

Honolulu, Hawaii  
February 14, 2014

RE: H.B. No. 2478  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Human Services, to which was referred H.B. No. 2478 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to help people with disabilities move toward self-sufficiency by creating a non-refundable income tax credit equal to 50 percent of qualified wages paid to an individual with a disability during the individual's first six months of employment.

The Department of Human Services, State Council on Developmental Disabilities, Hawaii Disability Rights Center, and several concerned individuals supported the bill. The Department of Taxation, Tax Foundation of Hawaii, and a concerned individual commented on this bill.

Your Committee has amended this measure by:

- (1) Changing its effective date to apply to taxable years beginning after December 31, 2050, to facilitate discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.



Your Committee recognizes that the testimony presented on this measure expressed some concerns with the operations and application of the tax credit created by this measure. Particularly of note were concerns about an employer's potential ability to claim both a tax credit under this measure and a tax deduction under additional state or federal provisions for the same employee wages as well as the inadequacy of protections against improper behavior, such as repeatedly terminating and re-hiring an individual to artificially extend the credit eligibility period or claiming the credit for wages paid to a non-qualified employee. Your Committee finds that these concerns and others raised in public testimony raise important issues that merit further discussion as this measure progresses through the legislative process.

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. 2478, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2478, H.D. 1, and be referred to the Committee on Finance.

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

  
MELE CARROLL, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

HSCR 455-14

**Record of Votes of the Committee on Human Services**

Bill/Resolution No.: <b>HB 2478</b>	Committee Referral: <b>HUS, FIN</b>	Date: <b>2/11/14</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
HUS Members	Ayes	Ayes (WR)	Nays	Excused
1. CARROLL, Mele (C)				✓
2. KOBAYASHI, Bertrand (VC)	✓			
3. BELATTI, Della Au				✓
4. CREAGAN, Richard	✓			
5. HASHEM, Mark J.	✓			
6. JORDAN, Jo	✓			
7. MORIKAWA, Dee	✓			
8. OSHIRO, Marcus R.	✓			
9. WOODSON, Justin H.				✓
10. FUKUMOTO, Beth	✓			
<b>TOTAL (10)</b>	<b>7</b>			<b>3</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				