
A BILL FOR AN ACT

RELATING TO JOB CREATION.

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

1 SECTION 1. Hawaii has felt the adverse impacts of national
2 and global economies that have seen rising unemployment,
3 business closures, personal and business bankruptcies, and
4 contraction of economic activity worldwide. Hawaii's
5 unemployment rate has risen from 2.9 per cent in January 2008 to
6 6.9 per cent in December 2009. While still below the national
7 unemployment rate, job losses have been particularly severe on
8 the neighbor islands where unemployment rates in December 2009
9 have ranged between 8.7 per cent and 11.9 per cent. It is
10 unacceptable to have this many people without work.

11 The State recognizes that encouraging job creation is one
12 of the most significant steps that can be taken to help the
13 State regain its economic footing and help families regain their
14 ability to support themselves. The State also recognizes that
15 our economy is built upon thousands of small businesses that are
16 the backbone of our economic well-being and provide the vast
17 majority of employment in our state.



1 However, these businesses are facing uncertainty and thus
2 are hesitant to create additional employment until such time as
3 the current economic trends improve. Job creation incentives
4 have been successfully used in other states including Ohio,
5 Alabama, Kentucky, Tennessee, Indiana, and Kansas.

6 The purpose of this Act is to help encourage businesses to
7 employ Hawaii residents and spur economic growth by providing a
8 tax credit for creating and maintaining new full-time positions
9 in the workforce.

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

13 "§235- Job creation tax credit. (a) There shall be
14 allowed to each taxpayer that qualifies as a business firm
15 subject to taxes imposed by this chapter a job creation tax
16 credit that shall be deductible from the business firm's net
17 income tax liability, if any, for a maximum of three taxable
18 years for each new permanent full-time employment position
19 created above the base employment level.

20 (b) To be eligible to claim the credit, the business firm
21 must continue to employ at least the number of full-time



1 employees on an annualized basis that the business firm had upon
2 hiring the additional full-time employee.

3 (c) The amount of the job creation tax credit shall be
4 equal to the amount of the new permanent full-time employee's
5 wages actually withheld by the business firm by calculating the
6 new permanent full-time employee's wages using the methods and
7 procedures set forth by the department taking into account one
8 allowance under 235-61(g), and no more.

9 (d) The job creation tax credit shall be taken against the
10 net income tax liability of the business firm after all other
11 tax credits have been taken. Any tax credit that exceeds the
12 business firm's income tax liability may be used as a credit
13 against the business firm's income tax liability in subsequent
14 years until exhausted.

15 (e) Claims for tax credits under this section, including
16 amended claims, shall be filed on or before the end of the
17 twelfth month following the taxable year for which the tax
18 credit may be claimed. Failure to file within the twelve-month
19 period shall constitute a waiver of the right to claim the
20 credit.

21 (f) The director of taxation may prepare any forms and
22 procedures that may be necessary to claim a credit under this



1 section. The director may also require the business firm to
2 furnish information to ascertain the validity of the claims for
3 credit made under this section and may adopt, pursuant to
4 chapter 91, rules necessary to effectuate the purposes of this
5 section.

6 (g) A business firm applying for a tax credit under this
7 section shall be ineligible to claim a tax credit or use an
8 exemption under sections 209E-10, 209E-11, or 235-55.91.

9 (h) Any business firm receiving credit under this section
10 must commit to maintaining substantial operations in the state
11 for at least two years beyond the term of the company's last
12 receipt of income tax credits. Failure to comply with the
13 foregoing provision shall result in recapture of fifty per cent
14 of the credit claim under this section in all prior taxable
15 years.

16 (i) Notwithstanding any other law to the contrary limiting
17 the disclosure of tax returns or return information, the
18 department of business, economic development, and tourism, and
19 the department of labor and industrial relations shall be
20 entitled to inspect and receive tax returns and return
21 information in the administration of this credit.

22 (j) As used in this section:



1 "Base employment level" means the number of persons
2 employed by an eligible business on the effective date of
3 enactment of this Act as evidenced by payroll records submitted
4 as part of the firm's monthly remittance of unemployment tax
5 payments to the State.

6 "Business firm" means any corporation, partnership,
7 subchapter S corporation, limited liability company, or sole
8 proprietorship registered to do business in the State with the
9 department of commerce and consumer affairs and the department
10 of taxation, subject to the taxes imposed under this chapter.

11 "Eligible employee" means an individual who resides in the
12 State and who is receiving unemployment insurance benefits, is
13 eligible to receive such benefits, or had received benefits and
14 exhausted those benefits and does not currently have permanent
15 full-time employment.

16 "First year of credit eligibility" means the first full
17 taxable year for which the business firm was eligible for and
18 applied for a credit under this part.

19 "Permanent full-time employment" means a job of indefinite
20 duration at a business firm located within the state and
21 requiring either:



1 (1) A minimum of thirty-five hours of an employee's time a
2 week for the entire taxable year of the business firm
3 where the taxable year consists of not less than
4 forty-eight weeks or a portion thereof when the
5 employee was initially hired by the business firm; or

6 (2) A minimum of one thousand six hundred eighty hours a
7 year of employment, or the pro-rata share from the
8 initial hire date within the year, when two thousand
9 eighty hours is considered a full work year.

10 "New permanent full-time position" means a position newly
11 created in the state, and, for at least ninety days prior to
12 being filled by the business firm, did not exist in the state as
13 a job position of the business firm or of another related
14 business entity; and the job position was filled during the tax
15 year and continued to exist at the end of the tax year.

16 "Wages" has the same meaning as set forth in section 235
17 61(a)(1)."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2112;
20 provided that this Act shall apply to taxable years beginning
21 after July 1, 2112; provided further that this Act shall be
22 repealed on December 31, 2012; provided further that even though



1 this Act is repealed all unexhausted tax credits allowed under
2 this Act shall be valid until exhausted; and provided further
3 that applications for tax credits and tax credits claimed under
4 this Act for taxable years ending before January 1, 2013, shall
5 be valid even though claimed after December 31, 2012.



Report Title:

Job Creation Tax Credit

Description:

Provides for a job creation income tax credit for each new full time employee hired during calendar years 2010, 2011, and 2012; effective July 1, 2112. (HB2558 HD1)

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