
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:

6 (1) The total credit claimed per taxpayer shall not exceed
7 \$200,000;

8 (2) The qualified manufacturing costs qualify for a
9 deduction under section 167 (with respect to
10 depreciation) of the Internal Revenue Code, as
11 amended; and

12 (3) The qualified manufacturing costs do not include any
13 costs related to the production of electricity.

14 In the case of a partnership, S corporation, estate, or
15 trust, the tax credit allowable is for qualified manufacturing
16 costs incurred by the entity for the taxable year. The cost
17 upon which the tax credit is calculated shall be determined at
18 the entity level. Distribution and share of credit shall be
19 determined by rule.

20 If a deduction is taken under section 179 (with respect to
21 election to expense depreciable business assets) of the Internal



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

3 The bases for eligible property for depreciation of
4 accelerated cost recovery system purposes for state income taxes
5 shall be reduced by the amount of the credit allowable and
6 claimed.

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

17 (d) The director of taxation:

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



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

4 (3) May adopt rules pursuant to chapter 91 to effectuate
5 this section.

6 (e) The department of business, economic development, and
7 tourism shall, for each taxpayer claiming a credit under this
8 section:

9 (1) Maintain records of the total amount of qualified
10 manufacturing costs claimed;

11 (2) Obtain information on self-verified qualified
12 manufacturing costs claimed;

13 (3) Total all qualified manufacturing costs claimed; and

14 (4) Certify the total amount of the tax credit for each
15 taxable year.

16 Upon each certification, the department of business,
17 economic development, and tourism shall issue a certificate to
18 the taxpayer verifying the qualified manufacturing costs and the
19 credit amount certified for each taxable year.

20 The taxpayer shall file the certificate with the taxpayer's
21 tax return with the department of taxation. Notwithstanding the



1 department of business, economic development, and tourism's
2 certification authority under this section, the director of
3 taxation may audit and adjust the certification to conform to
4 the facts.

5 (f) As used in this section:

6 "Net income tax liability" means income tax liability
7 reduced by all other credits allowed under this chapter.

8 "Qualified manufacturing costs" means expenditures for:

9 (1) Costs incurred to purchase equipment to be used by the
10 taxpayer in manufacturing tangible personal property
11 in the State and that is placed in service within one
12 year after the date of purchase; provided that the
13 credit under this section has not been previously
14 claimed by any taxpayer in this State on such
15 equipment; and

16 (2) Reasonable and necessary costs incurred to train
17 employees to manufacture tangible personal property in
18 the State; provided that tangible personal property
19 shall not include professional and personal services."

20 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval
2 and shall apply to taxable years beginning after December 31,
3 2015; provided that this Act shall be repealed on January 1,
4 2023.



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. (HB1454 HD1)

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

