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## LATE TESTIMONY

To: The Honorable Angus L.K. McKelvey, Chair,  
and Members of the House Committee on Economic Revitalization & Business

Date: Tuesday, January 31, 2012  
Time: 8:30 A.M.  
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: H.B. No. 2146, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of HB. 2146 and provides the following information and comments for your consideration.

H.B. 2146 creates a state income tax credit for employers who hire veterans equal to the federal tax credit for employment of a qualified veteran under Internal Revenue Code section 51. The measure also requires the Department of Taxation and Department of Labor and Industrial Relations to annually report on the effectiveness of the credit.

The federal tax credit referenced in this measure is the work opportunity credit for qualified veterans. Under the federal credit, a "qualified veteran" is a veteran certified by a State employment security agency established under 29 U.S.C. § 49-49n as either being a member of a family receiving assistance under the Food and Nutrition Act of 2008, or as being entitled to compensation for a service-connected disability.

The Department notes that a technical amendment may be needed: if the Committee desires to adopt the federal tax credit provisions, the credit should be adopted under Section 235-2.3(b), Hawaii Revised Statutes (HRS), rather than as a new section under Section 235, HRS. The Department further notes that it is unable to comply with the requirement to provide the number of jobs created and length of service; none of this information is submitted to the Department on income tax returns.

Thank you for the opportunity to provide comments.

# LATE TESTIMONY

**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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January 30, 2012

To: The Honorable Angus L.K. McKelvey, Chair; Isaac W. Choy, Vice-Chair;  
and Members of the House Committee on Economic Revitalization and  
Business

Date: Tuesday, January 31, 2012

Time: 8:30 a.m.

Place: Conference Room 312, State Capitol

From: Dwight Takamine, Director  
Department of Labor and Industrial Relations

**Re: H.B. No. 2146 Relating to Taxation**

**I. OVERVIEW OF PROPOSED LEGISLATION**

- H.B. No. 2146 provides a state income tax credit for a taxpayer who receives a federal tax credit under Section 51 of the Internal Revenue Code for employment of a qualified veteran.
- H.B. No. 2146 also requires the Director of Taxation to report the number of jobs created and length of service for those jobs to the legislature prior to the convening of each session.

**II. CURRENT LAW**

- Section 51 of the Internal Revenue Code refers to a federal tax credit for employment of veterans receiving at least 4 weeks of unemployment insurance prior to hiring. This tax credit expired on December 31, 2010.
- A new federal tax credit for veterans under the Vow to Hire Heroes Act became effective November 22, 2011 and adds a new target group for unemployed veterans, similar to the one that expired on December 31, 2010. This new tax credit, with extensions for existing tax credits for disabled veterans, expires December 31, 2012.

- Requests for verification of veteran eligibility under the federal tax credits are submitted to the department within 28 days after hiring of the eligible veteran.

### **III. COMMENTS ON THE HOUSE BILL**

The department supports priority of service for filling job vacancies with veterans because they are disciplined, experienced, and motivated to work. The department therefore supports this bill under the following conditions:

- It does not replace or adversely impact priorities indicated in the Executive Budget,
- The requirement to qualify for the federal tax credit be eliminated or updated, and
- The Department of Taxation be solely responsible for gathering data for the annual report to the legislature because the Department of Labor and Industrial Relations has no resources for such data collection.

The department also defers to Department of Taxation regarding any tax and budget implications.