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# 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 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. Qualified manufacturing costs shall not  
5 include any costs for which another credit is claimed under this  
6 chapter.

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

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

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

20       (c) If the tax credit under this section exceeds the  
21 taxpayer's income tax liability, the excess of the tax credit  
22 over liability may be used as a credit against the taxpayer's



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

7 (d) The director of taxation:

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

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

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

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

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

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

22 (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 in  
18       manufacturing tangible personal property in the State;

19       and

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

22       SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2050;

2 provided that:

3 (1) Section 2 shall apply to taxable years beginning after  
4 December 31, 2014; and

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



**Report Title:**

Manufacturing Tax Credit

**Description:**

Establishes an income tax credit for taxpayers who incur certain expenses for manufacturing products in Hawaii. Takes effect 7/1/2050. Repeals 1/1/2023. (SD1)

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

