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# A BILL FOR AN ACT

RELATING TO TAXATION.

**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-       Employment of national guard member; income tax  
5 credit. (a) There shall be allowed to each taxpayer subject to  
6 the tax imposed by this chapter an employment of national guard  
7 member income tax credit for each qualified employee; provided  
8 that the taxpayer pays the differential between the deployed  
9 employee's national guard pay and the employee's civilian pay.  
10 The amount of the credit shall be equal to five per cent of a  
11 qualified employee's salary or wage costs paid or incurred by  
12 the taxpayer during the taxable year; provided that the maximum  
13 credit claimed against the taxpayer's gross income tax liability  
14 for a taxable year shall be \$1,000 per qualified employee. The  
15 tax credit may be applied against the taxpayer's gross income  
16 tax liability for each taxable year that the taxpayer employs a  
17 member of the national guard.



1       (b) No credit or deduction shall be allowed under any  
2 other provision of this chapter for any amount for which a  
3 credit is allowed under this section.

4       (c) If the tax credit claimed by the taxpayer under this  
5 section exceeds the amount of the income tax payments due from  
6 the taxpayer, the excess of credit over payments due shall be  
7 refunded to the taxpayer; provided that the tax credit properly  
8 claimed by a taxpayer who has no income tax liability shall be  
9 paid to the taxpayer; and provided further that no refund or  
10 payment on account of the tax credit allowed by this section  
11 shall be made for amounts less than \$1.

12       (d) The director of taxation shall prepare any forms that  
13 may be necessary to claim a credit under this section, may  
14 require proof of the claim for the tax credit, and may adopt  
15 rules pursuant to chapter 91.

16       (e) Claims for the tax credit under this section,  
17 including any amended claims, shall be filed on or before the  
18 end of the twelfth month following the taxable year for which  
19 the credit may be claimed. Failure to comply with the foregoing  
20 provisions shall constitute a waiver of the right to claim the  
21 credit.



1        (f) For the purposes of this section, "qualified employee"  
2 means an employee who is a resident of the State and an active  
3 member of the national guard during the taxable year in which  
4 the credit under this section is being claimed; provided that  
5 the person is not employed by a county, state, or federal  
6 government."

7        SECTION 2. New statutory material is underscored.

8        SECTION 3. This Act, upon its approval, shall apply to the  
9 taxable years beginning after December 31, 2006.



**Report Title:**

Tax Credit; Taxpayers Who Hire Members of the National Guard

**Description:**

Establishes a 5% income tax credit for Hawaii taxpayers that hire state residents who are members of the national guard.

Establishes that the maximum tax credit per national guard/employee shall be \$1,000. (SD1)

