

# HAWAI'I ENTERPRISE ZONE PARTNERSHIP:

## GENERAL INFORMATION FOR BUSINESSES

### INTRODUCTION

The Enterprise Zones (EZ) program is a joint state-county effort intended to stimulate—via tax and other incentives—certain types of business activity, job preservation, and job creation in areas where they are most appropriate or most needed. Up to six zones can be designated per county. *(See maps for existing zones.)*

If your business *(or a branch of your business)* is eligible and is located in an Enterprise Zone (EZ), you can reduce your state taxes and receive other county benefits for up to seven years by satisfying the EZ hiring and gross receipts requirements.

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### ELIGIBLE BUSINESSES

To enroll in the Enterprise Zone program, ***at least half of a firm's annual gross income in an EZ*** must be from one or more of the following activities:

- Agricultural production or processing;
- Manufacturing;
- Wholesaling/Distribution;
- Aviation or maritime repair or maintenance;
- Telecommunications switching and delivery systems;
- Information technology design and production;
- Medical research, clinical trials and telemedicine;
- For-profit training programs in international business management or environmental remediation;
- Biotechnology research, development, production or sales;
- Repair or maintenance of assisted technology equipment;
- Certain types of call centers;
- Wind energy producers.

Almost all other businesses are **not** eligible, including retailers and professional services. Contractors *(firms which build, maintain, or repair real estate, such as custodial, construction, painting, electrical, and plumbing firms)* also cannot enroll in the EZ program.

## HIRING REQUIREMENTS

All eligible businesses must also increase their average annual number of full-time employees. All businesses must already employ at least one full-time worker at their EZ establishment before beginning participation. (*Full-time = 20 or more hours per week.*) The specific requirements that must be satisfied by existing and new businesses are described as follows:

**"Existing" Businesses:** Businesses already in an EZ must increase their average annual number of full-time employees by at least 10% by the end of the first year. The average annual number of full-time employees must also increase by at least 15% annually in years 4 to 7.

**"New" Businesses:** Businesses that start up in or move to an EZ must increase their average annual number of full-time employees by at least 10% by the end of the first year. The average annual number of full-time employees at the end of years 2 to 7 can fluctuate, but cannot be less than the number of employees required at the end of the first year. (*Note: "New" businesses will be considered new throughout their seven years of eligibility.*)

**Agriculture Businesses:** Businesses may increase their gross sales by 2% each year rather than increase employees.

## INCENTIVES

### State:

Businesses which satisfy all requirements will qualify for the following state tax benefits for up to seven consecutive years:

- 100% exemption from the General Excise Tax (GET) and Use Tax every year. (*The GET exemption applies only to gross revenues from EZ-eligible business categories within an EZ.*) Licensed contractors are also exempt from GET on construction done within an EZ for an EZ-qualified business.
- An 80% reduction of state income tax the first year. (*This reduction goes down 10% each year for 6 more years.*)
- An additional income tax reduction equal to 80% of annual Unemployment Insurance premiums the first year. (*This reduction goes down 10% each year for 6 more years.*)

NOTE: *The two income tax reductions combined cannot exceed 100% of income tax due.*

**Hawai`i County:**

Businesses which satisfy all requirements are eligible for a three year exemption from the increase in property taxes resulting from new construction by EZ firms at the EZ sites.

**PARTICIPATION**

Business participation can begin after each County selects areas for zone designation. Once zone designations have been made, further inquiries can be addressed by calling the Mayor's office of the county in which your business is or will be located, or the State of Hawai`i's Department of Business, Economic Development and Tourism (DBEDT).

The DBEDT Enterprise Zones program coordinator can be reached at: (808) 974-4000.