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A BILL FOR AN ACT

RELATING TO MINIMUM WAGE.

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding to part I a new section to be appropriately  
3 designated and to read as follows:

4 "§235- Minimum wage income tax credit for small  
5 businesses. (a) There shall be allowed to each qualified small  
6 business subject to the tax imposed by this chapter, a credit to  
7 offset the increase in minimum hourly rate that an employer must  
8 pay an employee, which shall be deductible from the net income  
9 tax liability of the qualified small business, if any, imposed  
10 by this chapter for the taxable year in which the credit is  
11 properly claimed.

12 (b) The amount of the credit shall be equal to \$1 per  
13 minimum wage hour paid to employees during the taxable year.  
14 The credit shall only be claimed for minimum wage hours paid to  
15 employees at a rate greater than \$10.10 per hour. The credit  
16 shall not be claimed for minimum wage hours paid at the rate of  
17 \$10.10 per hour or less. The credit claimed by each qualified  
18 small business shall not exceed \$50,000 per taxable year that  
19 the credit is available.

1 In the case of a partnership, S corporation, or other pass-  
2 through or disregarded entity, eligibility and calculation of  
3 the tax credit shall be determined at the entity level.

4 (c) If the tax credit under this section exceeds the  
5 taxpayer's income tax liability, the excess of the tax credit  
6 over liability may be used as a credit against the taxpayer's  
7 income tax liability in subsequent years until exhausted.  
8 Claims for the tax credit under this section, including any  
9 amended claims, shall be filed on or before the end of the  
10 twelfth month following the taxable year for which the credit  
11 may be claimed. Failure to comply with the foregoing provision  
12 shall constitute a waiver of the right to claim the tax credit.

13 (d) For purposes of this section:

14 "Minimum wage hours" means the number of hours for which  
15 employees of the taxpayer were paid at the minimum hourly rate  
16 set forth in section 387-2.

17 "Minimum wage increase" means an increase from the \$10.10  
18 minimum hourly rate that an employer must pay an employee under  
19 section 387-2.

20 "Qualified small business" means a taxpayer that has:

21 (1) Fifty or fewer employees;

22 (2) No more than \$4,000,000 gross income in the taxable  
23 year for which the credit is being claimed; and

1       (3) At least an equal number of minimum wage hours paid in  
2           the year for which the credit is being claimed  
3           compared to the year prior to the year that the  
4           minimum wage increase became effective.

5       (e) The director of taxation:

6           (1) Shall prepare any forms necessary to claim a credit  
7           under this section;

8           (2) May require a taxpayer to furnish reasonable  
9           information to ascertain the validity of a claim for  
10          credit; and

11          (3) May adopt rules pursuant to chapter 91 to effectuate  
12          the purposes of this section.

13          (f) The credit under this section may be claimed for the  
14          taxable year in which the minimum wage increase becomes  
15          effective and for the following two taxable years.

16          (g) The credit under this section shall not apply if an  
17          employer pays a minimum wage to an employee pursuant to section  
18          387-2(b)."

19               SECTION 2. Section 387-2, Hawaii Revised Statutes, is  
20               amended to read as follows:


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1       "**§387-2 Minimum wages.** Except as provided in section 387-  
2 9 and this section, every employer shall pay to each employee  
3 employed by the employer, wages at the rate of not less than:

- 4       (1) \$6.25 per hour beginning January 1, 2003;
- 5       (2) \$6.75 per hour beginning January 1, 2006;
- 6       (3) \$7.25 per hour beginning January 1, 2007;
- 7       (4) \$7.75 per hour beginning January 1, 2015;
- 8       (5) \$8.50 per hour beginning January 1, 2016;
- 9       (6) \$9.25 per hour beginning January 1, 2017; [~~and~~]
- 10      (7) \$10.10 per hour beginning January 1, 2018[-]; i
- 11      (8) \$11.00 per hour beginning January 1, 2020;
- 12      (9) \$12.00 per hour beginning January 1, 2021;
- 13      (10) \$13.00 per hour beginning January 1, 2022;
- 14      (11) \$14.00 per hour beginning January 1, 2023; and
- 15      (12) \$15.00 per hour beginning January 1, 2024."

16       SECTION 3. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18       SECTION 4. This Act shall take effect upon its approval,  
19 provided that section 1 shall apply to taxable years beginning  
20 after December 31, 2019.

INTRODUCED BY:   
By Request  
JAN 22 2019

H.B. NO. 1022

**Report Title:**

Minimum Wage.

**Description:**

Provides an income tax credit for qualifying small businesses to offset the increase in the minimum hourly rate that employers must pay employees, and increases the minimum wage each year from 2020 through 2024.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations.

TITLE: A BILL FOR AN ACT RELATING TO MINIMUM WAGE.

PURPOSE: To increase the minimum wage each year from 2020 through 2024 and establishes a minimum wage income tax credit to offset the impact on small businesses.

MEANS: Add a new chapter to the Hawaii Revised Statutes (HRS) and amend section 387-2, HRS.

JUSTIFICATION: Studies indicate that the minimum wage has not kept up with inflation. In 2015, the Aloha United Way ALICE Report calculated a household survival budget of \$28,128 for a single adult. In 2016, The Department of Business, Economic Development & Tourism (DBEDT) estimated the annual self-sufficiency budget for one adult to be \$32,957.

Currently, there is a significant difference between the minimum wage and what is required to afford basic needs and Hawaii has the largest gap in the nation. According to the ALICE Report, 48% of families with children and 37% of senior households have income below the ALICE survival budget. DBEDT also estimates that 21.5% of two-adult couples and 31.7% of two-adult couples with two children fall below these standards. Closing this gap will help to reduce poverty and increase economic activity.

The minimum wage tax credit will provide assistance to small businesses to accommodate the increase in minimum wage.

Impact on the public: Increasing the minimum wage will raise the quality of life for many families. The minimum wage tax credit will help small businesses adjust to the increased labor cost.

Impact on the department and other agencies:  
The minimum wage tax credit will decrease  
available funds for other departments.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: LBR152.

OTHER AFFECTED  
AGENCIES: Department of Taxation.

EFFECTIVE DATE: Upon approval.