
A BILL FOR AN ACT

RELATING TO MINIMUM WAGE.

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- 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 wage 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 twenty per cent of
13 the increase of total hourly wages paid to all employees during
14 the taxable year over the total hourly wages paid in the prior
15 taxable year. The credit claimed by each qualified small
16 business shall not exceed \$50,000 per taxable year.



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 close of the taxable year for which
11 the credit may be claimed. Failure to comply with the foregoing
12 provision shall constitute a waiver of the right to claim the
13 tax credit.

14 (d) The director of taxation:

15 (1) Shall prepare any forms necessary to claim a tax
16 credit under this section;

17 (2) May require a taxpayer to furnish reasonable
18 information to ascertain the validity of a claim for
19 credit made under this section; and

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



1 (e) This section shall not apply to taxable years
2 beginning after December 31, 2024.

3 (f) For purposes of this section, "qualified small
4 business" means a taxpayer that has:

5 (1) Fifty or fewer employees; and

6 (2) No more than \$ gross income in the taxable
7 year for which the credit is being claimed."

8 SECTION 2. Section 387-2, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) Except as provided in section 387-9 and this section,
11 every employer shall pay to each employee employed by the
12 employer, wages at the rate of not less than:

13 (1) \$6.25 per hour beginning January 1, 2003;

14 (2) \$6.75 per hour beginning January 1, 2006;

15 (3) \$7.25 per hour beginning January 1, 2007;

16 (4) \$7.75 per hour beginning January 1, 2015;

17 (5) \$8.50 per hour beginning January 1, 2016;

18 (6) \$9.25 per hour beginning January 1, 2017; [~~and~~]

19 (7) \$10.10 per hour beginning January 1, 2018 [~~-~~];

20 (8) \$12.00 per hour beginning January 1, 2020; and

21 (9) \$15.00 per hour beginning January 1, 2023."



1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect on July 1, 2050;
4 provided that section 1 shall apply to taxable years beginning
5 after December 31, 2019.



S.B. NO. 789
S.D. 2

Report Title:

Minimum Wage; Increase; Tax Credit

Description:

Provides an income tax credit for qualifying small businesses to offset the increase in the minimum hourly wage that employers must pay employees. Increases the minimum wage to \$12.00 per hour beginning 1/1/2020 and \$15.00 per hour beginning 1/1/2023. Tax credit applies to taxable years beginning after 12/31/2019. Effective 7/1/2050. (SD2)

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