
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, a manufacturing income tax credit, which shall be
16 deductible from the taxpayer's net income tax liability, if any,



1 imposed by this chapter for the taxable year in which the credit
2 is properly claimed.

3 (b) The amount of the tax credit allowed under subsection
4 (a) shall be twenty per cent of the qualified manufacturing
5 costs incurred during the taxable year; provided that the total
6 credit claimed per taxpayer shall not exceed \$200,000.

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 calculated shall be determined at
11 the entity level. Distribution and share of credit shall be
12 determined by rule.

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 of 1986, as amended, no tax credit shall be allowed
16 for those costs for which the deduction is taken.

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



1 (c) If the tax credit under this section exceeds the
2 taxpayer's net income tax liability, the excess of the tax
3 credit over liability may be used as a credit against the
4 taxpayer's net income tax liability in subsequent years until
5 exhausted. Every claim, including amended claims, for a tax
6 credit under this section shall be filed on or before the end of
7 the twelfth month following the close of the taxable year for
8 which the credit may be claimed. Failure to comply with the
9 foregoing provision shall constitute a waiver of the right to
10 claim the credit.

11 (d) The director of taxation:

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

14 (2) May require the taxpayer to furnish additional
15 information to ascertain the validity of the claim for
16 credit made under this section; and

17 (3) May adopt rules pursuant to chapter 91 to effectuate
18 this section.

19 (e) The department of business, economic development, and
20 tourism shall, for each taxpayer claiming a credit under this
21 section:



- 1 (1) Maintain records of the total amount of qualified
- 2 manufacturing costs claimed;
- 3 (2) Verify the amount of the qualified manufacturing costs
- 4 claimed;
- 5 (3) Total all qualified manufacturing costs claimed; and
- 6 (4) Certify the total amount of the tax credit for each
- 7 taxable year.

8 Upon each certification, the department of business,
9 economic development, and tourism shall issue a certificate to
10 the taxpayer verifying the qualified manufacturing costs and the
11 credit amount certified for each taxable year.

12 The taxpayer shall file the certificate with the taxpayer's
13 tax return with the department of taxation. Notwithstanding the
14 department of business, economic development, and tourism's
15 certification authority under this section, the director of
16 taxation may audit and adjust the certification to conform to
17 the facts.

18 (f) As used in this section:
19 "Net income tax liability" means income tax liability
20 reduced by all other credits allowed under this chapter.

21 "Qualified manufacturing costs" means expenditures for:



- 1 (1) Costs incurred to purchase equipment to be used in
- 2 manufacturing tangible personal property in the State;
- 3 and
- 4 (2) Costs incurred to train employees to manufacture
- 5 tangible personal property in the State."

6 SECTION 3. New statutory material is underscored.

7 SECTION 4. This Act shall take effect upon its approval

8 and shall apply to taxable years beginning after December 31,

9 2015; provided that this Act shall be repealed on January 1,

10 2023.

11

INTRODUCED BY:

The image shows three handwritten signatures stacked vertically over a horizontal line. The top signature is a cursive 'D'. The middle signature is a cursive name that appears to be 'J. J. ...'. The bottom signature is a cursive name that appears to be 'B. K. ...'.

JAN 29 2015



H.B. NO. 1454

Report Title:

Manufacturing; Income 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 December 31, 2015. Sunsets January 1, 2023.

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

