
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 **"CHAPTER**

5 **TAX CREDIT ACCOUNTABILITY ACT**

6 **§ -1 Definitions.** As used in this chapter, unless the
7 context clearly requires otherwise:

8 "Base years" means the first two complete calendar years
9 following the effective date of a recipient receiving
10 development assistance.

11 "Business" means any corporation, limited liability
12 company, partnership, joint venture, association, sole
13 proprietorship, or other legally recognized entity.

14 "Date of assistance" means the date on which assistance to
15 be provided under the assistance agreement begins.

16 "Department" means the department of taxation.

17 "Development assistance" means any tax credit of not less
18 than \$10,000 given to a business to promote expansion or



1 relocation of the business. "Development assistance" does not
2 include tax increment financing.

3 "Full-time, permanent job" means either:

4 (1) The definition of "full-time, permanent job", or like
5 term in the legislation authorizing the development
6 assistance; or

7 (2) If there is no such definition, then "full-time,
8 permanent job" as defined in administrative rules
9 implementing that legislation and in place prior to
10 the effective date of this chapter; or

11 (3) If, on and after the effective date of this chapter,
12 there is no definition of "full-time, permanent job"
13 pursuant to paragraph (1) or (2), then "full-time,
14 permanent job" means a job in which the new employee
15 works for the recipient at a rate of at least thirty-
16 five hours per week.

17 "New employee":

18 (1) Means:

19 (A) The definition of "new employee" in the
20 legislation authorizing the development
21 assistance requested or received by a business
22 under this chapter;



- 1 (B) If there is no such definition, then "new
- 2 employee" as defined in administrative rules
- 3 implementing that legislation and in place prior
- 4 to the effective date of this chapter; or
- 5 (C) If, on and after the effective date of this
- 6 chapter, there is no definition of "new employee"
- 7 pursuant to subparagraph (A) or (B), then "new
- 8 employee" means a full-time, permanent employee
- 9 who represents a net increase in the number of
- 10 the recipient's employees statewide;
- 11 (2) Includes an employee who previously filled a new
- 12 employee position with the recipient who was rehired
- 13 or called back from a layoff that occurs during or
- 14 following the base years; and
- 15 (3) Does not include any of the following:
- 16 (A) An employee of the recipient who performs a job
- 17 that was previously performed by another employee
- 18 in the state, if that job existed in the state
- 19 for at least six months before hiring the
- 20 employee; and
- 21 (B) A child, grandchild, parent, or spouse, other
- 22 than a spouse who is legally separated from the



1 individual, of any individual who has a direct or
2 indirect ownership interest of at least five per
3 cent in the profits, capital, or value of any
4 member of the recipient.

5 "Part-time job" means:

- 6 (1) The definition of "part-time" in the legislation
7 authorizing the development assistance requested or
8 received by a business under this chapter;
- 9 (2) If there is no such definition, then "part-time job"
10 as defined in administrative rules implementing that
11 legislation and in place prior to the effective date
12 of this chapter; or
- 13 (3) If, on and after the effective date of this chapter,
14 there is no definition of "part-time job" pursuant to
15 paragraph (1) or (2), then "part-time job" means a job
16 in which the new employee works for the recipient at a
17 rate of less than thirty-five hours per week.

18 "Recipient" means any business that receives development
19 assistance.

20 "Retained employee" means:

- 21 (1) The definition of "retained employee" in the
22 legislation authorizing the development assistance



- 1 requested or received by a business under this
2 chapter;
- 3 (2) If there is no such definition, then "retained
4 employee" as defined in administrative rules
5 implementing that legislation and in place prior to
6 the effective date of this chapter; or
- 7 (3) If, on and after the effective date of this chapter,
8 there is no definition of "retained employee" pursuant
9 to paragraph (1) or (2), then "retained employee"
10 means any employee defined as having a full-time or
11 full-time equivalent job preserved at a specific
12 facility or site, the continuance of which is
13 threatened by a specific and demonstrable threat,
14 which shall be specified in the application for
15 development assistance.

16 "Specific project site" means that distinct operational
17 unit to which any development assistance is applied.

18 "Temporary job" means:

- 19 (1) The definition of "temporary job" in the legislation
20 authorizing the development assistance requested or
21 received by a business under this chapter;



1 (2) If there is no such definition, then "temporary job"
2 as defined in administrative rules implementing that
3 legislation and in place prior to the effective date
4 of this chapter; or

5 (3) If, on and after the effective date of this chapter,
6 there is no definition of "temporary job" pursuant to
7 paragraph (1) or (2), then "temporary job" means a job
8 in which the new employee is hired for a specific
9 duration of time or season.

10 **§ -2 Development assistance request required.** Each
11 business to become eligible for any development assistance tax
12 credit under title 14 shall request development assistance under
13 this chapter.

14 **§ -3 Standardized applications for state development**
15 **assistance.** (a) A final application submitted to the
16 department requesting development assistance shall contain, at a
17 minimum:

18 (1) An application tracking number that is specific to the
19 application;

20 (2) The office mailing address, telephone number, four-
21 digit standard industrial classification number, and
22 the name of the chief officer of the applicant or



1 authorized designee for the specific project site for
2 which development assistance is requested;

3 (3) The applicant's total number of employees at the
4 specific project site on the date that the application
5 is submitted to the department, including:

6 (A) The number of full-time, permanent jobs,

7 (B) The number of part-time jobs; and

8 (C) The number of temporary jobs;

9 (4) The type of development assistance and value of
10 assistance being requested;

11 (5) A list of all other forms of development assistance
12 that the applicant is requesting for the specific
13 project site; and

14 (6) The applicant's agreement to comply with section
15 -4 reporting, inspection, and record disclosure requirements.

16 (b) The department shall complete, or shall require the
17 applicant to complete, an application form that meets the
18 minimum requirements as prescribed in this section each time an
19 applicant applies for development assistance under this chapter.

20 **§ -4 State development assistance disclosure.** (a) If a
21 recipient of development assistance fails to comply with
22 subsection (b), the recipient shall not be eligible for



1 development assistance for the taxable year prior to the year in
2 which the noncompliance occurs and shall be ineligible for any
3 future development assistance until the department receives
4 proof that the recipient has complied with the requirements of
5 subsection (b).

6 (b) For each development assistance agreement for which
7 the date of assistance has occurred in the prior calendar year,
8 each recipient shall submit to the department by the submittal
9 deadline specified by the department, a report that shall
10 include but not be limited to the following:

- 11 (1) The application tracking number;
- 12 (2) The office mailing address, telephone number, four-
13 digit standard industrial classification number or
14 successor number, and the name of the chief officer of
15 the applicant or authorized designee for the specific
16 project site for which the development assistance was
17 approved by the department;
- 18 (3) The type of development assistance program and value
19 of assistance that was approved by the department;
- 20 (4) The applicant's total number of employees at the
21 specific project site on the date that the application
22 was submitted to the department and the applicant's



1 total number of employees at the specific project site
2 on the date of the report, including:

- 3 (A) The number of full-time, permanent jobs,
- 4 (B) The number of part-time jobs;
- 5 (C) The number of temporary jobs; and
- 6 (D) A computation of the gain or loss of jobs in each
7 category;

8 (5) A detailed list of the occupation or job
9 classifications and number of:

- 10 (A) New employees or retained employees to be hired
11 in full-time, permanent jobs;
- 12 (B) A schedule of anticipated starting dates of the
13 new hires; and
- 14 (C) The actual average wage by occupation or job
15 classification and total payroll to be created as
16 a result of the development assistance;

17 (6) A narrative, if necessary, describing how the
18 recipient's use of the development assistance during
19 the reporting year has reduced employment at any site
20 in the state; and

21 (7) A certification by the chief officer of the applicant
22 or the chief officer's authorized designee that the



1 information in the report contains no knowing
2 misrepresentation of material facts upon which
3 eligibility for development assistance is based.

4 (c) The department shall have full authority to verify
5 information contained in the recipient's report, including the
6 authority to inspect the specific project site and the records
7 of the recipient that support reporting requirements under the
8 development assistance agreement.

9 (d) By June 1, 2009, and by June 1 of each year
10 thereafter, the department shall aggregate and publish the data
11 in the reports in both written and electronic form.

12 **§ -5 Unified economic development budget.** (a) For each
13 fiscal year ending on or after June 30, 2007, the department
14 shall submit an annual unified economic development budget to
15 the legislature. The unified economic development budget shall
16 be due within three months after the end of the fiscal year and
17 shall report all development assistance granted during the prior
18 fiscal year, including the aggregate amount of unrealized tax
19 revenues resulting from each type of development assistance
20 provided by law under title 14, as reported to the department of
21 taxation on tax returns filed during the fiscal year.



1 (b) All data contained in the unified economic development
2 budget presented to the legislature shall be government
3 records."

4 SECTION 2. This Act shall take effect upon its approval.



Report Title:

Corporate Accountability for Tax Expenditures Act

Description:

Requires businesses receiving tax credits, or "development assistance," to report on job loss and gain. Establishes a uniform application for assistance. Makes businesses ineligible for credits if they fail to report. (HB1752 HD1)

