

# SB2165

Measure Title: RELATING TO TAXATION.  
Report Title: Hawaii State Association of Counties Package; Taxation; Income Tax Credit; Elderly  
Description: Provides a taxpayer who hires an elderly individual a nonrefundable tax credit for the 6-month period after the individual is initially hired by the taxpayer. Applies to taxable years beginning after 12/31/2018.  
Companion: [HB1797](#)  
Package: Hawaii State Association of Counties  
Current Referral: LBR, WAM  
Introducer(s): KOUCHI (Introduced by request of another party)

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<u>Sort by</u> <u>Date</u>	<b>Status Text</b>
1/19/2018	S Introduced.
1/19/2018	S Passed First Reading.
1/22/2018	S Referred to LBR, WAM.
2/9/2018	S The committee(s) on LBR has scheduled a public hearing on 02-13-18 3:00PM in conference room 229.

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**S** = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** = Constitutional Amendment  
Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions.

## SB2165

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DAVID Y. IGE  
GOVERNOR  
  
DOUGLAS S. CHIN  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR  
  
DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF TAXATION**  
830 PUNCHBOWL STREET, ROOM 221  
HONOLULU, HAWAII 96813  
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To: The Honorable Jill N. Tokuda, Chair  
And Members of the Senate Committee on Labor

Date: Tuesday, February 13, 2018  
Time: 3:00 P.M.  
Place: Conference Room 229, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: S.B. 2165, Relating to Taxation

The Department of Taxation (Department) offers the following comments on S.B. 2165 for your consideration.

S.B. 2165 creates a nonrefundable income tax credit for businesses that hire elderly individuals, aged sixty or older. 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, 2018.

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. If the Committee wishes to add a provision to disallow the tax deduction for any amounts used to calculate the tax credit, it can do so by amending subsection (b) to read as follows:

(b) The amount of the credit shall be equal to fifty per cent of the qualified wages for the first six months after the elderly individual is initially hired. A tax credit that exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted; provided that in no taxable year shall:

(1) The total amount of the tax credit claimed

under this section exceed \$\_\_\_\_\_ per taxpayer[-]; and

- (2) Any amounts upon which any other tax credit or deduction is claimed under this chapter be qualified wages for purposes of this section.

Additionally, the Department notes that the bill does not specify whether the tax credit can be claimed by succeeding employers of the elderly individual or by subsidiaries of the original employer, which could result in multiple tax credits being claimed for hiring of 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 does it prohibit the credit from being claimed multiple times for the hiring of the same employee. If the Committee wishes to clarify who may claim the credit, it may do so by amending subsection (d) to read as follows:

(d) In the case of a successor employer referred to in section 3306(b)(1) of the Internal Revenue Code, the determination of the amount of the tax credit allowable under this section with respect to wages paid by the successor employer shall be made in the same manner as if the wages were paid by the predecessor employer referred to in section 3306(b)(1) of the Internal Revenue Code[-]; provided that only the final successor employer that employed the elderly individual during the taxable year may claim the credit; provided further that the credit shall not be claimed more than one time for the same employee in any year.

Thank you for the opportunity to provide comments.

# Hawai'i State Association of Counties (HSAC)

Counties of Kaua'i, Maui, Hawai'i and City & County of Honolulu

711 5014 Ave Keolu, Iole Highway, Bldg A, Kailua-Kona, HI 96740



February 9, 2018

TESTIMONY OF DRU KANUHA  
HSAC PRESIDENT  
ON SB 2165, RELATING TO TAXATION  
Senate Committee on Labor  
Tuesday, February 13, 2018  
3:00 p.m.  
Conference Room 229

Aloha Chair Tokuda and Members of the Committee:

I thank you for the opportunity to testify on behalf of the Hawai'i State Association of Counties in **support** of Senate Bill 2165, relating to taxation which is included in the 2018 Hawai'i State Association of Counties Legislative Package.

The purpose of this measure will provide an employer a nonrefundable tax credit for the 6-month period following the initial hiring of a senior individual. Older workers are among the most motivated in the workplace. Highly motivated employees are extremely likely to satisfy customers, affect product quality, and control costs. Unlike younger employees, seniors are less likely to job-hop, and many are blessed with skills and assets that companies are seeking. SB 2165 provides the incentive for employers to not ignore the contributions a senior employee may bring to the workforce.

HSAC supports this measure for the reasons stated above and we urge the Senate Committee on Labor to support this measure as well. Should you have any questions, please feel free to contact me at (808) 323-4267.

Mahalo for your consideration.

A handwritten signature in black ink, appearing to read "Dr. Kanuha", with a long horizontal flourish extending to the right.

DRU KANUHA  
HSAC PRESIDENT

**COUNTY COUNCIL**

Mel Rapozo, Chair  
Ross Kagawa, Vice Chair  
Arthur Brun  
Mason K. Chock  
Arryl Kaneshiro  
Derek S.K. Kawakami  
JoAnn A. Yukimura



**OFFICE OF THE COUNTY CLERK**

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4396 Rice Street, Suite 209  
Lihu'e, Kaua'i, Hawai'i 96766

February 9, 2018

**TESTIMONY OF DEREK S.K. KAWAKAMI  
COUNCILMEMBER, KAUAI COUNTY COUNCIL  
ON  
SB 2165, RELATING TO TAXATION  
Senate Committee on Labor  
Tuesday, February 13, 2018  
3:00 p.m.  
Conference Room 229**

Dear Chair Tokuda and Members of the Committee:

Thank you for this opportunity to provide testimony in strong support of SB 2165, Relating to Taxation. My testimony is submitted as Vice President of the Hawai'i State Association of Counties, and in my individual capacity as a member of the Kaua'i County Council and Chair of the Council's Economic Development & Intergovernmental Relations Committee.

SB 2165, Relating to Taxation, is included in the 2018 Hawai'i State Association of Counties Legislative Package. This measure will provide an employer a nonrefundable tax credit for the 6-month period following the initial hiring of a senior individual. Older workers are among the most motivated in the workplace. Highly motivated employees are extremely likely to satisfy customers, affect product quality, and control costs. Unlike younger employees, seniors are less likely to job-hop, and many are blessed with the skills and assets that companies are seeking. SB 2165 provides the incentive for employers to not ignore the contributions a senior employee may bring to the workforce.

For the reasons stated above, I urge the Senate Committee on Labor to support this measure. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188.

Sincerely,

DEREK S.K. KAWAKAMI  
Councilmember, Kaua'i County Council

AMK:lc

**SB-2165**

Submitted on: 2/9/2018 7:19:55 PM

Testimony for LBR on 2/13/2018 3:00:00 PM

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

Comments:

Employment of people with disabilities is a huge national and local priority and a key to allowing them to achieve full community integration. To the extent that this proposal will provide some incentives for employers to hire them we believe it is a good idea.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Credit for Hiring Elderly Individual

BILL NUMBER: SB 2165; HB 1797

INTRODUCED BY: SB by KOUCHI by request; HB by SAIKI by request

EXECUTIVE SUMMARY: Provides a taxpayer who hires an elderly individual a nonrefundable tax credit for the 6-month period after the individual is initially hired by the taxpayer. 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.

SYNOPSIS: 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.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information 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 an elderly individual as a person at least 60 years old.

Defines "wages" as wages, commissions, fees, salaries, bonuses, and every and all other kinds of remuneration for, or compensation attributable to, services performed by an employee for the employee's employer, including the cash value of all remuneration paid in any medium other than cash and the cost-of-living allowances and other payments included in gross income by section 235-7(b), but excluding income excluded from gross income by section 235-7 or other provisions of the Income Tax Law. For example, employer funded pensions don't count.

A job does not count as qualified employment if the individual in question has worked for the same employer at any time in the past.

If the taxpayer is a successor employer referred to in section 3306(b)(1) of the IRC, 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 (as defined in IRC section 3306(b)(1)).

EFFECTIVE DATE: Applies to taxable years beginning after December 31, 2018.

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.

The measure is similar to the existing 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 2/11/2018



**SB-2165**

Submitted on: 2/12/2018 2:25:14 PM

Testimony for LBR on 2/13/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	Testifying on behalf of OCC Legislative Priorities Committee	Support	No

Comments: