
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

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

4 "§235- Hiring an individual with a disability; income
5 tax credit. (a) There shall be allowed to each taxpayer
6 subject to the tax imposed by this chapter, a credit for the
7 hiring of an individual with a disability that shall be
8 deductible from the taxpayer's net income tax liability, if any,
9 imposed by this chapter for the taxable year in which the credit
10 is properly claimed.

11 (b) The amount of the credit shall be equal to twenty-five
12 per cent of the qualified wages for the first twelve months
13 after the individual with a disability is initially hired. A
14 tax credit that exceeds the taxpayer's income tax liability may
15 be used as a credit against the taxpayer's income tax liability
16 in subsequent years until exhausted; provided that in no taxable



1 year shall the total amount of the tax credit claimed under this
2 section exceed \$ _____ per taxpayer.

3 (c) Certification of an individual with a disability for
4 the purpose of claiming a credit under this section shall be
5 submitted to the department of taxation on forms prescribed by
6 the department of taxation.

7 (d) An individual shall not be treated as an individual
8 with a disability unless, on or before the day on which the
9 individual begins work for the employer, the employer has
10 received certification from a qualified physician. If an
11 individual has been certified as an individual with a disability
12 and the certification is incorrect because it was based on false
13 information provided by the individual, the certification shall
14 be revoked and wages paid by the employer after the date on
15 which notice of revocation is received by the employer shall not
16 be treated as qualified wages.

17 In any request for a certification of an individual as an
18 individual with a disability, the employer shall certify that a
19 good faith effort was made to determine that the individual is
20 an individual with a disability.



1 (e) The following wages paid to an individual with a
2 disability are ineligible to be claimed by the taxpayer for this
3 credit:

4 (1) Wages paid to an individual with a disability:
5 (A) Who bears to the taxpayer any of the
6 relationships described in section 152(d)(2)(A)
7 through (H) of the Internal Revenue Code;
8 (B) If the taxpayer is a corporation and the
9 individual with a disability owns, directly or
10 indirectly, more than fifty per cent in value of
11 the outstanding stock of the corporation
12 (determined with the application of section
13 267(c) of the Internal Revenue Code); or
14 (C) If the taxpayer is an estate or trust and the
15 individual with disability is a grantor,
16 beneficiary, or fiduciary of the estate or trust,
17 or bears to a grantor, beneficiary, or fiduciary
18 of the estate or trust any of the relationships
19 described in section 152(d)(2)(A) through (H) of
20 the Internal Revenue Code; and



1 (2) Wages paid to any individual with a disability if,
2 prior to the day the individual is hired by the
3 taxpayer, the individual had been employed by the
4 taxpayer at any time.

5 (f) In the case of a successor employer referred to in
6 section 3306(b)(1) of the Internal Revenue Code, the
7 determination of the amount of the tax credit allowable under
8 this section with respect to wages paid by the successor
9 employer shall be made in the same manner as if the wages were
10 paid by the predecessor employer referred to in section
11 3306(b)(1) of the Internal Revenue Code.

12 (g) Claims for the tax credit under this section,
13 including any amended claims, shall be filed on or before the
14 end of the twelfth month following the taxable year for which
15 the credit may be claimed. Failure to comply with the foregoing
16 provision shall constitute a waiver of the right to claim the
17 tax credit.

18 (h) The director of taxation:

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



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

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

6 (i) For purposes of this section:

7 "Individual with a disability" means an individual having a
8 physical or intellectual impairment that is not temporary in
9 nature and that substantially limits one or more major life
10 activities, having a record of that impairment, or being
11 regarded as having that impairment; provided that the disabling
12 impairment is certified by a qualified physician.

13 "Qualified physician" means:

14 (1) A physician or osteopathic physician licensed under
15 chapter 453;

16 (2) A qualified out-of-state physician who is currently
17 licensed to practice in the state in which the
18 physician resides; or

19 (3) A commissioned medical officer in the United States
20 Army, Navy, Marine Corps, or Public Health Service,
21 engaged in the discharge of one's official duty.



1 "Qualified wages" means wages attributable to work rendered
2 by an individual with a disability for the twelve-month period
3 after the individual is initially hired.

4 "Wages" means wages, commissions, fees, salaries, bonuses,
5 and all other kinds of remuneration for, or compensation
6 attributable to, services performed by an employee for the
7 employee's employer that are paid in cash, but excluding income
8 excluded from gross income by section 235-7 or other provisions
9 of this chapter."

10 SECTION 2. New statutory material is underscored.

11 SECTION 3. This Act, upon its approval, shall apply to
12 taxable years beginning after December 31, 2018.



Report Title:

Hawaii State Association of Counties Package; Disability;
Employment; Income Tax Credit

Description:

Provides to a taxpayer who hires an individual with a disability a nonrefundable tax credit for the 12-month period after the individual is initially hired by the taxpayer. Applies to taxable years beginning after 12/31/2018. (SD1)

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