

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

JOSEPH K. KIM  
DEPUTY DIRECTOR

To: The Honorable Mark M. Nakashima, Chair  
And Members of the House Committee on Labor & Public Employment

Date: February 12, 2016  
Time: 10:00 A.M.  
Place: Conference Room 309, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

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

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

H.B. 1870 creates an income tax credit for businesses that hire individuals with a disability. 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, 2016.

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 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 adding a provision to disallow the tax deduction for any amounts used to calculate the tax credit.

Third, the Department suggests that subsection (d) be amended to clarify that the Department may disqualify wages paid to a non-qualified employee without the employer receiving notice that certification was based on false information provided by the employee. This is consistent with general tax compliance policy that the Department has the authority to make the final administrative determination on title 14, HRS, matters.

Fourth, the Department notes that the bill does not specify whether the tax credit can be claimed by succeeding employers of the individual with a disability or by subsidiaries of the original employer, which could result in multiple tax credits being claimed for hiring of the same employee. Subsection (f) addresses the possibility that a successor employer might hire the same employee, but does not clarify which of the taxpayers may claim the credit, nor proscribe the credit from being claimed multiple times for the hiring of the same employee.

Fifth, the Department suggests deleting the definition of "individual with a disability," and amending the credit to apply to the hiring of "persons totally disabled" rather than "individuals with a disability." The term "person totally disabled" is already defined for Hawaii income tax purposes under section 235-1, HRS, and the Department has already promulgated administrative rules clarifying the term, and has already created forms for the certification of a disability under this definition.

Lastly, the Department requests that, if H.B. 1870 is adopted, the effective date is extended to taxable years beginning after December 31, 2017, to allow the Department time to complete the necessary form and computer system changes to implement this measure.

Thank you for the opportunity to provide comments.



**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 12, 2016

The Honorable Mark M. Nakashima, Chair  
House Committee on Labor & Public Employment  
Twenty-Eighth Legislature  
State Capitol  
State of Hawaii  
Honolulu, Hawaii 96813

Dear Representative Nakashima and Members of the Committee:

SUBJECT: HB 1870 - Relating to Taxation

The State Council on Developmental Disabilities **SUPPORTS HB 1870**. 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 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**.

Sincerely,

Waynette K.Y. Cabral, MSW  
Executive Administrator

Josephine C. Woll  
Chair

# 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: SB 2219; HB 1870 (Identical)

INTRODUCED BY: SB by KOUCHI; HB by KAWAKAMI, AQUINO, CULLEN, MORIKAWA, NAKASHIMA, TOKIOKA

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 \$ \_\_\_\_\_.

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

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). 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, 2016.

**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 employee becomes credit eligible upon receiving a doctor's certification of a disability, defined as a "physical or intellectual impairment that substantially limits one or more major life activities." Those criteria would appear to allow qualification of a temporary impairment, such as someone who has a back strain and has to stay in bed for a couple of days.

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 2/10/16



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2909 Waialae Avenue #22 Honolulu, Hawaii 96826

Office: (808)944-9105 Fax: (808)441-5355

[info@hawaiirestaurant.org](mailto:info@hawaiirestaurant.org) [www.hawaiirestaurant.org](http://www.hawaiirestaurant.org)

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Date: February 10, 2016

To: Rep. Mark M. Nakashima, Chair; Rep. Jarrett Keohokalole, Vice Chair  
Committee on Labor & Public Employment

Rep. Gregg Takayama, Chair; Rep. Kyle T. Yamashita, Vice Chair  
Committee on Public Safety

From: Victor Lim, Legislative Chair, Hawaii Restaurant Association

Subj: HB 1870 Tax Credit for Hiring Person with Disability

The Hawaii restaurant Association strongly support HB 1870 that provides a taxpayer who hires an individual with disability a tax credit for the six month period after the individual is initially hired by the tax player.

HRA has been serving the restaurant industry here in Hawaii for 69 years representing over 3,300 restaurants, making up mostly of small and medium size businesses. We are in most cases the first employer for people entering the work force and at the same time provides tremendous opportunities for individual growth.

HRA members already offer opportunities for many individuals with disability in our industry and this bill will further encourage even more being done. this is a Win Win for our community providing all individuals with dignity and being productive members in our workforce.

Thank you for giving us the opportunity to testify on this.



LABtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, February 10, 2016 7:05 PM  
To: LABtestimony  
Cc: louis@hawaiidisabilityrights.org  
Subject: Submitted testimony for HB1870 on Feb 12, 2016 10:00AM

Follow Up Flag: Follow up  
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**HB1870**

Submitted on: 2/10/2016

Testimony for LAB on Feb 12, 2016 10:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Louis Erteschik	Hawaii Disability Rights Center	Comments Only	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.

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Director of Autism Services

Menrit Francis
Controller

Administrative Offices

710 Green Street
Honolulu, Hawaii 96813
Phone: 808.536.1015
Toll Free: 888.241.7450
Fax: 808.536.3765

www.eastersealshawaii.org

TO: Rep. Mark M. Nakashima, Chair
Rep. Jarrett Keohokalole, Vice Chair
Committee on Labor and Public Employment

Rep. Gregg Takayama, Chair
Rep. Kyle T. Yamashita, Vice Chair
Committee on Public Safety

FROM: Ron Brandvold
President & CEO

RE: HB 1870 – Relating to Taxation
Testimony in Support

DATE: February 11, 2016

Easter Seals Hawaii (ESH) supports HB 1870. The purpose of this measure is to incentivize businesses who hire individuals with disabilities by providing a tax credit, thereby encouraging employment of these individuals.

More than 30,000 people in Hawaii have physical or mental impairments that may require lifelong assistance and support. In 2011, only 13% of people in Hawaii with intellectual and developmental disabilities (ID/DD) were employed in supported or competitive employment which translates in the lowest ranking among the 50 states for the percentage of people with ID/DD over 16 yrs who are employed. Individuals with disabilities in Hawaii have not been provided with the opportunities and supports to join the workforce. And employers are deprived of the talents and creativity of an underutilized group of potential employees.

ESH Employment Services program is working to address this issue not only by direct support to individuals with disabilities to encourage employment options but also reaching out to businesses to share information and determine unmet business needs. This Bill will support the same goal – namely, encouraging business to consider and employ individuals with disabilities.

ESH offers a friendly amendment to also allow State agencies to provide the certification that the individual is an individual with a disability. Proposed language:

- Page 2, Section (d), add "the Department of Human Services, Division of Vocational Rehabilitation, and the Department of Health" at the end of the first sentence.

Thank you for the opportunity to submit this testimony in support of HB 1870.

LABtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, February 10, 2016 3:43 PM  
To: LABtestimony  
Cc: tabraham08@gmail.com  
Subject: \*Submitted testimony for HB1870 on Feb 12, 2016 10:00AM\*

Follow Up Flag: Follow up  
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**HB1870**

Submitted on: 2/10/2016

Testimony for LAB on Feb 12, 2016 10:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Troy Abraham	Individual	Support	No

Comments:

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LABtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 11, 2016 11:48 AM  
To: LABtestimony  
Cc: auechi2013@yahoo.com  
Subject: Submitted testimony for HB1870 on Feb 12, 2016 10:00AM

**HB1870**

Submitted on: 2/11/2016

Testimony for LAB on Feb 12, 2016 10:00AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
A Uechi	Individual	Comments Only	No

Comments: To the Committee Members: I would like to say something on behalf of those of us with handicaps that are employable. Many of us are on a fixed income, and employment is key to our ability to support ourselves financially. Nationwide only 15% of those with mental illness are employed; but of those of us on Kauai that are part of the psychosocial rehabilitation program called Friendship House, about 40% of us are employed. Many of us that start with a 6-9 month temporary employment job go on to more permanent jobs in the community. Affirmative action by this income tax credit can help us attain work that can help us contribute more to the community. Thank you for your consideration. A. Uechi

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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February 11, 2016

Re: HB 1870

We are members of Friendship House, a rehabilitation program for adults with mental illness. We are writing this letter in support of Representative Kawakami's Bill no. 1870 regarding individuals with disabilities and employer tax credits. This bill will help people with disabilities get more jobs with employers because of the credit given to the employer for hiring an individual with a disability. We want this important Bill to be passed because it will help us get more jobs and we want to work. Its difficult finding jobs for people with disabilities and this Bill will help a great deal.

Thank you for your consideration.

Members of Friendship House.

Kurt K. Nagata  
Cynthia Brun

Jana W. W.

CHARLIE SORO

Mary M. Baccain

Mildred Rabago

Randall Sierp

Jeremy W. Gledits

Chris Schweitzer

In Shrikan

A. Mechi

Aloha, my name is Cynch Brun.

As a member of Friendship House, a psycho-social rehabilitation program for adults with severe mental illness on Kauai, and I'm writing this letter in support of Representative Kawakami's Bill No #1870 regarding individuals with disabilities and employer tax credits.

I want to support this legislation because it will give employers more incentive to hire the disabled by offering them nonrefundable tax credit for the six month period after the individual is initially hired.

This is a great idea and will help people like me get jobs more easily.

Please support this bill. Thank You, Cynch Brun

*Cynch Brun*

February 11, 2016

Re: HB 1870

To Representative Kawakami,

I am in support of HB 1870 which provides a taxpayer who hires an individual with a disability a tax credit. I think that if employers had some type of incentive to hire people with disabilities, they would be more willing to give us a chance and show that we can work like everyone else. I am disabled (I am deaf and have a mental illness) and I have been working since 1980. Without employment, I would not have been able to live independently and do the things I want.

Please support this bill.

Sincerely,

*Mildred Rabago*

Mildred Rabago

February 11, 2016

Re: HB 1870

We are members of Friendship House, a rehabilitation program for adults with mental illness. We are writing this letter in support of Representative Kawakami's Bill no. 1870 regarding individuals with disabilities and employer tax credits. This bill will help people with disabilities get more jobs with employers because of the credit given to the employer for hiring an individual with a disability. We want this important Bill to be passed because it will help us get more jobs and we want to work. Its difficult finding jobs for people with disabilities and this Bill will help a great deal.

Thank you for your consideration.

Members of Friendship House.

Handwritten signature of Jerry W. Collado in cursive script.

February, 11, 2016.

Re: HB 1870

To: Representative Derek Kawakami:

I am in support of 1870 which provides a taxpayer who hires an individual with a tax credit. We would like to make a New Year's Resolution's for the Whole New Year of January, 2016, for The whole One New Year. The Friendship Clubhouse would like to know if there would be Resume's of people who would been able to be hired for Business and Work done. We would like to know if all of our working people to receive as much moneyworld scene and cash world scene for being hired to work on their hiring scene jobs. We Also Want to Talk about Dealing With Our Income Tax Return's Our New Year's Resolution is to get more people to be Hired for Work Done. .

Sincerely,

  
Emmaline P. Kaili



**LATE**



Hale 'Oluea Clubhouse  
1045B Kilauea Avenue  
Hilo, HI 96720  
PH: 808-974-4320  
Fax: 808-933-0533  
Email: haleolueaclubhouse@gmail.com

February 11, 2016

House Committee on Labor and Public Employment  
Representative Mark Nakashima, Chair

Re: HB1870  
Hearing Feb 12, 2016, 10am, Conf Rm 309

Aloha Representative Nakashima,

Hale 'Oluea Clubhouse is a psychosocial rehabilitation program in Hilo. We are writing in **strong support of HB1870/SB2219** that provides a taxpayer who hires an individual with a disability a nonrefundable tax credit for the six-month period after the individual is initially hired by the taxpayer.

Employment is an important part of improving self-esteem, increasing one's sense of self-worth, developing vocational skills, and positive participation in the community. A tax credit could provide an incentive for and encourage employers to offer opportunities to individuals with disabilities.

While we are supportive, we ask you to consider making one change. Paragraph (d) states one must be certified disabled by a qualified physician. Due to a shortage of physicians, we are experiencing more and more Physician's Assistants (PA) and/or Advanced Practice Registered Nurses (APRN) providing treatment in our communities and less access to physicians. Please add PA/APRN to those who can certify that an individual is "disabled."

Thank you for your time and consideration of this bill and the proposed change.

Respectfully,

Genevieve Parks, MSW  
Hale 'Oluea Clubhouse Coordinator



**PRESIDENT & CEO**  
Marian E. Tsuji

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State of Hawaii  
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Committee on Labor & Public Employment  
The Honorable Representative Mark M. Nakashima, Chair  
The Honorable Representative Jarrett Keohokalole, Vice Chair

Committee on Public Safety  
The Honorable Representative Gregg Takayama, Chair  
The Honorable Representative Kyle T. Yamashita, Vice Chair

February 12, 2016; 10:00 a.m.  
Conference Room 309  
HB 1870 Relating to Taxation

Good morning, Chairs Nakashima and Takayama, Vice Chairs Keohokalole and Yamashita, and members of the Committees on Labor & Public Employment and Public Safety.

Lanakila Pacific supports the intent of HB 1870, to provide tax credits for businesses hiring individuals with disabilities. However, we urge you to consider providing clear and strict parameters to protect the Health Privacy of individuals and to prevent possible civil rights infractions against employees. Requiring an employer to obtain proof of a disability with no specific process allows for myriad opportunities for privacy to be compromised.

According to the U.S. Bureau of Labor Statistics, in 2014, only 17.1% of people with disabilities were employed compared to 64.6% of those without disabilities. This bill would help decrease the employment gap by bringing more people with disabilities into the workforce translating into more consumers putting money back into the economy, and more contributing taxpayers. Additionally, these kinds of steps go a long way toward increasing an individual's self-esteem, independence and self-sufficiency.

Lanakila Pacific is a 76 year old Hawaii-based non-profit organization, whose mission is to build independence for challenged lives. Our programs include employment training and job placement assistance for individuals with disabilities.

Thank you for the opportunity to provide testimony in support of the intent of this measure.

Respectfully submitted,

Marian E. Tsuji  
President & CEO

Mary Beth Lum  
Senior Employee Development  
Coordinator

**LATE**

February 11, 2016

Re: HB 1870

I am asking for your support of this bill which provides a taxpayer who hires an individual with a disability a tax credit for the first 6 months after the individual is hired. I feel that this bill will encourage employers to take the first step in giving disabled individuals a chance to prove that they can work. Once that door is open, the employer will more often than not, be rewarded with a hard-working, reliable, skilled employee who is enthusiastic about working. I have over 25 years of experience working with adults diagnosed with severe, persistent mental illness, and have observed that when given the opportunity and support, these individuals have become valued, dedicated employees of the companies that they work for.

Like the rest of society, individuals with disabilities need to be given a chance. HB 1870 will help to give them that chance.

Thank you for your consideration.

## LATE TESTIMONY

Wesley Lum – Ko'olau Clubhouse  
February 12, 2016 10:00 am  
HB 1870

To: Representative Mark Nakashima, Chair of Labor & Public Employment  
Representative Jarrett Keohokalole, Vice-Chair of Labor & Public Employment

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.

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. 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.

*Wesley Lum*

Onofre Quiton – Ko'olau Clubhouse  
February 12, 2016 10:00 am  
HB 1870

## LATE TESTIMONY

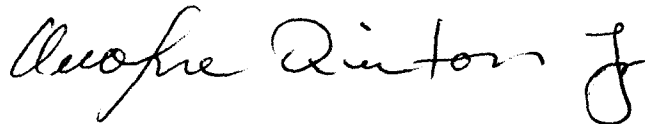
To: Representative Mark Nakashima, Chair of Labor & Public Employment  
Representative Jarrett Keohokalole, Vice-Chair of Labor & Public Employment

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,

A handwritten signature in black ink that reads "Onofre Quiton" followed by a stylized flourish.

Clifford Mendoza – Ko'olau Clubhouse  
February 12, 2016 10:00 am  
HB 1870

## LATE TESTIMONY

To: Representative Mark Nakashima, Chair of Labor & Public Employment  
Representative Jarrett Keohokalole, Vice-Chair of Labor & Public Employment  
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,

