

Honolulu, Hawaii

MAR 2 1 2013

RE: H.B. No. 1298
H.D. 1
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Human Services, to which was referred H.B. No. 1298, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to assist developmentally, intellectually, or physically disabled individuals in obtaining employment by providing an incentive for employers to hire these individuals. Specifically, this measure establishes a nonrefundable income tax credit for employers that hire developmentally, intellectually, or physically disabled individuals that is equal to fifty percent of the individual's qualified wages for the first six months the individual is employed.

Your Committee received testimony in support of this measure from the Department of Health, State Council on Developmental Disabilities, Hawaii Disability Rights Center, and Lanakila Pacific. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that Hawaii is one of the lowest ranking states in the nation in terms of employing individuals with intellectual or development disabilities. The trend is toward fully integrated employment of individuals with disabilities, which provides them with the self-esteem and gratification that comes with being a fully participating member of society.



Additionally, employment contributes to their economic self-sufficiency and makes individuals with disabilities less dependent on taxpayer-funded assistance.

Your Committee is concerned about businesses that currently employ individuals with a disability. To qualify for this tax credit, some businesses may be inclined to consider terminating employees with a disability before December 31, 2013, and then rehire the terminated employees in 2014 to take advantage of the tax credit. The intent of this measure is not to cause termination of their employment, even if only to rehire them during the tax credit period. Your Committee finds that this issue raises concerns and requests that your Committee on Ways and Means further examine this issue.

Your Committee has amended this measure by:

- (1) Changing references from "developmentally, intellectually, or physically disabled individuals" to "individuals with a disability";
- (2) Deleting language that would have required that a person be confirmed as having a disability by a non-profit organization working with disabled individuals;
- (3) Specifying that qualified wages are those wages for work tendered during the six-month period after initial hiring, to prevent the firing and re-hiring of a disabled employee every six months to reset the qualifying period; and
- (4) Specifying that this measure shall apply to taxable years beginning after December 31, 2013.

As affirmed by the record of votes of the members of your Committee on Human Services that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1298, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1298, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Human Services,

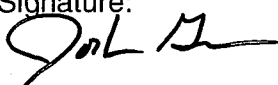
Suzanne Chun Oakland

SUZANNE CHUN OAKLAND, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Human Services
HMS

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1298, HD1	HMS, WAM	3/14/13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHUN OAKLAND, Suzanne (C)	✓			
GREEN, Josh (VC)	✓			
KIDANI, Michelle N.				/
TANIGUCHI, Brian T.				/
SLOM, Sam	✓			
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes