



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 11, 2014

MEMORANDUM:

TO: The Honorable Mele Carroll, Chair
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2478 – RELATING TO TAXATION**

Hearing: Tuesday, February 11, 2014; 9:30 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to provide a taxpayer who hires an individual with a disability a nonrefundable tax credit for the six-month period the individual is initially hired by the taxpayer.

DEPARTMENT'S POSITION: The Division of Vocational Rehabilitation encourages initiatives that support the hiring of persons with disabilities. The Department of Labor and Industrial Relations has reported an unemployment rate of 4.5% as of December 2013. However, national data from the Bureau of Labor Statistics reported that individuals with disabilities within the working age (16 to 64), have a far higher unemployment rate when compared to non-disabled individuals within the same age group; 14.6% compared to 7.9%.

H.B. 2478 provides an incentive to employers. Incentives such as this tax credit may provide an employer the motivation to provide a person with a disability that opportunity and a chance.

The DHS defers to the Department of Taxation on the feasibility of implementing this bill.

Thank you for this opportunity to submit testimony to this Committee.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Mele Carroll, Chair
and Members of the House Committee on Human Services

Date: Tuesday, February 11, 2014
Time: 9:30 a.m.
Place: Conference Room 329, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 2478, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 2478 to provide a tax credit for hiring an individual with a disability and provides the following comments for your consideration.

H.B. 2478 creates an income tax credit against an employer's income tax liability equal to 50 per cent of qualified wages paid to a newly hired individual with a disability during the individual's first six months of employment. The bill provides that the disability must be certified by a qualified physician. The proposed tax credit will apply in tax years beginning after December 31, 2014.

The Department defers to the Department of Health on the merits of this bill, and offers the following technical amendments to the bill.

First, the Department notes that the proposed credit is similar to an existing credit at section 235-55.91, Hawaii Revised Statutes. That credit is equal to twenty per cent of wages paid to vocational rehabilitation referrals during the first year of employment. To qualify for this credit the employee must have a physical or mental disability. The operation of the credit is very detailed and enlists the Departments of Human Services and Labor and Industrial Relations to certify qualifications. The existing tax credit also prohibits deductions for amounts used to calculate the credit.

Second, the Department also recommends that on the first sentence of subsection (b), be amended to read:

(b) The amount of the credit shall be equal to fifty per cent of the qualified wages for the first six months after an individual with a disability is initially hired.

This amendment will bolster the prohibition on firing and rehiring the same individual with a disability to extend eligibility for the credit.

Third, the Department notes that the wages allowed as the base of this credit are also allowed as a deduction to the employer. Thus, the employer would be provided a double tax benefit; the employer could claim both a deduction and a tax credit for the same amount expended. The Department recommends the addition of a provision to disallow the tax deduction for any amounts used to calculate the tax credit.

Fourth, the Department recommends the Internal Revenue Code (IRC) references in subsection (e)(1) be revised. On page 3, line 6, there is a reference to IRC section 152(a)(1) to (8) to describe certain relationships. There is no longer a subsection (a)(3) through (a)(8) in IRC section 152. As a substitute, the Department recommends reference to section 152(d)(2)(A) through (G). The Department recommends an identical substitution for subsection (e)(1)(B) on page 3, line 15 and 16. Similarly, in subsection (e)(1)(C), the Department recommends the reference to IRC section 152(a)(9) be replaced with reference to IRC section 152(d)(2)(H). These substitute references are substantially similar to the original references in earlier versions of the IRC, but are not identical.

Finally, the Department suggests that subsection (d) be amended so that all wages paid to a non-qualified employee will be disqualified. This is consistent with general tax compliance policy that tax returns should only reflect information that is correct. Once information is discovered to be incorrect, all taxpayers have the duty to notify the Department by reporting the items correctly on initial filings, amending returns or any other means that the Department allows. Subsection (d), as written, would prevent any amounts from being disqualified even if the Department found those amounts not to qualify for the credit.

Thank you for the opportunity to provide testimony.



STATE OF HAWAII
STATE COUNCIL
ON DEVELOPMENTAL DISABILITIES
919 ALA MOANA BOULEVARD, ROOM 113
HONOLULU, HAWAII 96814
TELEPHONE: (808) 586-8100 FAX: (808) 586-7543
February 11, 2014

The Honorable Mele Carroll, Chair
House Committee on Human Services
Twenty-Seventh Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Representative Carroll and Members of the Committee:

SUBJECT: HB 2478 – RELATING TO TAXATION

The State Council on Developmental Disabilities **SUPPORTS HB 2478**. The bill provides a tax payer who hires an individual who has a disability a non-refundable tax credit for the six-month period the individual is initially hired by the tax payer.

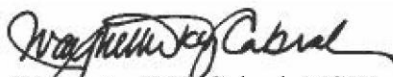
Employment of individuals with intellectual and developmental disabilities (I/DD) is a means toward economic self-sufficiency, contributing to their communities as tax paying citizens, establishing relationships and social networking. Employment of people with I/DD is a priority for the Council and is reflected in our 2012-2016 State Plan Employment Goal that states “People with I/DD will have supports to obtain and sustain their chosen life goal to prepare students at all educational levels for the transition from high school to adult life, including employment, self-employment, and/or post-secondary education and training.”


HB 2478 represents one component of providing employment opportunities of hiring people with disabilities. Another component includes educating and training private and public employers about accommodating people with disabilities in the workforce and the benefits of this. Both of these components combined would have a positive impact in increasing employment opportunities, as well as meeting the workforce demands of the private and public sector.

The Council appreciates the Legislature’s initiative to provide incentives, such as tax credits for hiring people with disabilities.

Thank you for the opportunity to submit testimony **supporting HB 2478**.

Sincerely,


Waynette K.Y. Cabral, MSW
Executive Administrator


J. Curtis Tyler III
Chair



HAWAII DISABILITY RIGHTS CENTER

1132 Bishop Street, Suite 2102, Honolulu, Hawaii 96813

Phone/TTY: (808) 949-2922 Toll Free: 1-800-882-1057 Fax: (808) 949-2928

E-mail: info@hawaiidisabilityrights.org Website: www.hawaiidisabilityrights.org

THE HOUSE OF REPRESENTATIVES THE TWENTY-SEVENTH LEGISLATURE REGULAR SESSION OF 2014

Committee on Human Services

Testimony in Support of H.B. 2478

Relating to Taxation

Tuesday, February 11, 2014, 9:30 A.M.

Conference Room 329

Chair Carroll and Members of the Committee:

The Hawaii Disability Rights Center testifies in support of this bill. While a fair amount of progress has been made in implementing the Olmstead Supreme Court case and integrating individuals with disabilities into the community in terms of residential placements and day to day services, one of the major areas that has truly lagged behind has been the effort to provide integrated, competitive employment for individuals with disabilities. The unemployment rate for individuals with disabilities far surpasses the overall unemployment rate in our country. Many individuals with disabilities, when they are employed, are in sheltered workshops or low paying "training programs".

For that reason, one of the next challenges that are faced in the disability movement is to achieve integrated, competitive employment. There are a variety of ways in which this can be accomplished. One of those certainly is to provide tax incentives to employers to hire these individuals. The hope of course is that the employers will come to realize the value that individuals with disabilities bring to the workplace. However, to the extent that incentives are needed to "jump start" this process, we believe that tax credits as outlined in this bill are an excellent idea.

Thank you for the opportunity to testify in support of this measure.



TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Credit for hiring an individual with a disability

BILL NUMBER: HB 2478

INTRODUCED BY: Kawakami, Brower, Creagan, Cullen, Fukumoto, Hashem, Ichiyama, Ito, Kobayashi, Lowen, McKelvey, Morikawa, Souki, Tokioka, Woodson, 3 Democrats and 1 Republican

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow employers to claim an income tax credit for the hiring of an individual with a disability equal to 50% of the qualified wages for the first six months after the individual is hired.

Tax credits that exceed the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. In no taxable year shall the total amount of tax credits claimed under this section exceed \$ _____.

Defines "individual with a disability" as having a physical or intellectual impairment that substantially limits one or more major life activity, having a record of that impairment, or being regarded as having that impairment provided that the disabling impairment is certified by a qualified physician.

Delineates provisions relating to the application and certification of the credit. Also specifies which wages are ineligible for the credit.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information in order to validate a claim for the credit, and adopt rules pursuant to HRS chapter 91. Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

EFFECTIVE DATE: Tax years beginning after December 31, 2014

STAFF COMMENTS: While this measure is proposed as an incentive to entice employers to hire an individual who is physically or intellectually disabled, it should be remembered that the tax system is a poor means of achieving such social goals. Providing such credits against the state income tax merely reduces state revenues that may necessitate a shift in the tax burden to other taxpayers who are not able to claim the credit.

Tax credits that have absolutely no relationship to the burden of taxes imposed on the employer/taxpayer and the taxpayer's ability or inability to pay those taxes cannot be justified. This credit is nothing more than a subsidy of state funds to an employer of 50% of a disabled employee's wages and would not in any way address the employer/taxpayer's need for tax relief.

HB 2478 - Continued

While the measure would grant a credit for those with a “physical or intellectual impairment” it would appear that someone who has a back strain and certified by a qualified physician would qualify for the credit as the definition provided in the measure is vague.

Digested 2/7/14

LATE



Waipahu Aloha Clubhouse

94-091 Waipio Point Access Road
Waipahu, HI 96797
Phone: (808) 675-0093
Fax: (808) 675-0071

To: REPRESENTATIVE DEREK KAWAKAMI From: JOHN HENRY ADAMS

Fax: 580-8437 Pages: 3

Phone: Date/Time: 2/10/14

Re: HB 2470 CC:

Urgent For Review Please Comment Please Reply Please Recycle

Aloha!

PLEASE SEE ATTACHED LETTERS IN RELATION TO HB 2470.
 SHOULD YOU HAVE ANY QUESTIONS, PLEASE FEEL FREE TO
 CONTACT US.

MUAHA MAHAU!

This communication is intended only for the use of the person or program named above, and may contain information that is privileged, confidential, and exempt from disclosure under applicable law. We authorize disclosure of this communication to such person or program only. If you have received this information in error, please notify us immediately by phone, and return this original communication to us at the Waipahu Aloha Clubhouse.

Robert Braganza — Robert Braganza

If businesses were given a tax exemption for hiring disabled people, it would help disabled people to find jobs that would be difficult to get because of their conditions. There are many disabled people who have a hard time finding jobs because the reality is that they are at a handicap versus a normal fully functioning person. Giving businesses a little incentive to hire people with disabilities may encourage them to do so, and allow people like me the opportunity to be a part of the work force.

With the help of the "Aloha Clubhouse," I've been able to have jobs or employment which would otherwise have been much more difficult to obtain on my own. That is why I think that some form of incentive such as a tax exemption for hiring people with disabilities could possibly narrow the gap between those with disabilities and normal individuals.

Having a job helped me progress towards some of the things I would like to achieve. I know that success usually requires hard work. For people with disabilities the journey is sometimes much harder and with many more obstacles to overcome, but we take things in stride making progress one step at a time. But without a job progress can be much more difficult. So that brings me back to my suggestion that, for people to have a better chance to succeed, a tax credit or exemption, would make it possible for people who are willing and wanting to work, to become successful and productive members of society.

There are many people with disabilities who would like to work but have a hard time getting hired. This proposal (HB 2478) would help to provide employment for disabled people and be a great incentive for employers to work with them.

Waipahu Aloha Clubhouse provides employment for our membership. This incentive would provide greater opportunities by establishing new relationships with other employers. I feel that having a disability makes it harder to find a job versus someone who doesn't have a disability. I strongly support this proposal in hopes that it would help me obtain a job as equally as others.

Henry Ellis "Chip" Chape



From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 10, 2014 8:09 PM
To: HUSstestimony
Cc: geesey@hawaii.edu
Subject: Submitted testimony for HB2478 on Feb 11, 2014 09:30AM

HB2478

Submitted on: 2/10/2014

Testimony for HUS on Feb 11, 2014 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Yvonne Geesey	Individual	Comments Only	No

Comments: Aloha Committee Members; Please consider modernizing this statute and including Advanced Practice Registered Nurses in the 8 instances where physicians only are authorized to certify a disability. This will not result in more persons being certified as having a disability but will stop the practice of advanced practice nurses being asked by their patients to certify disability and after assessing the patient finding one of our physician colleagues to sign the paperwork. mahalo! Yvonne Geesey JD, Advanced Practice Registered Nurse

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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