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## A BILL FOR AN ACT

RELATING TO EMPLOYMENT.

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

1           SECTION 1. The purpose of this Act is to establish a  
2 short-term tax credit for an employer who hires more employees  
3 and increases the wages paid by the employer from 2009 to 2010.

4           The legislature has purposely applied the tax credit to  
5 employers who were in business in 2009 to recognize the  
6 difficulty of operating during the present severe economic  
7 downturn. The legislature finds that these employers should be  
8 given the opportunity to benefit from this tax credit.

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

12           §235-       Employment increase tax credit. (a) There shall  
13 be allowed to each taxpayer subject to the taxes imposed by this  
14 chapter, an employment increase tax credit. A taxpayer shall be  
15 eligible for the tax credit if the taxpayer is an employer who  
16 increased the:

17           (1) Number of employees in the taxpayer's business in  
18           calendar year 2010 by at least ten per cent over the



1           number of employees in the taxpayer's business in  
2           calendar year 2009; and

3           (2) Total wages paid by the taxpayer in calendar year 2010  
4           over the total wages paid in calendar year 2009.

5   The "number of employees" and "total wages paid" shall be  
6   computed in accordance with the definitions under subsection  
7   (j).

8           A taxpayer who did not employ any person or pay any wages  
9   in calendar year 2009 shall not be eligible for the tax credit.

10          (b) The amount of the credit shall be ten per cent of the  
11 amount of the increase between:

12          (1) The total wages paid in calendar year 2010; and

13          (2) The total wages paid in calendar year 2009.

14          The tax credit shall be deductible from the taxpayer's net  
15 income tax liability for the taxable year beginning after  
16 December 31, 2011.

17          (c) To determine the amount of the tax credit for a  
18 taxpayer who acquires the business of, or succeeds an employer  
19 who had previously paid wages in calendar year 2009, the  
20 following shall apply:

21          (1) If the taxpayer acquires the business of, or succeeds  
22 an employer who paid total wages in calendar year



1           2009, those total wages shall be deemed to have been  
2           paid by the taxpayer in calendar year 2009. Those  
3           total wages shall be added to the total wages actually  
4           paid by the taxpayer in calendar year 2009 for  
5           comparison with the total wages paid by the taxpayer  
6           in calendar year 2010; and

7           (2) If the taxpayer acquires the business of, or succeeds  
8           an employer who paid total wages in calendar years  
9           2009 and 2010, those total wages shall be deemed to  
10           have been paid by the taxpayer in each of those  
11           calendar years, respectively. The total wages deemed  
12           paid in the calendar years 2009 and 2010 shall be  
13           added to the total wages actually paid by the taxpayer  
14           in calendar years 2009 and 2010, respectively, for  
15           comparison with the total wages paid by the taxpayer.

16           (d) Subject to the limit of subsection (f), the credit  
17           allowed under this section shall be claimed against the net  
18           income tax liability of the taxpayer for the taxable year  
19           beginning after December 31, 2011.

20           (e) If the tax credit claimed by a taxpayer under this  
21           section exceeds the taxpayer's income tax liability for the  
22           taxable year beginning after December 31, 2011, the excess of



1 credit over liability may be carried forward by the taxpayer  
2 and, subject to the limit under subsection (f), claimed against  
3 the taxpayer's income tax liability in future taxable years  
4 until exhausted.

5 (f) A taxpayer shall not claim more than \$50,000 of the  
6 tax credit allowed under this section in any single taxable  
7 year.

8 (g) All claims for a tax credit under this section shall  
9 be filed on or before the end of the twelfth month following the  
10 close of the taxable year beginning after December 30, 2011. If  
11 a portion of the tax credit is unused in that taxable year and  
12 carried forward, the carried forward credit shall be claimed on  
13 or before the twelfth month following the close of each  
14 succeeding taxable year until exhausted.

15 The failure to comply with the foregoing provisions shall  
16 constitute a waiver of the right to claim the credit.

17 (h) The director of taxation shall prepare any forms that  
18 may be necessary to claim a credit under this section. The  
19 director may also require the taxpayer to furnish information to  
20 ascertain the validity of the claim for the credit and may adopt  
21 rules necessary to effectuate the purposes of this section  
22 pursuant to chapter 91.



1        (i) To qualify for the tax credit, the taxpayer shall be  
2 in compliance with all applicable federal, state, and county  
3 statutes, rules, and regulations.

4        (j) As used in this section:

5        "Net income tax liability" means income tax liability  
6 reduced by all other credits allowed under this chapter.

7        "Number of employees" means the sum of the number of  
8 covered employees of a taxpayer during each quarter of a  
9 calendar year as prescribed and reported under chapter 383.

10       "Total wages" means the total wages paid by a taxpayer  
11 during each quarter of a calendar year as prescribed and  
12 reported under chapter 383."

13       SECTION 3. New statutory material is underscored.

14       SECTION 4. This Act shall take effect upon its approval  
15 and shall apply to taxable years beginning after December 31,  
16 2009.

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INTRODUCED BY:

Calvin K. Y. Song  
JAN 15 2010



**Report Title:**

Tax Credit; Employment Increase

**Description:**

Provides a tax credit for increases in the total wages paid by a taxpayer between 2009 and 2010.

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