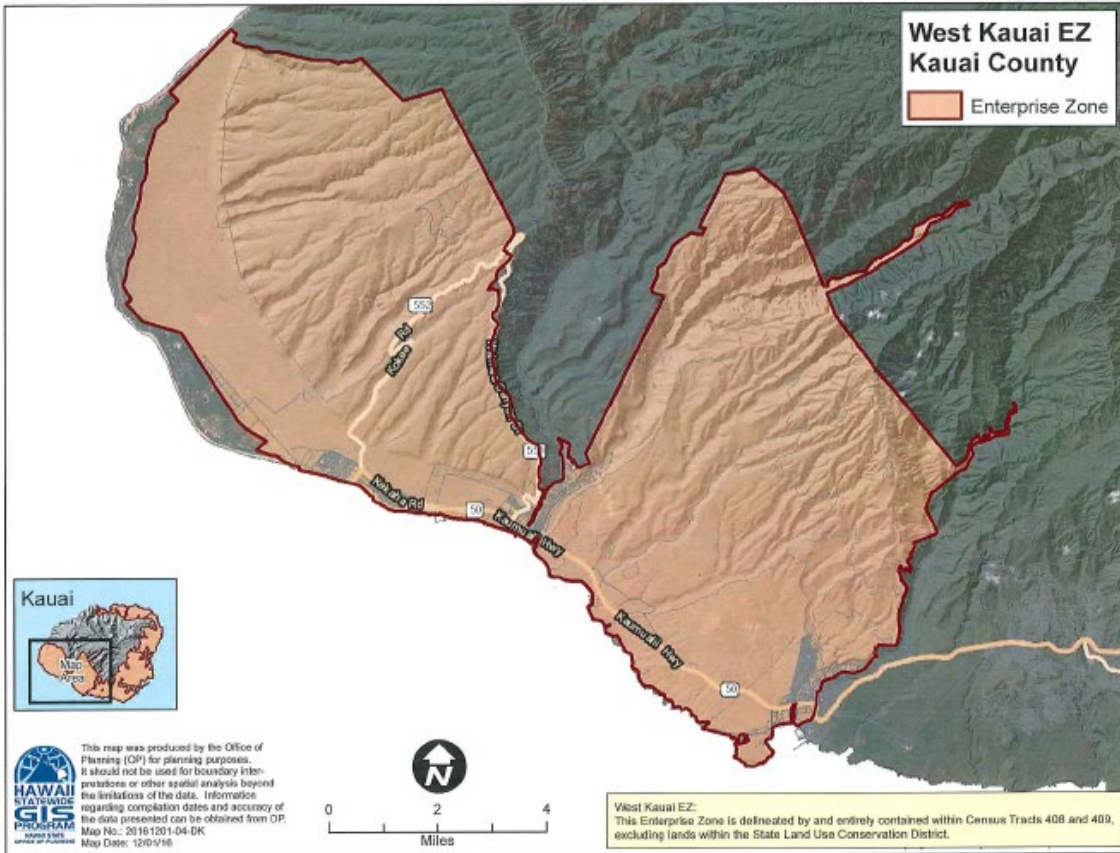
 Enterprise Zone

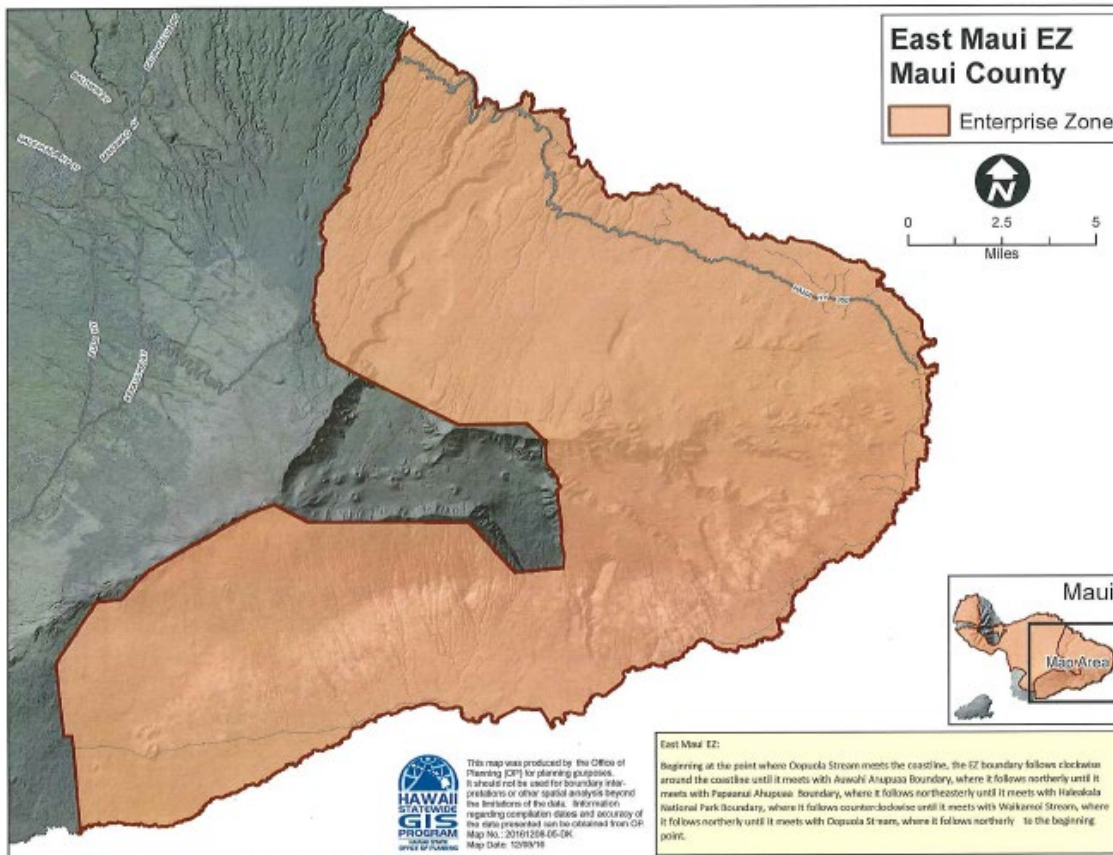
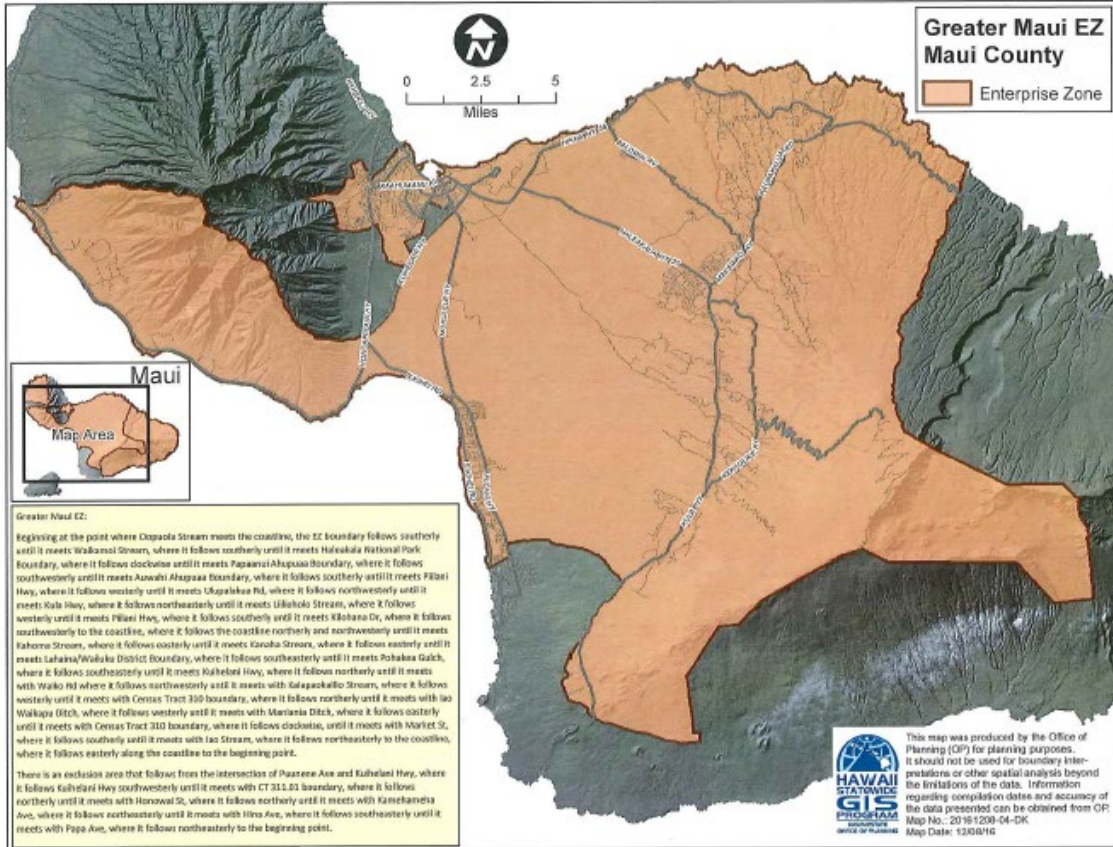


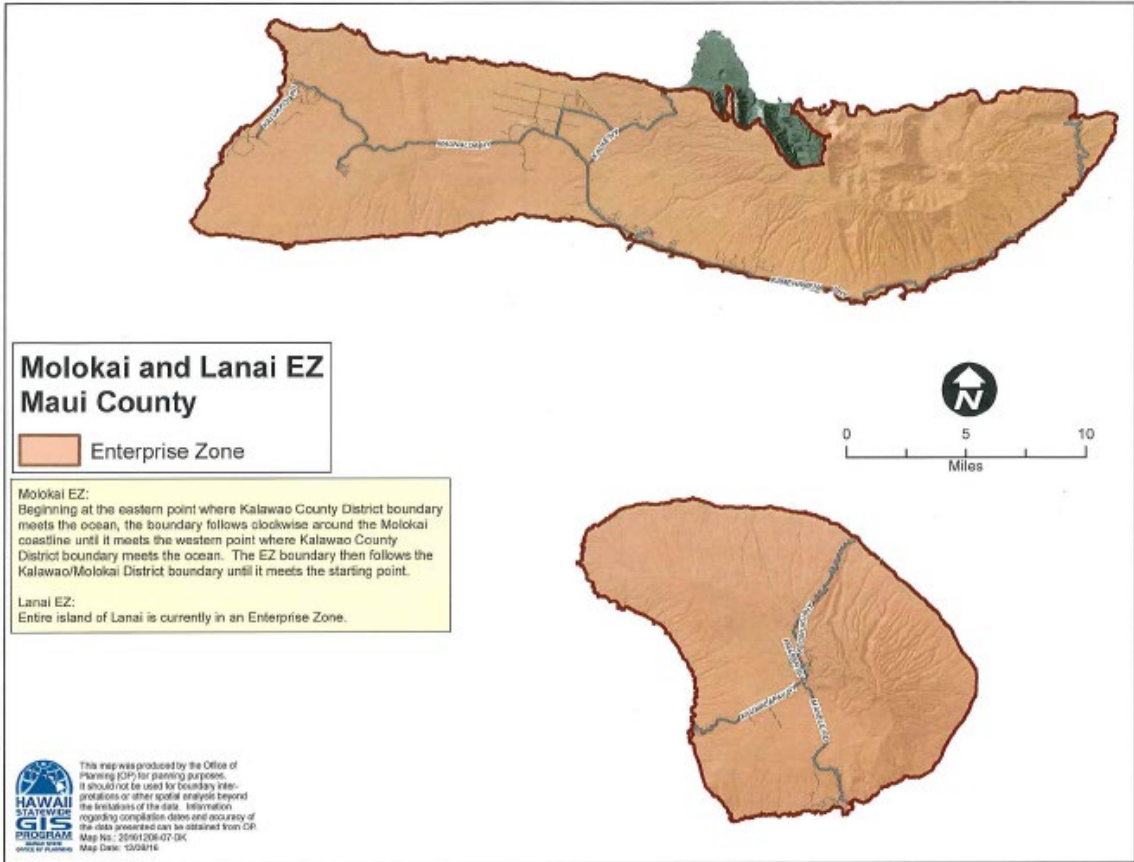
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 Map No.: 20161201-01-DK
 Map Date: 12/01/16

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









APPENDIX C

LIST OF EZ FIRMS BY COUNTY

As of December 31, 2017

FIRMS CURRENTLY ENROLLED IN THE EZ PROGRAM

Hawaii County

A & T Belmes Farm, LLC	Kau Farms Management, LLC
Ahualoa Family Farms, LLC	Kohala Nursery Inc.
Ahualoa Farms, LLC	Kona Brewery, LLC
Alan Kuwahara dba Puna Floriculture	Kona Coast Shellfish, LLC
Aloha Hawaiian Stores dba Donkey Ball Stores	Kona Fish Company, Inc.
Aloha Hills Kona Coffee, LLC	Kona Gold Rum Company, LLC
Bangs Farm	Koolau Aviation Services, Inc. (N. Kona)
Big Island Biodiesel, LLC	Kulina Lani, LLC
Big Island Dairy, LLC	Makana Gardens, LLC
Big Island Landscaping	Margaret Collins dba Paradise Meadows
Big Island Plant & Foliage, Inc.	Mauna Kea Moo
Big Island Wasabi	Maxwell Farms, LLC
Boteilho Hawaii Enterprises	Miranda Farms
Fox Forest Farm, LLC	Moku Nui Bioenergy Corp.
FU Molina Farm	Moonrise Tea Garden
Full Circle Brewing Co. Ltd.	Mountain Meadows, Inc.
Garden Isle Seafood - Kona Division, LLC	Na Pua Makani Power Partners, LLC
Great Pacific Chocolate Co., Inc. dba The Original Hawaiian Chocolate Factory	Pacific Biodiesel Logistics, LLC (Big Island)
Green Point Nurseries, Inc.	Pacific Biodiesel Technologies, LLC
GVS Connect	Ponoholo Ranch Limited
Hawaii Akatsuka Farm, Inc.	PRL English, LLC
Hawaii Beef Producers	Punachicks Farm
Hawaiian B Natural Farms, Inc.	QiCity, LLC
Hawaiian Legacy Hardwoods, LLC	R. R. & S. Flowers, LLC
Hawaiian Macadamia Nut Orchards, LP	Risley Farms
Hilo Fish Company, Inc.	Rusty's Hawaiian, LLC
Hog Heaven	Shrimp Improvement Systems Hawaii, LLC
Hoku Kai Biofuels, LLC	The Kona Coffee and Tea Company
Inside Out Lock & Key, LLC dba Rainbow Farms	Tradewinds Hawaiian Woods, LLC
Island Harvest Organics, LLC	Vantage Nursery, LLC
Island Harvest, Inc.	Waiakea, Inc.
Jeffrey Juan	Wailea Agricultural Group, Inc.
Kahua Ranch Ltd.	Waipahe'aina
Kapapala Ranch	

Honolulu County

3D Travel, Inc.	Island Maid, Inc.
Aloha Beer Company LP	Island Taylor, L.L.C.
Aloha Data Services, Inc.	Island Topsoil, LLC
Aloha Films, LLC	Jems Enterprises, LLC dba Hawaiian Ice
American LED and Energy Corporation	Komatsu Enterprises dba, K & K Distributors
Ba-Le, Inc. dba Tour Bakehouse	Kunia Country Farms
Barbers Point Aviation Services	Lady Ease Limited dba Ease Collection
Black Sand Publishing, Inc.	Luhina, LLC
C&S Wholesale Grocers, Inc.	Manoa Honey Company, LLC
C. Blue Farms	Manulele Distillers
CACI-ISS, Inc.	Mikilua Poultry Farm, Inc.
Credit Associates of Maui, Ltd. (Oahu)	MJC, Inc.
Dang Vessel Holdings, LLC	Ohana Control Systems Hawaii, Inc.
DOITNOW, INC. dba Carrier Hawaii	Orange County Coastal Physicians dba Coastal Medical Supply
Epicenter Technologies, Inc.	Pace Supply Corp
Eskimo Candy Oahu, Inc.	Pacific Agriculture Research Co., LLC
EURAM, Inc. dba Hawaiian Paradise Coffee	Pacific Biodiesel Logistics, LLC (Oahu)
Eyeenix, LLC	Pacific Fishing & Supply, Inc.
Fantastic Gardens Hawaii	Pacific Industrial Equipment Corp.
First Commercial Kitchen, LLC	Pacific Rim Connections, LLC
First Response Professional Security Service, LLC	Paina Hawaii, LLC
Flying R Livestock Co., Ltd.	Panasonic Avionics Corporation
For J's Hawaii, Inc.	Plant Research Corporation
Garden & Valley Isle Seafood, Inc.	Rainbow Caffé, Inc. dba The Tea Chest
German Foods, LLC	Raw Dog Brands, Inc
GLP Asphalt LLC	Rengo Packaging, Inc.
GOOD GREENS HAWAII	Skai Technologies, LLC
Guardian Capital Management Hawaii, LLC	SKY Kombucha, LLC
Hawaii Fruit Company	So Ono Food Products, LLC
Hawaii Pacific Data dba AlohaNAP	Techmana
Hawaii Star Bakery	Tina's Creation, Inc.
Hawaiian Agents Inc.	Tradewinds Global
Hawaiian Agricultural Products, LLC	Tropic Fish Hawaii, LLC
Hawaiian Chip Company, LLC	Trutag Technologies, Inc.
Hawaiian Pie Company, LLC	Unitek Supply, LLC
Hawaiian Sun Products, Inc.	Villa Rose, LLC
HI Performance Coatings, Inc., dba Hi-Line Distributors	Virginia Paresa, LLC
HI Planning Mill, LLC	Wehiwa Soap Company, LLC
Ho Farms, LLC	Weston Solutions, Inc.-Iwiilei
Ilio Products, LLC	Weston Solutions, Inc.-Kapolei
Island Farms, LLC	Worldwide Flight Services, Inc. (Oahu)

Maui County

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

Kauai County

Aunty Lilikoi, LLC	Kauai Nut Roasters
Eskimo Candy Kauai, Inc.	Koolau Aviation Services, Inc. (Kauai)
Garden Isle Seafood – Kauai, LLC	Laulima Systems, LLC
Hanalei Poi Company, LLC	Monkeypod Jam, LLC
Hawaii Dairy Farms, LLC	Orchid Alley
Hawaii Networks	Salty Wahine Gourmet Hawaiian Sea Salts
Island Soap Company, LLC	T. Esaki Farm, Inc.
Kaikini, LLC	Tropic Fish Kauai, LLC
KAUAI KUNANA INC	Tropical Flowers Express

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

Name _____	S SN OR FEIN _____
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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		
	2b		
b. Total gross income required to be reported to Hawaii			
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		
	5b		
b. Total payroll for employees employed within Hawaii			
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																					
9. Enter the percentage from the table below that applies to your cycle year																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 25%;">Cycle Year</td> <td style="width: 25%;">Applicable Percentage</td> <td style="width: 25%;">Cycle Year</td> <td style="width: 25%;">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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FORM N-756
(REV. 2010)
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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 and previous
annual reports.