
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 temporary tax credit for an employer who hires employees and
3 increases the wages paid them during the 2010 to 2011 period.

4 The legislature is intentionally applying the tax credit to
5 employers who were already in business in 2010, to recognize the
6 difficulty of operating during the present severe economic
7 downturn. The legislature finds that only these employers
8 should be 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
13 shall be allowed to each taxpayer subject to the taxes imposed
14 by this chapter, an employment increase tax credit in the
15 taxable year beginning after December 31, 2010, or December 31,
16 2011. A taxpayer shall be eligible for the tax credit in either
17 or both of those taxable years if the taxpayer increased the:



1 (1) Number of employees employed in the taxpayer's
2 business in calendar year 2011 or 2012, as applicable,
3 by at least ten per cent more than the number of
4 employees employed in the taxpayer's business in the
5 immediately preceding calendar year; and

6 (2) Total wages paid by the taxpayer in calendar year 2011
7 or 2012, as applicable, by at least ten per cent more
8 than the total wages paid in the immediately preceding
9 calendar year.

10 The "number of employees" and "total wages" paid shall be
11 computed in accordance with the definitions under subsection
12 (j).

13 A taxpayer who did not employ any person or pay any wages
14 in calendar year 2010 shall not be eligible for the tax credit.

15 (b) The amount of the credit shall be ten per cent of the
16 amount of the increase in total wages paid in calendar year 2011
17 or 2012, as applicable, over the total wages paid in the
18 immediately preceding calendar year.

19 The tax credit for increases of employees and total wages
20 paid in calendar year 2011 shall be deductible from the
21 taxpayer's net income tax liability for the taxable year
22 beginning after December 31, 2010.



1 The tax credit for increases of employees and total wages
2 paid in calendar year 2012 shall be deductible from the
3 taxpayer's net income tax liability for the taxable year
4 beginning after December 31, 2011.

5 (c) To determine the amount of the tax credit for a
6 taxpayer who acquires the business of or succeeds an employer
7 who had previously employed employees and paid wages in calendar
8 year 2010, 2011, or 2012, the following paragraph shall apply.

9 If the taxpayer acquires the business of or succeeds an
10 employer who employed employees and paid total wages in calendar
11 year 2010, 2011, or 2012, the employees employed and total wages
12 paid by the previous employer shall be deemed to have been paid
13 by the taxpayer in calendar year 2010, 2011, or 2012, as
14 applicable. The total wages shall be added to the total wages
15 actually paid by the taxpayer in calendar year 2010, 2011, or
16 2012, as applicable, for comparison with the total wages paid by
17 the taxpayer in the immediately following calendar year.

18 (d) Subject to the limit in subsection (f), the tax credit
19 allowed under this section shall be claimed against the net
20 income tax liability of the taxpayer for the taxable year
21 beginning after December 31, 2010 or December 31, 2011, as
22 applicable.



1 (e) If the tax credit claimed by a taxpayer under this
2 section exceeds the taxpayer's income tax liability for the
3 taxable year beginning after December 31, 2010, or December 31,
4 2011, as applicable, the excess of tax credit over liability may
5 be carried forward by the taxpayer and, subject to the limit in
6 subsection (f), claimed against the taxpayer's income tax
7 liability in future taxable years until exhausted.

8 (f) A taxpayer shall not claim a tax credit allowed under
9 this section of more than \$50,000 in any taxable year.

10 (g) All claims for a tax credit under this section shall
11 be filed on or before the end of the twelfth month following the
12 close of the taxable year beginning after December 31, 2010, or
13 December 31, 2011, as applicable. If a portion of the tax
14 credit is unused in that taxable year and carried forward, the
15 carried forward credit shall be claimed on or before the twelfth
16 month following the close of each succeeding taxable year until
17 exhausted.

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

20 (h) The director of taxation shall use form HW-3 to
21 determine the number of employees of and total wages paid by a
22 taxpayer and the amount of the tax credit to which the taxpayer



1 is entitled. If, before December 31, 2013, the director
2 discontinues or revises form HW-3, the director shall ensure
3 that the successor form enables a taxpayer to furnish the
4 information necessary to claim a tax credit under this section.

5 The director of taxation also may:

6 (1) Prepare other forms necessary to claim a tax credit
7 under this section;

8 (2) Require the taxpayer to furnish information,
9 additional to form HW-3 or a successor form, to
10 ascertain the validity of the claim for the tax credit
11 under this section; and

12 (3) Adopt rules necessary to effectuate the purposes of
13 this section pursuant to chapter 91.

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

17 (j) As used in this section:

18 "Employee" has the same meaning as under section 235-61.

19 "Form HW-3" means the department of taxation form entitled
20 "employer's annual return and reconciliation of Hawaii income
21 tax withheld from wages", which is issued under authority of



1 section 235-61 and section 18-235-61-08(d), Hawaii

2 Administrative Rules.

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

5 "Number of employees" means the number of employees of a
6 taxpayer during a calendar year as reported in form HW-3 of the
7 department of taxation. For this purpose, the "number of
8 employees" shall be deemed equivalent to the "number of HW-2
9 forms, copy A, or federal form W-2, copy 1" as indicated under
10 item 1 of form HW-3.

11 "Total wages" means the total wages paid by a taxpayer
12 during a calendar year as reported in form HW-3. For this
13 purpose, "total wages" shall be deemed equivalent to the "total
14 wages shown on these forms (include COLA, 3rd party sick leave,
15 and other benefits)" as indicated under item 2 of form HW-3.

16 "Wages" means the same as defined under section 235-61."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act, upon its approval, shall apply to the
19 taxable year beginning after December 31, 2010, and shall be
20 repealed on December 31, 2013; provided that the repeal of this
21 Act shall not prohibit a taxpayer from claiming any carryover
22 tax credit after December 31, 2013, in accordance with section



H.B. NO. 810

1 235- , Hawaii Revised Statutes, in the form in which that
2 section read on the day before the repeal of this Act.

3

INTRODUCED BY: Calvin K. Y. Bay

JAN 21 2011



Report Title:

Tax Credit; Employment Increase

Description:

Provides a tax credit for increases in the total number of persons employed and total wages paid by a taxpayer between 2010 and 2012.

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