



STATE OF HAWAII
STATE COUNCIL
ON DEVELOPMENTAL DISABILITIES
919 ALA MOANA BOULEVARD, ROOM 113
HONOLULU, HAWAII 96814
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March 1, 2016

The Honorable Sylvia Luke, Chair
House Committee on Finance
Twenty-Eighth Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Representative Luke and Members of the Committee:

SUBJECT: HB 1870 HD1- Relating to Taxation

The State Council on Developmental Disabilities **SUPPORTS HB 1870 HD1**. The bill provides a taxpayer 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 taxpayer.

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 1870 HD1 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 sectors.

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 in **support of HB 1870 HD1**.

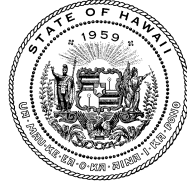
Sincerely,

Waynette K.Y. Cabral, MSW
Executive Administrator

Josephine C. Woll
Chair

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair
And Members of the House Committee on Finance

Date: March 1, 2016

Time: 1:00 P.M.

Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1870, H.D. 1, Relating to Taxation.

The Department of Taxation (Department) appreciates the intent of H.B. 1870, H.D. 1, and offers following comments for your consideration.

H.B. 1870, H.D. 1, creates an income tax credit for businesses that hire persons totally disabled. The bill requires certification of disability from a qualified physician. The credit is to be claimed against the taxpayer's net income tax liability. The credit is effective for taxable years beginning after December 31, 2017.

The House Committee on Labor & Public Employment adopted many of the Department's suggested amendments. The Department appreciates the consideration of its suggestions, and offers the following additional comments on this H.D. 1 version.

First, the Department notes that the proposed credit is similar to an existing credit at section 235-55.91, Hawaii Revised Statutes (HRS). 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 employer must hire a person with a physical or mental disability who was referred to the employer by the Department of Human Services Vocational Rehabilitation and Services for the Blind Division.

Second, the Department suggests section 235-__(b)(2) be amended to read as follows:

(2) Any amounts upon which any other tax credit or deduction is calculated under this chapter shall not be qualified wages for purposes of this section.

The Department also suggests that this provision may be more appropriate in subsection (e).

Thank you for the opportunity to provide comments.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 29, 2016 2:07 PM
To: FINTestimony
Cc: louis@hawaiidisabilityrights.org
Subject: Submitted testimony for HB1870 on Mar 1, 2016 13:00PM

HB1870

Submitted on: 2/29/2016

Testimony for FIN on Mar 1, 2016 13:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Louis Erteschik	Hawaii Disability Rights Center	Support	No

Comments: Employment of people with disabilities is one area that has lagged behind the other gains they have made. It is important to encourage opportunities for that in order for them to achieve full integration into the community. This proposal seems like a good step in that direction as it would create incentives for employers to hire them.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Credit for Hiring an Individual with a Disability

BILL NUMBER: HB 1870, HD-1

INTRODUCED BY: House Committee on Labor & Public Employment

EXECUTIVE SUMMARY: Establishes an income tax credit for the hiring of an individual with a disability of 50% of the wages paid to such individual for the first six months. The adoption of this credit would provide tax relief to taxpayers regardless of their need for tax relief. It also would shift the burden of paying for government to the rest of us.

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 \$ _____ per taxpayer. Provides that in no taxable year shall any other deduction or credit claimed based on the person be used as the basis to calculate the tax credit.

Contains no definition for "person totally disabled," which appears to mean the term is the same as used in HRS section 235-1.

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.

Defines "wages" so as not to count income excluded from gross income (pension income, for example). Also excludes wages paid by a related party as determined under IRC section 152. Provides that no wages shall be taken into account under this section with respect to any elderly individual if, prior to the day the individual is hired by the employer, the individual had been employed by the employer at any time.

If the taxpayer is a successor employer referred to in section 3306(b)(1) of the Internal Revenue Code, the determination of the amount of the credit shall be made in the same manner as if the wages were paid by the predecessor employer.

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: Applies to taxable years beginning after December 31, 2017.

STAFF COMMENTS: This measure is proposed as an incentive to entice employers to hire an individual who is physically or intellectually disabled, but the tax system is a poor means of achieving such social goals. Providing such credits against the state income tax merely reduces state revenues, and if the size of government does not go down, then the tax burden shifts to other taxpayers who are not able to claim the credit.

The measure is similar to the income tax credit for the hiring of vocational rehabilitation referrals. If it is the intent of the legislature to encourage the hiring of individuals with a disability, it would be preferable to amend HRS-235-55.91 to include these individuals rather than to adopt a new credit which may have loopholes and technical issues.

Digested 2/27/16

LATE

Clifford Mendoza – Ko'olau Clubhouse
March 1, 2016 at 1:00 PM
HB 1870

To: Representative Sylvia Luke, Chair, Committee on Finance
Representative Scott Nishimoto, Vice Chair, Committee on Finance

My name is Clifford Mendoza and I am a member of Ko'olau Clubhouse, part of the Hawaii Clubhouse Coalition. I am writing in support of HB 1870, RELATING TO TAXATION.

The Ko'olau Clubhouse is a psycho-social rehabilitation program for adults with mental illness. The purpose of this program is to socialize adults with mental illness back into the community and a major component of the program is employment. I have been attending the Clubhouse since 2013 and at the time I was looking for a job. It was very hard for me to find employment due to having a felony on my record from eight years ago. I was able to find a position, which lasted for around 3 months due to budget cuts in their company. Since that job I was unable to find employment. And, within the last six month I stopped looking due to health problems that I have to deal with currently; however, there are many of my peers who are currently looking for jobs.

While a tax credit may not have an effect on passing background checks, I feel that it may encourage businesses to hire people with a disability like myself. So please support HB 1870 as there are many people with a disability who desire to work.

Thank you for your time,

LATE

Wesley Lum – Ko'olau Clubhouse
March 1, 2016 at 1:00 PM
HB 1870

To: Representative Sylvia Luke, Chair, Committee on Finance
Representative Scott Nishimoto, Vice Chair, Committee on Finance

My name is Wesley Lum and I am a member of the Ko'olau Clubhouse, part of the Hawaii Clubhouse Coalition. I am writing in support of HB 1870, RELATING TO TAXATION.

Th Ko'olau Clubhouse is a psycho-social rehabilitation program for adults with mental illness. The purpose of this program is to socialize adults with mental illness back into the community and a major component of the Clubhouse is the employment program. I am an active participant at the Clubhouse and I see my peers who are struggle to find jobs in the community. It is difficult with the economy, as it is, to find a job. My fellow peers have not worked in many years. The Clubhouse partners with employers within the community, working alongside members at the place of employment until he or she is ready to work on their own.

I feel that if employers were given a tax credit to hire individuals with disability then more employers would be willing to work with agencies such as the Clubhouse. So please support HB 1870 as a tax credit may be an incentive for businesses to hire those with disabilities.

Thank you for your time,

Onofre Quiton – Ko'olau Clubhouse
March 1, 2016 at 1:00 PM
HB 1870

LATE

To: Representative Sylvia Luke, Chair, Committee on Finance
Representative Scott Nishimoto, Vice Chair, Committee on Finance

My name is Onofre Quiton and I am a member of the Ko'olau Clubhouse, part of the Hawaii Clubhouse Coalition. I am writing in support of HB 1870, RELATING TO TAXATION.

The Ko'olau Clubhouse is a psycho-social rehabilitation program for adults with mental illness. The purpose of this program is to socialize adults with mental illness back into the community, and a major component of the Clubhouse is the employment program. Times Supermarket is a participant of the Clubhouse program. Through the Clubhouse I was able to get a transitional employment position where Times allowed me to work for them for a 6-9 month. I am grateful that Times gave me an opportunity to work since work has been very important to me. After the 6-9 months, Times offered me a part time position and I now work in the produce department. Prior to attending the Clubhouse I transitioned from incarceration to a treatment facility that taught me about my substance abuse and my mental illness.

Work is very important to me and is a major priority in my recovery. So please support HB 1870 as I feel that having a tax credit for hiring individuals with a disability will provide people like myself with opportunities to work.

Thank you for your time,

LATE

Garren Lo – Ko'olau Clubhouse
March 1, 2016 at 1:00 PM
HB 1870

To: Representative Slyvia Luke, Chair, Committee on Finance
Representative Scott Nishimoto, Vice Chair, Committee on Finance

My name is Garren Lo and I am a member of the Ko'olau Clubhouse, part of the Hawaii Clubhouse Coalition. I am writing in support of HB 1870, RELATING TO TAXATION.

The Ko'olau Clubhouse is a psycho-social rehabilitation program for adults with mental illness. The purpose of this program is to socialize adults with mental illness back into the community, and a major component of the Clubhouse is the employment program. We have a program called transitional employment where we have an agreement with an employer within the community. Members, like myself, are able to fill the position for a period of 6-9 months. And, if we do not show up to work the staff person fills the position at no cost to the employer. This positions allows us to build a resume and gives many members the ability to try out different types of employment positions within the community. This agreement is challenging for us to secure, however I believe that if the tax credit is given then the employers may be more open to these positions.

So please support HB 1870 as I feel that having a tax credit for hiring individuals with a disability will provide people like myself with opportunities to work.

Thank you for your time,