

JAN 23 2014

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. Hawaii imports over ninety per cent of the products
4 consumed each year. At the same time, there is a great demand
5 outside the State for products that are made in Hawaii.

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

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

13 "§235- Manufacturing tax credit. (a) There shall be
14 allowed to each taxpayer subject to the tax imposed by this
15 chapter, an income tax credit, which shall be deductible from
16 the taxpayer's net income tax liability, if any, imposed by this
17 chapter for the taxable year in which the credit is properly
18 claimed.



1 (b) The amount of the credit shall be twenty 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 \$200,000.

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 rule.

11 If a deduction is taken under section 179 (with respect to
12 election to expense depreciable business assets) of the Internal
13 Revenue Code of 1986, as amended, no tax credit shall be allowed
14 for those costs for which the deduction is taken.

15 The basis for eligible property for depreciation of
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
22 claim, including amended claims, for a tax credit under this



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

5 (d) The director of taxation:

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

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

11 (3) May adopt rules pursuant to chapter 91 to effectuate
12 this section.

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

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

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

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

21 (4) Certify the total amount of the tax credit for each
22 taxable year.



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

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

11 (f) As used in this section:

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

14 "Qualified manufacturing costs" means expenditures for:

15 (1) Costs incurred to purchase equipment to be used in
16 manufacturing tangible personal property in the State;
17 and

18 (2) Costs incurred to train employees to manufacture
19 tangible personal property in the State."

20 SECTION 3. New statutory material is underscored.

21 SECTION 4. This Act shall take effect upon its approval;
22 provided that:



S.B. NO. 3082

- 1 (1) Section 2 shall apply to taxable years beginning after
- 2 December 31, 2014; and
- 3 (2) This Act shall be repealed on January 1, 2023.
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S.B. NO. 3082

Report Title:

Manufacturing Tax Credit

Description:

Establishes an income tax credit for taxpayers who incur certain expenses for manufacturing products in Hawaii. Applies to taxable years beginning after 12/31/2014. Sunset 01/01/2023.

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

