

SB 2218

Measure Title: RELATING TO TAXATION.

Report Title: Taxation; Income Tax Credit; Elderly

Description: Provides a taxpayer who hires an elderly individual a nonrefundable tax credit for the six-month period after the individual is initially hired by the taxpayer.

Companion: [HB1871](#)

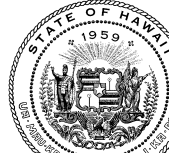
Package: None

Current Referral: HMS, WAM

Introducer(s): KOUCHI

DAVID Y. IGE
GOVERNOR

SHANTSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

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

To: The Honorable Suzanne Chun Oakland, Chair
And Members of the Senate Committee on Human Services

Date: February 11, 2016

Time: 1:20 P.M.

Place: Conference Room 016, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 2218, Relating to Taxation.

The Department of Taxation (Department) appreciates the intent of S.B. 2218 and offers following comments for your consideration.

S.B. 2218 creates an income tax credit for businesses that hire senior citizens. 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 bill does not specify whether the tax credit can be claimed by succeeding employers of the senior citizen or by subsidiaries of the original employer, which could result in multiple tax credits being claimed for hiring the same employee. Subsection (d) 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.

Second, the Department requests that, if S.B. 2218 is adopted, the effective date is extended to taxable years beginning after December 31, 2017, to allow the Department time to make the necessary changes to its forms and instructions, and to its computer system.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Credit for Hiring an Elderly Individual

BILL NUMBER: SB 2218; HB 1871 (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 elderly individuals 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 elderly individual 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.

Defines "elderly individual" as an individual who is sixty years of age or older. Disqualifies any wages paid with respect to an elderly individual who: (A) bears any of the relationships described in section 152(d)(2)(A) through (G) of the Internal Revenue Code to the taxpayer, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than fifty per cent in value of the outstanding stock of the corporation (determined with the application of section 267(c) of the Internal Revenue Code); (B) if the taxpayer is an estate or trust, is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in section 152(d)(2)(A) through (G) of the Internal Revenue Code to a grantor, beneficiary, or fiduciary of the estate or trust; or (C) is a dependent (described in section 152(d)(2)(H) of the Internal Revenue Code) of the taxpayer, or, if the taxpayer is a corporation, of an individual described in subparagraph (A), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.

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 elderly, 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.

Digested 2/3/16