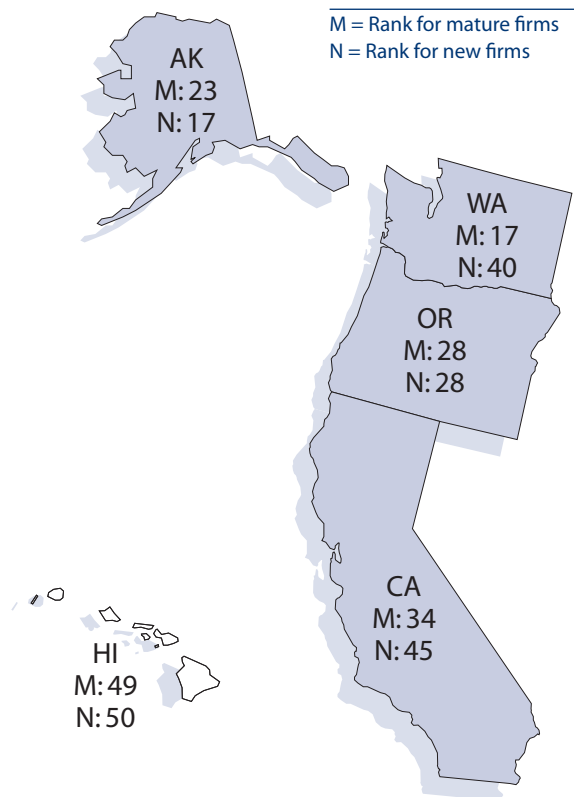


## Hawaii

Hawaii ranks 49th overall for mature operations and 50th overall for newly established operations. Specifically:

- Hawaii ranks 50th for having the highest total tax costs for mature capital-intensive manufacturing operations, with a TETR of 26.2 percent. This tax burden is more than twice the national average of 12.7 percent. Hawaii does have the lowest property tax burden of any state for this type of operation. However, it offsets this with a high corporate tax burden, the nation's highest sales tax burden, and the second-highest unemployment (UI) tax burden.
- Hawaii also has the highest tax burden for mature labor-intensive manufacturing operations with a TETR of 33.1 percent, which is nearly 184 percent above the national average. Despite having the nation's lowest property tax burden for this firm type, Hawaii has the nation's highest sales tax burden and second-highest UI tax burden.
- As it does for mature labor-intensive manufacturing operations, Hawaii ranks 50th for new operations, with the highest TETR of 40.6 percent. This is twice the tax burden of second-place California, which joins Hawaii as the only states to rank among the 10 highest tax cost states for both new and mature manufacturing operations. The same factors that increase the tax costs for mature operations – high UI and sales taxes – increase the tax costs for new manufacturing operations.
- Also, the state ranks 48th for newly established capital-intensive manufacturing. The tax burden for these firm types is more than double the national average in Hawaii, which is largely attributable to the state's high UI taxes and its unique sales tax burden.



- Hawaii's modest corporate income tax and very low property taxes help it rank seventh for mature distribution centers. However, this operation has one of the highest UI taxes of its type in the nation.
- Hawaii's sales tax applies to sales between businesses, rather than just to the end consumer. As such, manufacturing machinery is taxed in Hawaii, so the cost of equipment and other inputs for manufacturing firms is significantly higher in Hawaii than in other states.

## Hawaii

### Corporate income tax

|   |           |
|---|-----------|
| Main tax rate                             | 6.400%    |
| Applies to income over                    | \$100,000 |
| Specific adjustments:                     |           |
| - s.199 deduction disallowed              |           |
| - Deduction allowed for in-state tax paid |           |

| Apportionment                                | Property | Payroll | Sales |
|--|----------|---------|-------|
| Standard factors                             | 33.3%    | 33.3%   | 33.3% |
| Optional alternative                         | n/a      | n/a     | n/a   |
| Throwback applies to tangible property sales |          |         | Yes   |
| Interstate services income apportionment     |          |         | IPA   |

### Sales and property tax

| Metro areas examined |          | Sales tax              | Property tax |           |           |           |
|----------------------|----------|------------------------|--------------|-----------|-----------|-----------|
|                      |          | Main rate <sup>a</sup> | Land         | Buildings | Equipment | Inventory |
| Tier 1               | Honolulu | 4.500%                 | 1.240%       | 1.240%    | -         | -         |
| Tier 2               | Hilo     | 4.000%                 | 0.910%       | 0.910%    | -         | -         |

a. Manufacturing machinery is subject to sales tax

### Other taxes

| Unemployment insurance |          | State capital tax |        | Gross receipts tax |          |        | Local income tax |
|------------------------|----------|-------------------|--------|--------------------|----------|--------|------------------|
| Rate                   | Max. pay |                   |        | Mfg.               | Services | Retail |                  |
| 4.02%                  | \$34,200 | n/a               | Tier 1 | n/a                | n/a      | n/a    | n/a              |
|                        |          |                   | Tier 2 | n/a                | n/a      | n/a    | n/a              |

### Incentives for newly established operations

| Type         | Incentive value                               | MC | ML | CC | DC | CO | RD | RT |
|--------------|---|----|----|----|----|----|----|----|
| Investment   | 4% of depreciable equipment excise tax refund | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  |
| Job creation | n/a   |    |    |    |    |    |    |    |
| Withholdings | n/a   |    |    |    |    |    |    |    |
| R&D          | n/a   |    |    |    |    |    |    |    |
| Property tax | n/a   |    |    |    |    |    |    |    |

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

### Results

|       | Newly established operations |       |       |       |                   |       |       |              | Mature operations |                   |       |       |       |                   |       |              |  |     |
|-------|------------------------------|-------|-------|-------|-------------------|-------|-------|--------------|-------------------|-------------------|-------|-------|-------|-------------------|-------|--------------|--|-----|
|       | Tier 2 operations            |       |       |       | Tier 1 operations |       |       |              | AVG               | Tier 2 operations |       |       |       | Tier 1 operations |       |              |  | AVG |
|       | MC                           | ML    | CC    | DC    | CO                | RD    | RT    | MC           |                   | ML                | CC    | DC    | CO    | RD                | RT    |              |  |     |
| TETR  | 24.6%                        | 40.6% | 29.5% | 25.5% | 16.3%             | 16.0% | 32.2% |              | 26.2%             | 33.1%             | 23.8% | 21.9% | 14.3% | 13.9%             | 20.9% |              |  |     |
| Index | 215.5                        | 346.8 | 118.6 | 70.4  | 100.7             | 108.9 | 99.1  | <b>151.4</b> | 206.7             | 283.9             | 113.4 | 71.4  | 91.2  | 108.0             | 123.5 | <b>142.6</b> |  |     |
| Rank  | 48                           | 50    | 32    | 10    | 26                | 26    | 26    | <b>50</b>    | 50                | 50                | 36    | 7     | 21    | 32                | 43    | <b>49</b>    |  |     |

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store