

# Starting a Business in Hawaii

PDF of this presentation located at: <http://go.hawaii.edu/wm3>

*“ Entrepreneurship is about identifying and enacting  
‘alternative paths to the future’ ”*

— Richard Branson  
Virgin Atlantic Group

# Small Business Development Center (SBDC)

*Enhancing the economic well-being of Hawaii, one business at a time...*

- ▶ **Federal & State Partnership**
  - ▶ **State of Hawaii** (UH-Hilo -special legislative allocation) and...
  - ▶ **Small Business Administration** (SBA -federal dollars)
- ▶ **America's SBDC -nationwide network**
  - ▶ over 1,000 SBDCs nationally
  - ▶ organized as 60+ networks (essentially by State or Territory)
- ▶ **Hawaii SBDC Network**
  - ▶ 5 advising centers: **Maui, Oahu, Hawaii Island(2)** and **Kauai**



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U.S. Small Business  
Administration



# Small Business Development Center (SBDC)

*Enhancing the economic well-being of Hawaii, one business at a time...*

## ▶ **Services:**

- ▶ Business Advising (one-on-one, no cost)
- ▶ Business-Related Research
- ▶ Workshops/Training

## ▶ **SBDCs addresses all life stages of a business:**

- ▶ Pre-venture exploration of a business idea
- ▶ Start-up operations
- ▶ Existing businesses
  - ▶ Scaling
  - ▶ Pivot
  - ▶ Exit Strategies



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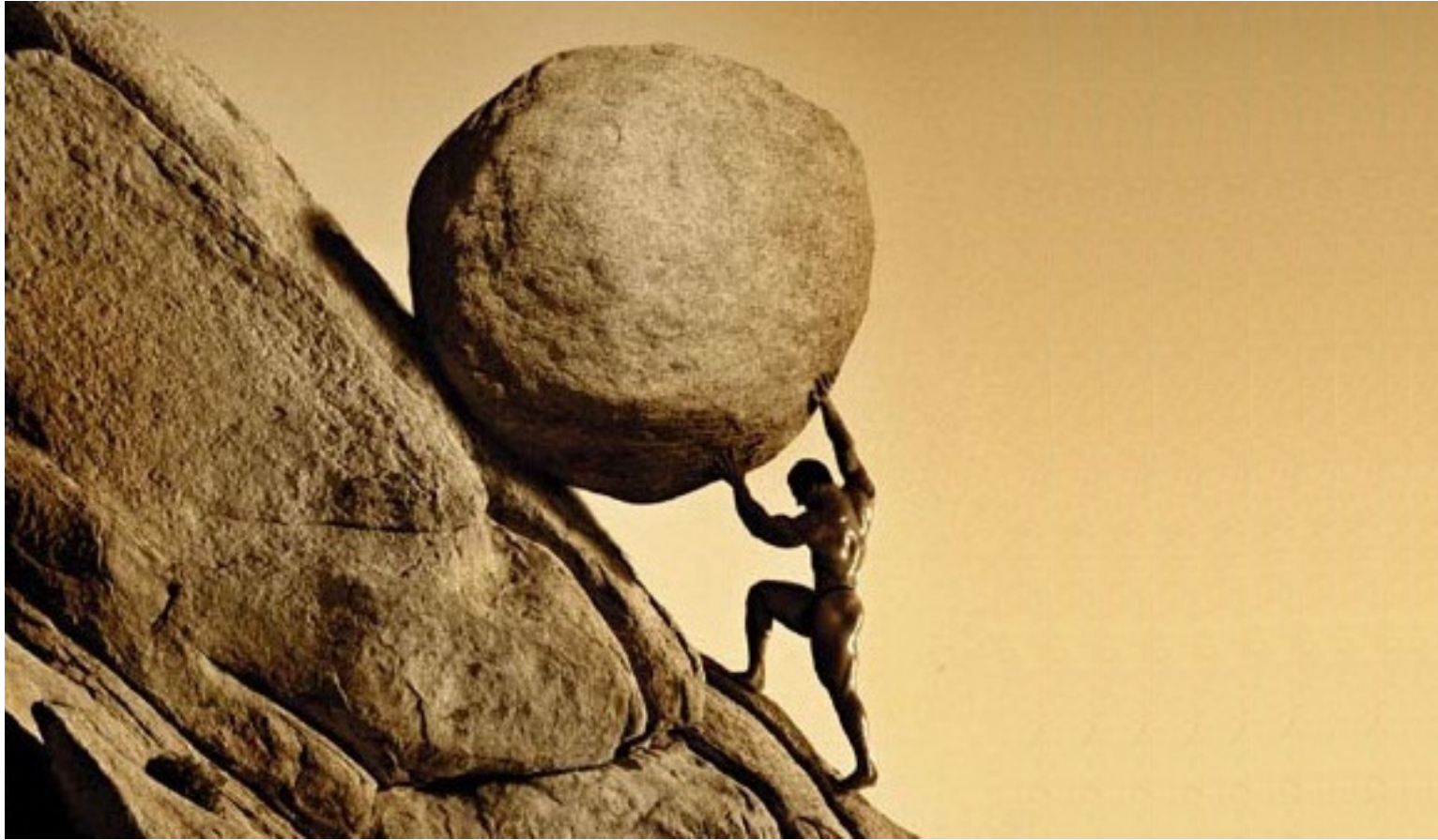


# Agenda

- ▶ **Self Assessment**
- ▶ **Business Idea Validation/Market Research**
- ▶ **Business Planning**
- ▶ **Make it Legal**  
Forms of Organization/Registrations
- ▶ **Taxes**
- ▶ **Set Up Shop**
- ▶ **Q&A**

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# Starting a Company feels like...



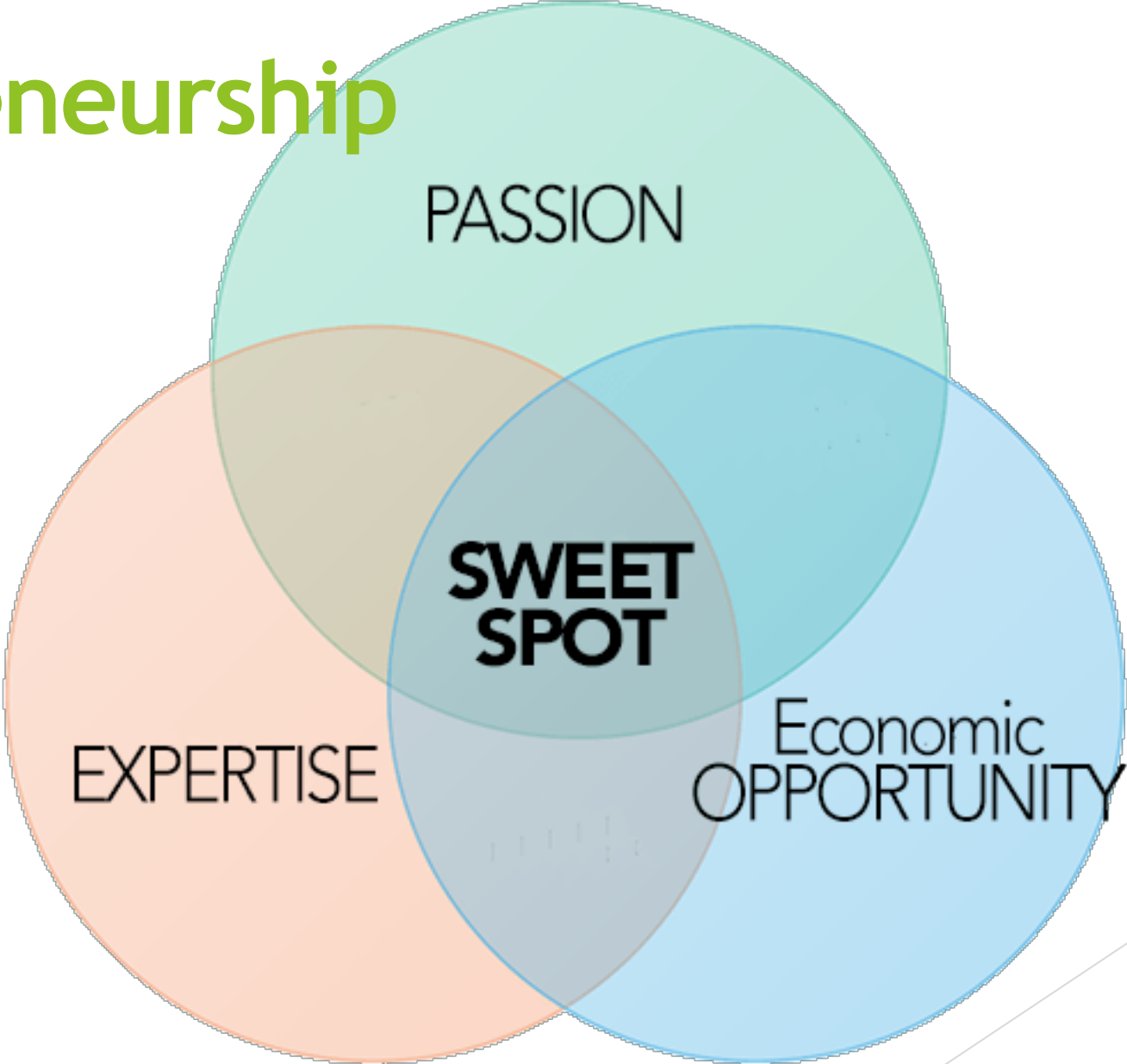
Sisyphus -Greek Mythology, punished king...

## Starting a Company- Ask Yourself:

can you deal with *all* the elements of entrepreneurship, or are you expecting just the fun stuff?

*According to the SBA, roughly 50-90% of small businesses fail within the first five years.*

# Entrepreneurship



# Business Idea Validation

Ask Yourself: Is there a genuine market for your idea?

- ▶ What problem are you solving?  
(value proposition)
- ▶ Who are you solving this for?  
(target audience)
- ▶ Why you and not the competition?  
(differentiation)



# Business Idea Validation

## Four Phases -checklist:

- ▶ Documenting key assumptions
  - ▶ Talking to potential customers
  - ▶ Updating your assumptions
  - ▶ Estimating funding needs
- 
- ▶ *Handout: Business Idea Validation Checklist from Bplans.com*

# Business Idea Validation

Elevator Pitch - a marketing exercise:

- ▶ Elevator pitch =verbal, concise is key
- ▶ Describe Benefits not features
- ▶ Who is your target audience(s)  
and how many are there = sales volume  
where are they?
- ▶ Differentiation: Why you and not competitor?

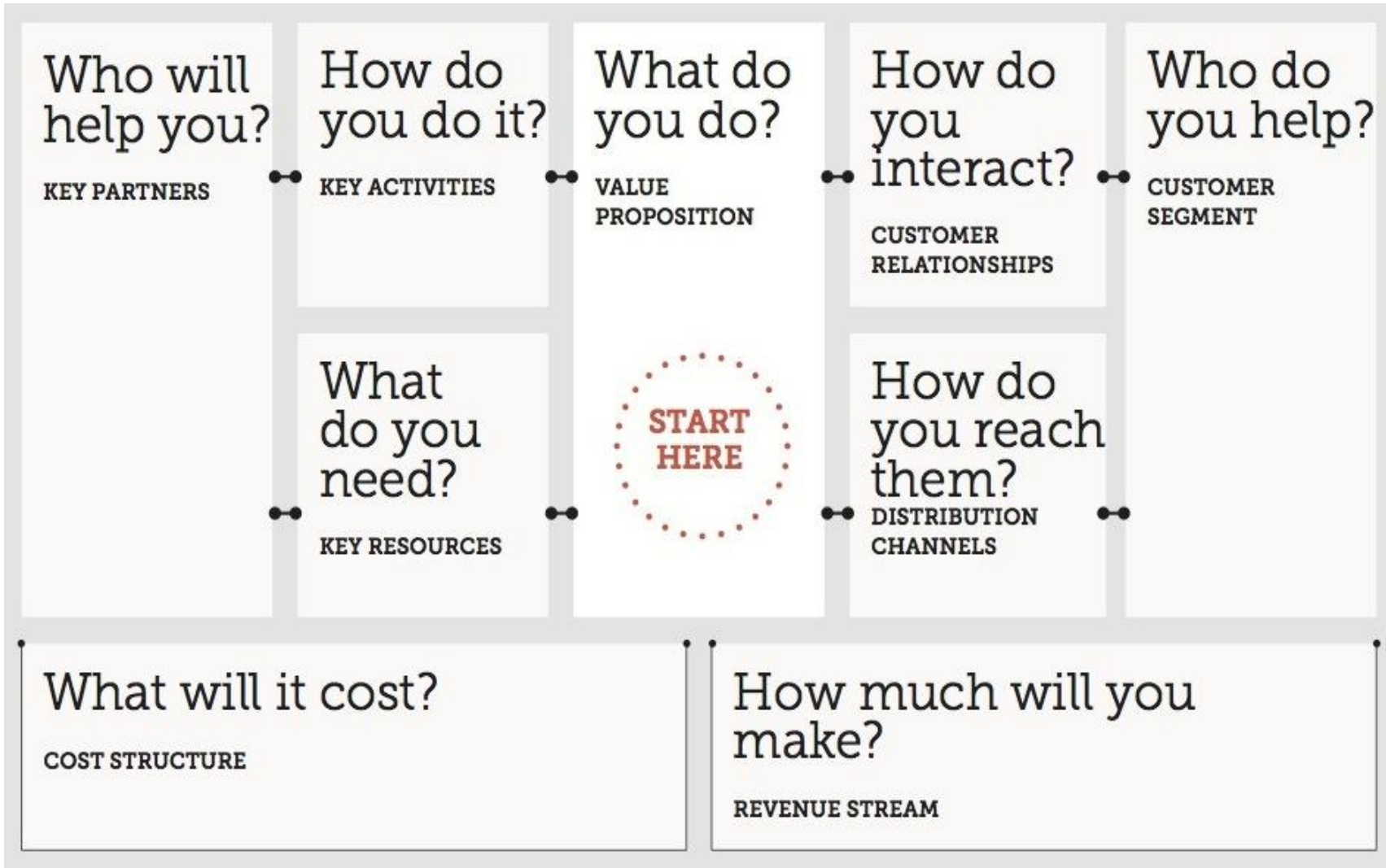
# Business Planning

## ▶ Business Plans are always wrong... *But Vital*

1. We're human
2. Predicting the future, we'll often guess wrong
3. Helps track/validates assumptions (hypotheses)
4. Ties unexpected to results in context of goals
5. Provides Strategy accountability
6. Focus on approach, not document format  
The traditional Business Plan only required by Financing

# Business Planning

Example: Business Model Canvas - [strategyzer.com](http://strategyzer.com)



# How to Write a Business Plan

## Reasons to write a 'traditional' business plan:



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Investment  
Funding



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Bank  
Loan



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Strategic  
Plan

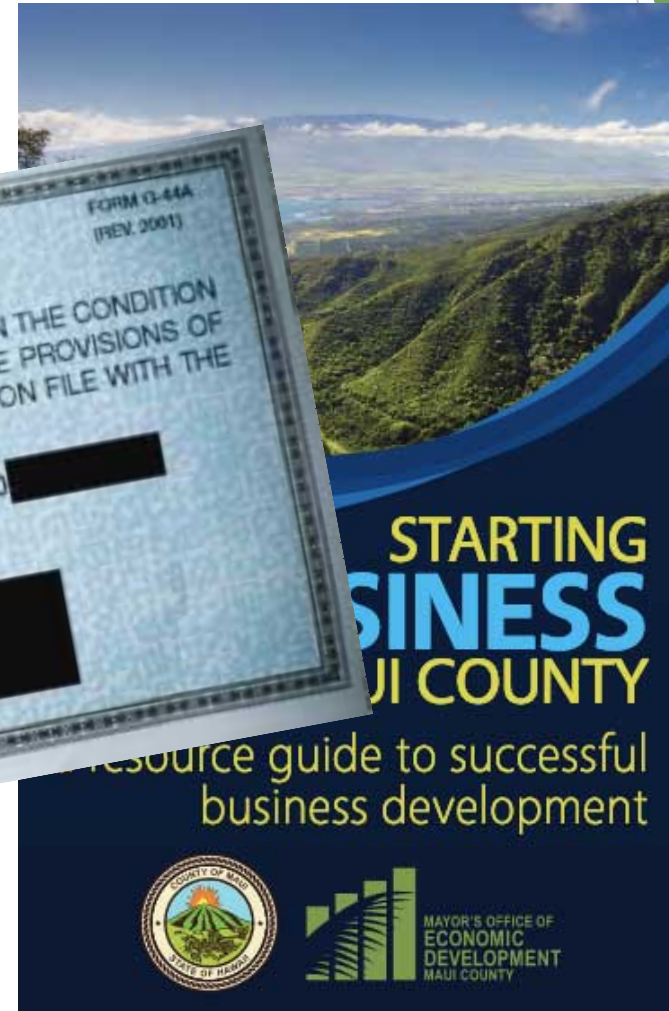
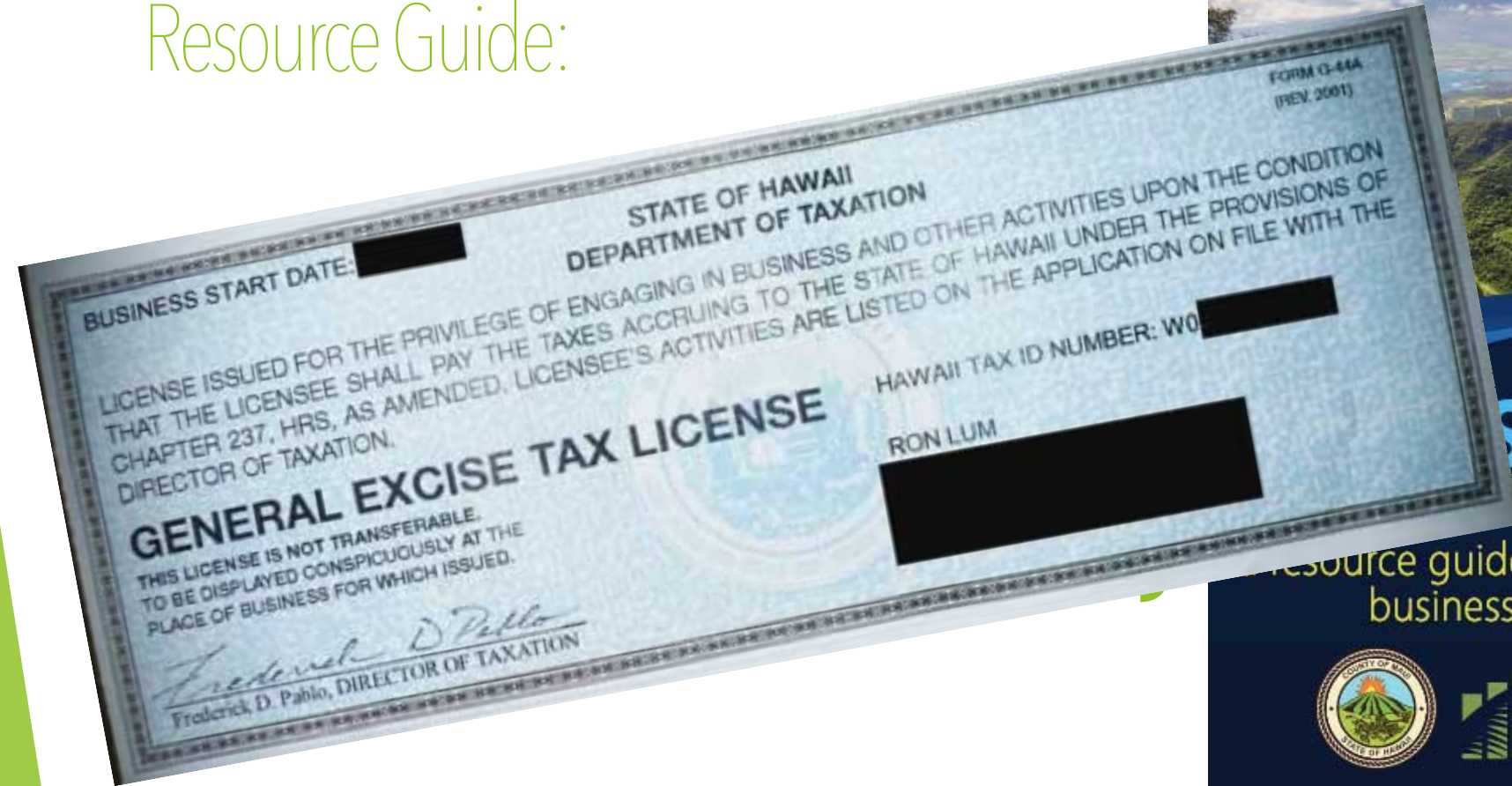
...proven to help you grow your business faster

# Elements of 'traditional' Business Plan

1. Executive Summary (1-2 pages write last?)
2. Problem & Solution (real problem, willing to pay to solve)
3. Target Market & Competition
4. Marketing & Sales Plan (position, pricing, promotion)
5. Operations/Implementation Plan (how/when deliver)
6. Milestones & Metrics
7. Assumptions & Risks
8. Team & Company Overview
9. Financial Projections
  - ▶ Profit/Loss (based on sales forecast)
  - ▶ CashFlow
  - ▶ Balance Sheet
  - ▶ Spending plan/details for the cash ASK

# Make it Legal (in Hawaii)

Resource Guide:



<http://www.mauicounty.gov/DocumentCenter/Home/View/8216>



# Make it Legal (in Hawaii)

“Start Business Resource Guide” -page 9

- ▶ **Organizational structure -Register with DCCA**
- ▶ **Federal (IRS) business tax ID number**
  - also called your Employer Identification Number (EIN)
    - ▶ online <http://www.irs.gov> or call toll-free at (800) 829-1040
- ▶ **Register chosen Entity to do business in Hawaii**
  - ▶ General Excise Tax Application, form BB-1
- ▶ **Obtain any federal, state or county licenses or permits that you need for the chosen industry/activity**

# Forms of Organization (Register w/ DCCA)

- ▶ Sole Proprietorship -(tradenname -dba)
- ▶ Partnerships -General, Limited Liability



- ▶ Limited Liability Company (LLC)
- ▶ Corporation - “S” or “C” or “B”

▶ *See HANDOUT: Legal Entity Cross Reference Sheet*

# Forms of Organization (Register w/ DCCA)

## ▶ Sole Proprietorship -(tradenname -dba)

- ▶ No liability nor tax distinction between the owner and the business
- ▶ Personal risk but simple administrative set-up and low cost
- ▶ If business name desired, need: *form T-1 for tradenname registration*

## ▶ Partnerships -General, Limited Liability

- ▶ No legal distinction between the owner(s) and the business
- ▶ *Registration Statement, form GP-1*
- ▶ *Statement of Qualification, form LLP-1*

## ▶ Limited Liability Company (LLC)

- ▶ Business legally (liability) separate from owner(s) But pass-thru tax entity
- ▶ Simple registration and administration; distribute profits as see fit
- ▶ *Articles of Organization, form LLC-1*

## ▶ Corporation - “S” or “C” or “B”

- ▶ Business legally (liability) separate from owner(s) w/ possible tax savings
- ▶ Extra Admin requires scheduled meetings, minutes, by-laws, stock maintenance
- ▶ *Articles of Incorporation, form DC-1*
- ▶ *Non-Profit Articles of Incorporation, form DNP-1*

▶ *See HANDOUT: Legal Entity Cross Reference Sheet*

# Taxes

- ▶ **General Excise Tax (GET) State Tax** (and Use Tax)
  - ▶ Transient Accommodations
  - ▶ Rental Motor Vehicle, Tour Vehicle, and Car-Sharing Surcharge Tax
- ▶ **Income Tax -State**
- ▶ **Income Tax -Federal**
- ▶ **Self-Employment** (Self Social Security/Medicare)
- ▶ **Employers Tax Responsibilities** (Payroll Taxes -Federal & State, withholding responsibilities, quarterly submissions)
  - ▶ *Unemployment Insurance*
  - ▶ *Workers Compensation Insurance*
  - ▶ *Workers Disability Insurance*

# Taxes -Hawaii General Excise Tax

- ▶ privilege tax imposed on business activity
- ▶ imposed on gross revenue of business including costs passed on to customer
- ▶ paid monthly, quarterly, or semi + annual
- ▶ Rates:
  - 0.5% on **wholesaling** activities
  - 4.0% on **retail** activities
  - + county surcharges (rail-Oahu, Big Isle)

An Introduction to  
the General Excise Tax



State of Hawaii  
Department of Taxation

David Y. Ige  
Governor

Maria E. Zielinski  
Director of Taxation

# Taxes -Hawaii General Excise Tax

- ▶ Rates: state= 4.0% on retail activities  
 + county surcharges

County	Rate		Effective Date
City & County of Honolulu	0.50%	4.7120%	Jan 1, 2007 to Dec 31, 2030
County of Kauai	0.50%	4.7120%	Jan 1, 2019 to Dec 31, 2030
County of Hawaii	0.25%	4.4386%	Jan 1, 2019 to Dec 31, 2020
County of Maui	0.00%	4.1666%	No county surcharge

**An Introduction to  
 the General Excise Tax**



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# Taxes -Self Employment

## Social Security (paying it forward)

- ▶ Employer matches Employee  
6.2% of earnings paid by Employer  
6.2% of earnings withheld from Employee

--VS--

- ▶ **Self-Employed pays:  
12.4% of earnings**

## Medicare (paying it forward)

- ▶ Employer matches Employee  
1.45% of earnings paid by Employer  
1.45% of earnings withheld from Employee

--VS--

- ▶ **Self-Employed pays:  
2.9% of earnings**

**Total - Self-Employed Tax  
pays:  
15.3% of earnings**

# Taxes (very rough planning percentage)

- ▶ **General Excise Tax (GET) -State**
  - ▶ 4% Gross Revenue (sales)
- ▶ **Income Tax -State & Federal**
  - ▶ State: 2%-11% based on bracket of Net Earnings+Tips
  - ▶ Federal:10%-40% based on bracket of Net Earnings+Tips
- ▶ **Social Security / Self Employment -Federal**
  - ▶ 15.3% Net Earnings+Tips



# Set Up Shop

- ▶ **Bank Account** (req'd: Articles of Orgn--FEIN--GET#)
  - ▶ **Checking Account**
  - ▶ **Client Trust Account** (for refundable deposits)
- ▶ **Insurance**  
(need depends on your business)
  - ▶ **General business liability insurance**
  - ▶ **Property or casualty coverage**
  - ▶ **Life insurance (key man)**
  - ▶ **Disability insurance**
  - ▶ **Hi State Unemployment insurance (if employees)**
  - ▶ **Workers' compensation insurance (>50% FTE)**
  - ▶ **Workers Health Insurance (trigger:>20 hours/wk 3 consec. weeks)**

## Set Up Shop (continued)

- ▶ File for trademark protection if you will use your business name to identify a product or service (State of Hawaii (DCCA) -vs- National (USPTO) )
- ▶ Marketing
  - ▶ Google Maps
  - ▶ Internet/Online: Register a domain name that matches your business name or brand
  - ▶ Web hosting service for (email & website)
  - ▶ FaceBook Page
  - ▶ Email Marketing Campaigns (not SPAM)
  - ▶ Review Sites (where appropriate i.e., Trip Advisor/Yelp)
  - ▶ Social Media (where appropriate i.e., Instagram, Pinterest, Twitter)

# Local (Maui) Resources (to be aware of...)

## ▶ Maui County Business Resource Center

Maui Mall, 70 E. Kaahumanu Ave, Unit B-9, Kahului (until May 2021)  
Business Brochures, Pamphlets, Forms, Workshops, SCORE Advisor

## ▶ Hi State Business Action Center (DCCA)

2145 Wells St, ste 106, Wailuku  
DCCA Business Registrations, Employer Reg w/Dept of Labor, Professional/Vocation Licensing

## ▶ Hi State Department of Taxation

54 S, High St, Room 208, Wailuku  
Tax licenses, for example: General Excise Tax application

## ▶ Hawaii Small Business Development Center (SBDC) -Maui Hawaii Business Research Library (HBRL)

Maui Research & Technology Park, Kihei -all interactions currently virtual due to COVID-19  
No cost Business Advice, Training, Market/Industry Research (secondary)

## ▶ Maui Economic Opportunity (MEO) Business Development

Cameron Center, 99 Mahalani St, Wailuku  
Core-Four Business Classes (Business Plans), Micro Loan Financing

# Questions?

Type into Chat Box now..., after zoom email to [Library@hisbdc.org](mailto:Library@hisbdc.org)  
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## SMALL BUSINESS DEVELOPMENT CENTER (SBDC) -Maui

Maui Research & Technology Park  
590 Lipoa Pkwy, Suite 264  
Kihei, HI 96753

Phone: (808) 875-5990 Fax: (808) 875-5989

### Wayne Wong

Senior Business Advisor & Maui Center Director

Email: [Wayne.Wong@hisbdc.org](mailto:Wayne.Wong@hisbdc.org)

### Pat Diaz

Administrative Assistant

Email: [PDiaz@hisbdc.org](mailto:PDiaz@hisbdc.org)

PPT Deck: <https://www.hisbdc.org/Locations/Maui.aspx>

*Hawaii Small Business Development Center Network is a program of the University of Hawaii at Hilo, funded in part through a Cooperative Agreement with the U.S. Small Business Administration. Established in 1990, the Hawaii SBDC Network is the only statewide small business technical assistance provider. With 5 service centers on the 4 major islands it helps business ventures succeed & expand in Hawaii.*

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Business Advice  
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## No Cost Business Advice

*Enhancing the economic  
well-being of Hawaii, one  
business at a time....*

### -Maui

Maui Research & Technology Park  
590 Lipoa Pkwy, Suite 264  
Kihei, HI 96753

Phone: (808) 875-5990 Fax: (808) 875-5989

<https://www.hisbdc.org/Locations/Maui.aspx>

### -Oahu

2800 Woodlawn Drive, Suite 299  
Honolulu, HI 96822

Phone: (808) 945-1430 Fax: (808) 945-1432

<https://www.hisbdc.org/Locations/Oahu.aspx>

# Contact Us...

For questions, assistance or virtual appointments:

### -East Hawaii (Hilo)

100 Pauahi Street, Suite 109  
Hilo, HI 96720

Phone: (808) 933-0776 Fax: (808) 933-0778

<https://www.hisbdc.org/Locations/HawaiiIslandHilo.aspx>

### -West Hawaii (Kailua Kona)

73-970 Makako Bay Drive, Suite 108  
Kailua Kona, HI 96840

Phone: (808) 333-5000 Fax: (808) 333-5900

<https://www.hisbdc.org/Locations/HawaiiIslandKailuaKona.aspx>

### -Kauai

2970 Kele Street, Suite 101  
Lihue, HI 96766

Phone: (808) 241-3148 Fax: (808) 241-3299

<https://www.hisbdc.org/Locations/Kauai.aspx>



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