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# A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§235- Small business exporter tax credit. (a) There  
5 shall be allowed to each eligible individual or corporate  
6 taxpayer who is not claimed or is not otherwise eligible to be  
7 claimed as a dependent by another taxpayer for federal or state  
8 income tax purposes, a non-refundable small business exporter  
9 tax credit that shall be deductible from the eligible taxpayer's  
10 net income tax liability imposed by this chapter for the taxable  
11 year in which the tax credit is properly claimed.

12           (b) The amount of the tax credit shall be equal to a  
13 percentage of the gross income earned out-of-state as follows:

14	<u>Percentage of total gross income</u>	
15	<u>earned out-of-state:</u>	<u>Tax credit equals:</u>
16	<u>100%</u>	<u>6% of gross income</u>
17	<u>99%</u>	<u>5% of gross income</u>
18	<u>98%</u>	<u>4% of gross income</u>



1	<u>97%</u>	<u>3% of gross income</u>
2	<u>96%</u>	<u>2% of gross income</u>
3	<u>95%</u>	<u>1% of gross income.</u>

4 The tax credit may be claimed for not more than seven  
5 years.

6 (c) For the purposes of this section, an "eligible  
7 taxpayer" is an owner of a business:

- 8 (1) With an annual gross income of \$100,000 or less;
- 9 (2) Whose principal place of business is located in the  
10 State;
- 11 (3) With gross income earned out-of-state; and
- 12 (4) Who is in compliance with all applicable federal,  
13 state, and county statutes, rules, and regulations.

14 (d) If the tax credit under this section exceeds the  
15 taxpayer's net income tax liability, the excess of the tax  
16 credit may be taken in subsequent years until exhausted;  
17 provided that no refund or payment on account of the tax credit  
18 allowed by this section shall be made for amounts less than \$1.

19 (e) Every claim, including amended claims, for the tax  
20 credit under this section shall be filed on or before the end of  
21 the twelfth month following the close of the taxable year for  
22 which the tax credit may be claimed. Failure to meet the filing



1 requirements of this subsection shall constitute a waiver of the  
2 right to claim the tax credit.

3 (f) The director of taxation:

4 (1) Shall prepare forms as may be necessary to claim a tax  
5 credit under this section;

6 (2) May require proof of the claim for the tax credit; and

7 (3) May adopt rules pursuant to chapter 91 to effectuate  
8 the purposes of this section."

9 SECTION 2. New statutory material is underscored.

10 SECTION 3. This Act shall take effect upon its approval  
11 and shall apply to taxable years beginning after December 31,  
12 2007.

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INTRODUCED BY:

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**Report Title:**

Tax Credit; Small Business Exporter

**Description:**

Provides a non-refundable small business exporter tax credit based on the percentage of out-of-state business conducted by a small business located in the State.

