

1 "Designated geographic area" means the regions represented
2 by the zip codes of 96706 and 96707.

3 "Establishment" means a single physical location where
4 business is conducted; provided that a business may include one
5 or more establishments.

6 "Full-time employee" means any employee, including a leased
7 employee and an employee under a joint employment arrangement,
8 for whom the employer is legally required to provide employee
9 fringe benefits.

10 § -2 Eligibility; qualified business defined. (a)

11 There is established within the department of business, economic
12 development, and tourism, the Kapolei jobs initiative program.
13 Any qualified business is eligible to participate in the Kapolei
14 jobs initiative and is eligible for the incentives available
15 pursuant to this chapter.

16 (b) For purpose of this chapter, a "qualified business"
17 means a business that:

18 (1) Establishes or relocates itself within the designated
19 geographic area;

20 (2) Has a minimum of ten full-time employees; provided
21 that a business that has already been established



1 within the designated geographic area as of the
2 effective date of this Act and has more than ten full-
3 time employees shall be deemed a qualified business
4 only if that business increases its number of
5 employees to net ten additional full-time employees;
6 and

7 (3) Is not participating in the state enterprise zone
8 program pursuant to chapter 209E.

9 § -3 Kapolei jobs initiative income tax credit. (a)

10 Each qualified business may apply for and receive, in addition
11 to any other incentive offered pursuant to this chapter, the
12 Kapolei jobs initiative income tax credit as provided under
13 section 235- .

14 (b) Each qualified business shall submit annually to the
15 department of taxation an approved form supplied by the
16 department that provides the information necessary for the
17 department to determine if it may certify the applicability of
18 the tax credits provided in section 235- .

19 (c) The form referred to in subsection (b) shall be prima
20 facie evidence of the eligibility of a business for the purposes
21 of this section.



1 § -4 Kapolei jobs initiative unemployment tax credit.
2 Each qualified business may apply for and receive, in addition
3 to any other incentive offered pursuant to this chapter, the
4 Kapolei jobs initiative unemployment tax credit pursuant to
5 section 383- .

6 § -5 Adoption of rules. The department of business,
7 economic development, and tourism may adopt rules, pursuant to
8 chapter 91, to effectuate the purposes of this chapter."

9 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§235- Kapolei jobs initiative tax credit. (a) There
13 shall be allowed to each qualified business, as defined in
14 section -2, subject to the tax imposed by this chapter a
15 Kapolei jobs initiative tax credit which shall be deductible
16 from the taxpayer's net income tax liability, if any, imposed by
17 this chapter for the taxable year in which the credit is
18 properly claimed.

19 (b) The amount of the tax credit shall be equal to eighty
20 per cent of any tax imposed by this chapter for the first tax
21 year and eight per cent less for each of the subsequent ten



1 years for any tax due; provided that a qualified business shall
2 be allowed to carryover tax credits provided for pursuant to
3 this section in a loss year until the next income year; provided
4 further that tax credits may be carried over for a maximum of
5 ten consecutive years. A maximum of \$ _____ of tax credits
6 in the aggregate for all eligible taxpayers may be used in any
7 one taxable year.

8 (c) If the tax credit under this section exceeds the
9 taxpayer's net income tax liability, the excess of credit over
10 liability may be used as a tax credit against the taxpayer's net
11 income tax liability in subsequent years until exhausted. For
12 the purposes of this section, "net income tax liability" means
13 net income tax liability reduced by all other credits allowed
14 under this chapter and chapter _____. All claims for a tax
15 credit under this section, including amended claims, shall be
16 filed on or before the end of the twelfth month following the
17 close of the taxable year for which the tax credit may be
18 claimed. Failure to comply with the foregoing provision shall
19 constitute a waiver of the right to claim the tax credit.

20 (d) In the case of a partnership, S corporation, estate,
21 or trust, the tax credit allowable is for the qualified costs



1 incurred by the entity for the taxable year. The cost upon
2 which the tax credit is computed shall be determined at the
3 entity level. Distribution and share of the tax credit shall be
4 determined pursuant to section 704(b) (with respect to partner's
5 distributive share) of the Internal Revenue Code.

6 (e) The director of taxation shall prepare any forms that
7 may be necessary to claim a credit under this section. The
8 director may also require the taxpayer to furnish information to
9 ascertain the validity of the claim for the tax credit made
10 under this section and may adopt rules necessary to effectuate
11 the purposes of this section pursuant to chapter 91."

12 SECTION 4. Chapter 383, Hawaii Revised Statutes, is
13 amended by adding a new section to be appropriately designated
14 and to read as follows:

15 "§383- Kapolei jobs initiative unemployment tax credit.

16 (a) There shall be allowed to each qualified business who is an
17 employer subject to the contributions required pursuant to this
18 chapter a Kapolei jobs initiative unemployment tax credit in an
19 amount equal to:

20 (1) For the first year, eighty per cent of the
21 contributions required pursuant to this chapter;



- 1 (2) For the second year, seventy-two per cent of the
- 2 contributions required pursuant to this chapter;
- 3 (3) For the third year, sixty-four per cent of the
- 4 contributions required pursuant to this chapter;
- 5 (4) For the fourth year, fifty-six per cent of the
- 6 contributions required pursuant to this chapter;
- 7 (5) For the fifth year, forty-eight per cent of the
- 8 contributions required pursuant to this chapter;
- 9 (6) For the sixth year, forty per cent of the
- 10 contributions required pursuant to this chapter;
- 11 (7) For the seventh year, thirty-two per cent of the
- 12 contributions required pursuant to this chapter;
- 13 (8) For the eighth year, twenty-four per cent of the
- 14 contributions required pursuant to this chapter;
- 15 (9) For the ninth year, sixteen per cent of the
- 16 contributions required pursuant to this chapter; and
- 17 (10) For the tenth year, eight per cent of the
- 18 contributions required pursuant to this chapter.

19 (b) Tax credits provided pursuant to this section shall
20 apply only to the contributions required to be made pursuant to
21 this chapter that are attributed to employees employed at any



1 establishment of the qualified business located within the
 2 designated geographic area; provided that a qualified business
 3 shall be allowed to carryover tax credits provided for pursuant
 4 to this section in a loss year until the next income year. Any
 5 tax credit not usable shall not be applied to future tax years.

6 (c) The director shall prepare any forms that may be
 7 necessary to claim a credit under this section. The director
 8 may also require the taxpayer to furnish information to
 9 ascertain the validity of the claim for the tax credit made
 10 under this section and may adopt rules necessary to effectuate
 11 the purposes of this section pursuant to chapter 91.

12 (d) For the purposes of the section, "designated
 13 geographic area" and "establishment", shall have the same
 14 meanings as in section -1, and "qualified business" shall
 15 have the same meaning as in section -2."

16 SECTION 5. New statutory material is underscored.

17 SECTION 6. This Act, upon its approval, shall apply to
 18 taxable years beginning after December 31, 2015, and shall be
 19 repealed on June 30, 2026.

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INTRODUCED BY:

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H.B. NO. 2406

Report Title:

Kapolei Jobs Initiative; Qualified Business; Income Tax Credit;
Unemployment Tax Credit

Description:

Establishes a Kapolei jobs initiative program that offers tax incentives to increase the number of businesses willing to establish or relocate themselves in the Kapolei region. Repeals 6/30/2026.

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