
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 there is a great
2 need for Hawaii to develop and support manufacturing in the
3 State. At the same time, there is a great demand outside the
4 State for products that are made in Hawaii.

5 The purpose of this Act is to promote manufacturing in
6 Hawaii by establishing a temporary income tax credit for
7 taxpayers who incur expenses for manufacturing products in
8 Hawaii.

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- Manufacturing tax credit. (a) There shall be
13 allowed to each taxpayer subject to the tax imposed by this
14 chapter, an income tax credit, which shall be deductible from
15 the taxpayer's net income tax liability, if any, imposed by this
16 chapter for the taxable year in which the credit is properly
17 claimed.



1 **(b)** The amount of the credit shall be _____ per cent of
2 the qualified manufacturing costs incurred during the taxable
3 year; provided that the total credit claimed per taxpayer shall
4 not exceed \$ _____ .

5 In the case of a partnership, S corporation, estate, or
6 trust, the tax credit allowable is for qualified manufacturing
7 costs incurred by the entity for the taxable year. The cost
8 upon which the tax credit is computed shall be determined at the
9 entity level. Distribution and share of credit shall be
10 determined by section 704 of the Internal Revenue Code.

11 If a deduction is taken under section 179 (with respect to
12 election to expense certain depreciable business assets) of the
13 Internal Revenue Code, no tax credit shall be allowed for those
14 costs for which the deduction is taken.

15 The basis of eligible property for depreciation or
16 accelerated cost recovery system purposes for state income taxes
17 shall be reduced by the amount of credit allowable and claimed.

18 **(c)** If the tax credit under this section exceeds the
19 taxpayer's income tax liability, the excess of the tax credit
20 over liability may be used as a credit against the taxpayer's
21 income tax liability in subsequent years until exhausted. Every



1 claim, including amended claims, for a tax credit under this
2 section shall be filed on or before the end of the twelfth month
3 following the close of the taxable year for which the credit may
4 be claimed. Failure to comply with the foregoing provision
5 shall constitute a waiver of the right to claim the credit.

6 (d) The director of taxation:

7 (1) Shall prepare any forms that may be necessary to claim
8 a credit under this section;

9 (2) May require the taxpayer to furnish information to
10 ascertain the validity of the claim for credit made
11 under this section; and

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

14 (e) The department of business, economic development, and
15 tourism shall:

16 (1) Maintain records of the total amount of qualified
17 manufacturing costs for each taxpayer claiming a
18 credit;

19 (2) Verify the amount of the qualified manufacturing costs
20 claimed;

21 (3) Total all qualified manufacturing costs claimed; and



1 (4) Certify the total amount of the tax credit for each
2 taxable year.

3 Upon each determination, the department of business,
4 economic development, and tourism shall issue a certificate to
5 the taxpayer verifying the qualified manufacturing costs and the
6 credit amount certified for each taxable year.

7 The taxpayer shall file the certificate with the taxpayer's
8 tax return with the department of taxation. Notwithstanding the
9 department of business, economic development, and tourism's
10 certification authority under this section, the director of
11 taxation may audit and adjust certification to conform to the
12 facts.

13 (f) As used in this section:

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

16 "Qualified manufacturing costs" means expenditures for:

17 (1) Costs incurred to purchase equipment to be used by the
18 taxpayer in manufacturing tangible personal property
19 in the State and which is placed in service within one
20 year after the date of purchase; provided that the
21 credit under this section has not been previously



1 claimed by any taxpayer in the State on the equipment;
 2 and
 3 (2) Costs incurred to train employees to manufacture
 4 tangible personal property in the State;
 5 provided that "qualified manufacturing costs" does not include
 6 any costs related to the production of electricity or for which
 7 another credit is claimed under this chapter."

8 SECTION 3. There is appropriated out of the general
 9 revenues of the State of Hawaii the sum of \$ or so much
 10 thereof as may be necessary for fiscal year 2015-2016 for
 11 certification of claims for the tax credit established by this
 12 Act.

13 The sum appropriated shall be expended by the department of
 14 business, economic development, and tourism for the purposes of
 15 this Act.

16 SECTION 4. New statutory material is underscored.

17 SECTION 5. This Act shall take effect on July 1, 2050;
 18 provided that:

19 (1) Section 2 shall apply to taxable years beginning after
 20 December 31, 2014;

21 (2) Section 3 shall take effect on July 1, 2015; and



1 (3) This Act shall be repealed on January 1, 2023.



Report Title:

Manufacturing Tax Credit; Appropriation

Description:

Establishes an income tax credit for taxpayers who incur certain expenses for manufacturing products in Hawaii. Appropriates funds for DBEDT to certify claims for the tax credit. Effective 7/1/2050. Repeals 1/1/2023. (SD2)

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