
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 them during the 2010 to 2011
4 period.

5 The legislature has purposely applied the tax credit to
6 employers who were in business in 2010 to recognize the
7 difficulty of operating during the Great Recession. The
8 legislature finds that these employers should be given the
9 opportunity to benefit from this tax credit.

10 The legislature intends that, for the purpose of this Act,
11 the "number of covered employees" and "total wages paid to
12 covered employees" be determined on the information furnished by
13 a taxpayer in form UC-B6 to the department of labor and
14 industrial relations.

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



1 "§235- Employment increase tax credit. (a) There
2 shall be allowed to each taxpayer subject to the taxes imposed
3 by this chapter, an employment increase tax credit in the
4 taxable year beginning after December 31, 2010, or December 31,
5 2011. A taxpayer shall be eligible for the tax credit in either
6 or both of those taxable years if the taxpayer is an employer
7 who increased the:

- 8 (1) Number of covered employees in the taxpayer's business
9 in calendar year 2011 or 2012, as applicable, by at
10 least ten per cent over the number of covered
11 employees in the taxpayer's business in the
12 immediately preceding calendar year; and
13 (2) Total wages paid to covered employees by the taxpayer
14 in calendar year 2011 or 2012, as applicable, by at
15 least ten per cent over the total wages paid to
16 covered employees in the immediately preceding
17 calendar year.

18 The "number of covered employees" and "total wages paid to
19 covered employees" shall be computed in accordance with the
20 definitions under subsection (j).



1 A taxpayer who did not employ any person or pay any wages
2 to covered employees in calendar year 2010 shall not be eligible
3 for the tax credit.

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

6 (1) The total wages paid to covered employees in calendar
7 year 2011 or 2012, as applicable; and

8 (2) The total wages paid to covered employees in the
9 immediately preceding calendar year.

10 The tax credit for increases of covered employees and total
11 wages paid in calendar year 2011 shall be deductible from the
12 taxpayer's net income tax liability for the taxable year
13 beginning after December 31, 2010.

14 The tax credit for increases of covered employees and total
15 wages paid in calendar year 2012 shall be deductible from the
16 taxpayer's net income tax liability for the taxable year
17 beginning after December 31, 2011.

18 (c) To determine the amount of the tax credit for a
19 taxpayer who acquires the business of or succeeds an employer
20 who had previously employed covered employees and paid wages to
21 them in calendar year 2010, 2011, or 2012, the following
22 paragraph shall apply.



1 If the taxpayer acquires the business of or succeeds an
2 employer who employed covered employees and paid total wages to
3 them in calendar year 2010, 2011, or 2012, those covered
4 employees and total wages shall be deemed to have been employed
5 and paid by the taxpayer in calendar year 2010, 2011, or 2012,
6 as applicable. Those total wages shall be added to the total
7 wages actually paid to covered employees by the taxpayer in
8 calendar year 2010, 2011, or 2012, as applicable, for comparison
9 with the total wages paid to covered employees by the taxpayer
10 in the immediately following calendar year.

11 (d) Subject to the limit in subsection (f), the credit
12 allowed under this section shall be claimed against the net
13 income tax liability of the taxpayer for the taxable year
14 beginning after December 31, 2010, or December 31, 2011, as
15 applicable.

16 (e) If the tax credit claimed by a taxpayer under this
17 section exceeds the taxpayer's income tax liability for the
18 taxable year beginning after December 31, 2010, or December 31,
19 2011, as applicable, the excess of credit over liability may be
20 carried forward by the taxpayer and, subject to the limit in
21 subsection (f), claimed against the taxpayer's income tax
22 liability in future taxable years until exhausted.



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

3 (g) All claims for a tax credit under this section shall
4 be filed on or before the end of the twelfth month following the
5 close of the taxable year beginning after December 30, 2010, or
6 December 31, 2011, as applicable. If a portion of the tax
7 credit is unused in that taxable year and carried forward, the
8 carried forward credit shall be claimed on or before the twelfth
9 month following the close of each succeeding taxable year until
10 exhausted.

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

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

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

22 (j) As used in this section:



1 "Covered employee" means an employee for whom wage
2 information is required to be furnished in form UC-B6 to the
3 department of labor and industrial relations by a taxpayer
4 pursuant to section 383-94.

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

7 "Number of covered employees" means the sum of the number
8 of covered employees of a taxpayer during a calendar year as
9 reported in all of the taxpayer's forms UC-B6 for that calendar
10 year.

11 "Total wages paid to covered employees" means the total
12 wages paid by a taxpayer to covered employees during a calendar
13 year as reported in all of the taxpayer's forms UC-B6 for that
14 calendar year.

15 "Form UC-B6" means the quarterly wage, contribution and
16 employment and training assessment report of the department of
17 labor and industrial relations, established pursuant to section
18 383-94(d)."

19 SECTION 3. New statutory material is underscored.

20 SECTION 4. This Act, upon its approval, shall apply to
21 taxable years beginning after December 31, 2010, and shall be
22 repealed on December 31, 2013; provided that the repeal of this



H.B. NO. 811

1 Act shall not prohibit a taxpayer from claiming any carryover
2 credit after December 31, 2013, in accordance with section
3 235- , Hawaii Revised Statutes, in the form in which it read
4 on the day before the repeal of this Act.

5

INTRODUCED BY:

Calvin K. King

JAN 21 2011



Report Title:

Tax Credit; Employment Increase

Description:

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

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

