
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that most economists
2 predict a slow economic recovery from the global recession of
3 2008 for Hawai'i. The potential lack of federal funds, potential
4 increase in medicare payments, need to address our
5 infrastructure repair and shortfall, collective bargaining, and
6 other needs continue to place pressure on state revenues and the
7 state budget. However, the move towards a clean energy economy
8 through the Hawai'i Clean Energy Initiative, increasing tourist
9 arrival numbers and spending numbers, new projects like Aulani,
10 the new Disney resort at Ko Olina, an influx of federal funds,
11 and accelerated capital improvement projects over the past year,
12 appeared to have Hawai'i positioned to weather the storm and
13 resume economic growth and employment.

14 However, countries in Europe are experiencing economic
15 difficulties, and the effects of those difficulties are being
16 felt in the United States and Hawai'i, and threaten to squelch
17 all progress made so far. The legislature further finds that



1 while there is no one "silver bullet" to solve the economic woes
2 of the State, the solution must include a balanced combination
3 of measures to spur employment, keeping the cost of doing
4 business relatively low for employers so that they can employ
5 workers, reducing the amount of money flowing out of the State,
6 and increasing the amount of money flowing into the State.

7 Therefore, the purpose of this Act is to assist in reducing
8 the cost of doing business in this State for a set period of
9 time, and to incentivize sectors of the economy that will help
10 bring more money into the state economy. By stimulating the
11 economy in this manner, employers should create more jobs in the
12 export sectors of our economy.

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

16 "§235- Manufacture and export tax credit. (a) There
17 shall be allowed to each taxpayer subject to the tax imposed
18 under this chapter a manufacture and export tax credit that
19 shall be deductible from the taxpayer's net income tax
20 liability, if any, imposed by this chapter. The tax credit
21 shall be equivalent to an amount up to fifteen per cent of the
22 domestic production gross receipts attributable to the export



1 and sale of a qualifying product to jurisdictions outside of the
2 State.

3 (b) The credit allowed under this section shall be claimed
4 against the net income tax liability for the taxable year, and
5 shall be subject to the following conditions:

6 (1) The taxpayer or entity claiming the credit shall be
7 subject to taxation under chapter 237;

8 (2) The taxpayer or entity shall be in current compliance
9 with all applicable laws and regulations of the
10 department of commerce and consumer affairs;

11 (3) The taxpayer or entity shall have no outstanding tax
12 liability to the State or its political subdivisions;

13 (4) The taxpayer or entity claiming the credit shall incur
14 at least fifty per cent of its operating and
15 manufacturing costs, including, but not limited to,
16 rent, labor, and machinery, from sources in the State;
17 and

18 (5) The taxpayer or entity claiming the credit, before the
19 effective date of Act _____, Session Laws of Hawaii
20 2011, shall not be generating income through the
21 export and sale of a qualifying product to
22 jurisdictions outside of the State.



1 (c) If the tax credit under this section exceeds the
2 taxpayer's income tax liability, the excess of the tax credit
3 over liability may be used as a credit against the taxpayer's
4 income tax liability in subsequent years until exhausted. All
5 claims, including amended claims, for a tax credit under this
6 section shall be filed on or before the end of the twelfth month
7 following the close of the taxable year for which the credit may
8 be claimed. Failure to comply with the foregoing provision
9 shall constitute a waiver of the right to claim the credit.

10 (d) The director of taxation may adopt any rules under
11 chapter 91 and forms necessary to carry out this section.

12 (e) As used in this section:

13 "Domestic production gross receipts" means the gross
14 receipts of the taxpayer that are derived from the sale of a
15 qualifying product that was manufactured or produced by the
16 taxpayer in whole or in significant part within the State.

17 "Export" means transporting to any jurisdiction outside of
18 the State.

19 "Manufacture" means the process of making products by hand
20 or machinery, especially when carried on systematically with
21 division of labor.



1 "Net income tax liability" means net income tax liability
2 reduced by all other credits allowed under this chapter.

3 "Qualifying product" means tangible personal property,
4 including agricultural products, or any computer software.

5 "Significant part" means at least fifty per cent.

6 (f) This section shall be applicable to taxable years
7 beginning after December 31, 2011, but not to taxable years
8 beginning after December 31, 2016."

9 SECTION 3. The revisor of statutes shall insert the number
10 of this Act in subsection (b)(5) of the new section established
11 under section 2 of this Act.

12 SECTION 4. New statutory material is underscored.

13 SECTION 5. This Act shall take effect on July 1, 2112.

14



Report Title:
Taxation

Description:
Establishes temporary tax credit for manufacturing and export industries. Effective 7/1/2112. (HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

