

JAN 24 2013

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Small business tax credit for full-time
5 employees. (a) There shall be allowed to each resident
6 taxpayer subject to the tax imposed by this chapter who owns a
7 small business, a tax credit for a portion of the cost of
8 salaries and benefits incurred for every full-time employee
9 employed. The tax credit shall be deductible from the
10 taxpayer's net income tax liability, if any, imposed by this
11 chapter for the taxable year in which the credit is properly
12 claimed.

13 (b) The amount of the tax credit shall be equal to
14 per cent of the cost of full-time employee salaries and benefits
15 for the taxable year incurred by the employer of the small
16 business; provided that the amount of the tax credit shall not
17 exceed \$ in any taxable year.

18 (c) The tax credit under this section, when claimed by:



1 (1) Either an individual resident taxpayer or a husband
2 and wife filing a joint return that own a small
3 business; or

4 (2) A small business that is a business entity;
5 may be claimed only once in the taxable year with respect to the
6 small business, regardless of the number of owners under
7 paragraph (1) or the number of shareholders, partners, members,
8 or other owners under paragraph (2); provided that a resident
9 husband and wife filing separate tax returns for a taxable year
10 for which a joint return could have been filed by them shall
11 claim only the tax credit to which they would have been entitled
12 under this section had a joint return been filed.

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



1 (e) The director of taxation shall prepare any forms that
 2 may be necessary to claim a credit under this section. The
 3 director may also require the taxpayer to furnish information to
 4 ascertain the validity of the claims for credits made under this
 5 section and may adopt rules necessary to effectuate the purposes
 6 of this section pursuant to chapter 91.

7 (f) For the purposes of this section:
 8 "Full-time employee" shall have the same meaning as in
 9 section 209E-2.

10 "Small business" means a for-profit enterprise that is a
 11 corporation, partnership, limited liability company, sole
 12 proprietorship, or other form of business entity having fewer
 13 than one hundred full-time or part-time employees."

14 SECTION 2. New statutory material is underscored.

15 SECTION 3. This Act, upon its approval, shall apply to
 16 taxable years beginning after December 31, 2012.

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S.B. NO. 1323

Report Title:

Tax Credits; Small Businesses; Full-time Employees

Description:

Establishes a tax credit for small businesses based on the cost of salaries and benefits incurred for all full-time employees employed by the business.

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