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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. 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,  
4 potential 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  
18 while there is no one "silver bullet" to solve the economic woes



1 of the State, the solution must include a balanced combination  
2 of measures to spur employment, keeping the cost of doing  
3 business relatively low for employers so that they can employ  
4 workers, reducing the amount of money flowing out of the state,  
5 and increasing the amount of money flowing into the state.

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

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

15 "§235-A Manufacture and export tax credit. (a) There  
16 shall be allowed to each taxpayer subject to the taxes imposed  
17 by this chapter a manufacture and export tax credit that shall  
18 be deductible from the taxpayer's net income tax liability, if  
19 any, imposed by this chapter. The tax credit shall be  
20 equivalent to an amount up to fifteen per cent of the domestic  
21 production gross receipts attributable to the export and sale of



1 a qualifying product to jurisdictions outside of the state of  
2 Hawai`i.

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  
7 be a domestic corporation, domestic professional  
8 corporation, domestic limited liability company,  
9 domestic nonprofit corporation, domestic business  
10 trust, estate, domestic partnership, domestic  
11 limited liability partnerships, or Hawaii  
12 domiciled trust;

13 (2) The taxpayer or entity claiming the credit shall  
14 be subject to taxation under chapter 237 of the  
15 Hawaii Revised Statutes;

16 (3) The taxpayer or entity shall be in current  
17 compliance with all applicable laws and  
18 regulations of the Department of Commerce and  
19 Consumer Affairs;

20 (4) The taxpayer and entity shall have no outstanding  
21 tax liability to the State or its political  
22 subdivisions;



1           (5) The taxpayer or entity claiming the credit shall  
2           incur at least fifty per cent of its operating  
3           and manufacturing costs, including, but not  
4           limited to, rent, labor, and machinery, from  
5           sources whose domicile is the state of Hawai`i;  
6           and

7           (6) The taxpayer or entity claiming the credit shall,  
8           before the effective date of this Act, not be  
9           generating income through the export and sale of  
10           a qualifying product to jurisdictions outside of  
11           the state of Hawai`i.

12           (c) If the tax credit under this section exceeds the  
13           taxpayer's income tax liability for a year in which the credit  
14           is taken, the excess of the tax credit over liability may be  
15           used as a credit against the taxpayer's income tax liability in  
16           subsequent years until exhausted. Every claim, including  
17           amended claims, for a tax credit under this section shall be  
18           filed on or before the end of the twelfth month following the  
19           close of the taxable year for which the credit may be claimed.  
20           Failure to comply with the foregoing provision shall constitute  
21           a waiver of the right to claim the credit.



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

3        (e) As used in this section:

4        "Domestic production gross receipts" means the gross  
5 receipts of the taxpayer which are derived from the sale of a  
6 qualifying product which was manufactured or produced by the  
7 taxpayer in whole or in significant part within the state of  
8 Hawai'i.

9        "Export" means transporting to any jurisdiction outside of  
10 the state of Hawai'i.

11        "Manufacture" means the process of making products by hand  
12 or machinery, especially when carried on systematically with  
13 division of labor.

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

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

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

19        (f) This section shall be applicable to taxable years  
20 beginning after December 31, 2011, but not to taxable years  
21 beginning after December 31, 2016."

22        SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2011.

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INTRODUCED BY:

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JAN 21 2011



**Report Title:**

Taxation

**Description:**

Establishes temporary tax credit for manufacturing and export industries.

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

