

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



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

GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 398, Relating to Taxation

**BEFORE THE:**

House Committee on Economic Development

**DATE:** Friday, February 3, 2023  
**TIME:** 10:00 a.m.  
**LOCATION:** State Capitol, Room 423

Chair Holt, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 398 for your consideration.

H.B. 398 adds a new section to chapter 235, Hawaii Revised Statutes, creating a \$3,000 refundable job creation income tax credit per certified new full-time employee hired by taxpayer into a "qualified employment position." The \$3,000 tax credit for each new full-time employee in a qualified employment position is also available for the second and third full taxable years of continuous employment. Every taxpayer must submit a written certified statement to the Director of Taxation by March 31 in order to be certified for the tax credit. This measure is effective upon approval and applies to taxable years beginning after June 30, 2023.

The Department recommends making the tax credit nonrefundable, as refundable credits are more prone to fraudulent claims.

Further, the Department requests that additional time be provided so that rules, procedures, and resources can be made available to implement the certification process.

Department of Taxation Testimony  
H.B. 398  
February 3, 2023  
Page 2 of 2

We respectfully request that the effective date be for taxable years beginning after December 31, 2024.

Thank you for the opportunity to provide comments on this measure.



1050 Bishop St. PMB 235 | Honolulu, HI 96813  
P: 808-533-1292 | e: info@hawaiiifood.com

#### Executive Officers

**Eddie Asato**, Pint Size Hawaii, *Chair*  
**Gary Okimoto**, Safeway, *Vice Chair*  
**Maile Miyashiro**, C&S Wholesale, *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *President and Executive Director*  
**John Schilf**, Rainbow Sales and Marketing, *Advisor*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Derek Kurisu**, KTA Superstores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, Odom, *Advisor*  
**Charlie Gustafson**, Tamura Super Market, *Immediate Past Chair*

TO: Committee on Economic Development

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: February 3, 2023  
TIME: 10am  
PLACE: Via Videoconference

RE: HB398 Relating to Taxation

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure. Creating this program has a range of benefits for Hawaii businesses, Hawaii employees, and Hawaii's economy.

#### **Help Ease the Labor Shortage–**

Before the COVID-19 pandemic, one of the chief concerns for the food industry was a worker shortage. Since the pandemic and the economic downturn many workers have left the state which has exacerbated the pre-existing labor crisis. A new hire tax credit, similar to programs that have been successfully implemented in other states, is an efficient way to attract workers to higher paying essential jobs needed to ensure the viability of Hawaii's food supply chain. By incentivizing higher pay, this bill helps workers.

#### **Allow Businesses to Invest in Training and Building Up Industry Expertise –**

A jobs tax credit enables food business to put more personnel funds towards things like training, benefits, and other workforce development initiatives. When businesses can invest in the creation of high-quality employment opportunities it benefits the entire workforce and the entire state.

#### **Makes Hawaii's Business Climate More Attractive –**

Hawaii is consistently ranked as one of the most challenging states to do business. We have a high regulatory and tax burden. This program can help make it more attractive to do business



1050 Bishop St. PMB 235 | Honolulu, HI 96813  
P: 808-533-1292 | e: info@hawaiiifood.com

#### **Executive Officers**

**Charlie Gustafson**, Tamura Super Market, *Chair*

**Eddie Asato**, Pint Size Hawaii, *Vice Chair*

**Gary Okimoto**, Safeway, *Secretary/Treas.*

**Lauren Zirbel**, HFIA, *Executive Director*

**John Schliff**, Rainbow Sales and Marketing, *Advisor*

**Stan Brown**, Acosta Sales & Marketing, *Advisor*

**Paul Kosasa**, ABC Stores, *Advisor*

**Derek Kurisu**, KTA Superstores, *Advisor*

**Toby Taniguchi**, KTA Superstores, *Advisor*

**Joe Carter**, Coca-Cola Bottling of Hawaii, *Immediate Past Chair*

---

in Hawaii and encourage local businesses to continue to operate here. This can also incentivize the creation of new businesses in Hawaii.

#### **Encourages Businesses Growth and a More Diversified Economy –**

Having a strong local economy means having diverse local foundations. Hawaii's food industry is already a vital economic driver and has tremendous potential for growth. Lack of skilled labor is one of the biggest roadblocks to growth for businesses in this sector. Helping our Hawaii food businesses to overcome that challenge is an investment not just in these businesses, or the food industry, but in our food security and resilience.

We encourage the Committee to pass this measure and we thank you for the opportunity to testify.



# Chamber of Commerce HAWAII

*The Voice of Business*

## Testimony to the House Committee on Economic Development Friday, February 3, 2023, at 10:00 A.M. Conference Room 423 & Videoconference

### RE: HB 398 Relating to Taxation

Aloha Chair Holt, Vice Chair Lamosao, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 398, which establishes a refundable job creation income tax credit for employers who increase the number of full-time employees in the State and make certain capital investment expenditures.

Due to the COVID-19 pandemic, supply chain issues, and inflation, it has been extremely difficult for small business owners to rehire workers that were laid off during the last few years. Since the pandemic and economic downturn, many of those workers left the state, which has intensified the labor crisis in Hawaii. Chamber members expressed the desire to rehire employees, but they are still struggling and do not have the resources to rehire workers or expand their current businesses.

Hawaii's unemployment rate, as of November 2022, is 3.3%, which is still higher than pre-pandemic levels. With the economy still reeling, our businesses need a boost to rehire laid off workers so we can get our economy back on track.

Hawaii is only one of nine U.S. states that currently does not have a job creation tax credit and does not provide any incentive for businesses to grow companies here in Hawaii. This policy could be a critical tool for the state to realize economic diversification. It can be used to recruit new industries, expand current businesses, and improve the overall economic climate.

The Chamber also supports incentivizing businesses to hire above the self-sufficiency income standard established by the Department of Business, Economic Development, and Tourism. While the state raising the minimum wage to \$18 by 2028 was a step in the right direction for families, it still does not reach the self-sufficiency income standard or the "living wage".

We encourage the state to consider incentives for businesses that can pay above the self-sufficiency income standard rather than mandating changes that could potentially decimate small businesses.

The Chamber surveyed our members regarding the "State of Business" in 2023 most important issues, and ways the legislature can support the business community to help and grow our economy.



# Chamber of Commerce HAWAII

*The Voice of Business*

We had over 100 small business owners respond to the survey, with 40% of the businesses being between 1-10 employees, and 19% being 11-25 employees.

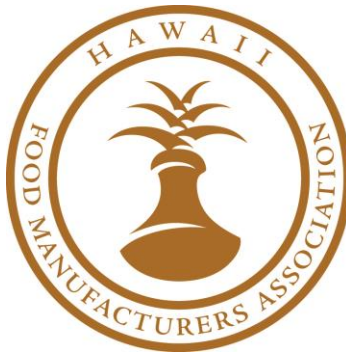
Only 35% of businesses said they completely recovered from the pandemic and are doing better now than before the pandemic. **64% of the businesses said they either have gone back to where they were before the pandemic, or are still struggling and need support.**

Overall, 49% of businesses had a negative view of the economy. 32% of businesses said they view the economy as positive and growing, with 16% being neutral. **44% of businesses stated that they feel the economy is getting worse**, with 28% saying it has improved, and 27% saying it stayed the same.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Based on feedback from our membership and the business community, the Chamber strongly supports this bill.

Thank you for the opportunity to testify.



**Testimony to the House Committee on Economic Development  
Friday, February 3, 2023, at 10:00 A.M.**

**RE: HB 398 Relating to Taxation**

Chair Holt, Vice Chair Lamosao, and Members of the Committee:

**The Hawaii Food Manufacturers Association (HFMA) Strongly Supports HB 398** which establishes a refundable job creation income tax credit for employers who increase the number of full-time employees in the State and make certain capital investment expenditures.

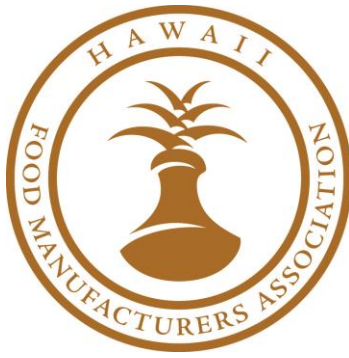
The Hawaii Food Manufacturers Association (HFMA) is a non-profit organization of approximately 120 members that has been promoting Hawaiian grown or manufactured products since 1977. The HFMA works to increase the understanding and appreciation of the unique flavors, quality, and care that go into the production of Hawaii's fine foods and beverages represented by our valued members and enjoyed by our valued community.

The food manufacturing industry in Hawaii generates \$900 million in annual revenue and is the largest manufacturing sector in the state using local inputs according to the Hawaii State Department of Business, Economic Development and Tourism. The industry provides over 6,100 jobs in the state and an annual payroll of more than \$160 million.

One of the barriers to increasing agricultural production in Hawaii is access to capital and funds to grow our business. Currently, there is no incentive for companies to hire on employees, especially the employees we had to lay off during COVID. Investing in food manufacturing companies in Hawaii would revitalize the industry and continue to grow our economy.

The State of Hawaii currently imports around 85% of its food. By passing this bill, it would allow the state to be more self-sustaining and support local businesses grow and hire more employees. Food manufacturers are in desperate need of assistance to keep growing our production and companies. We believe this bill would give us the necessary tools and resources to hire on new staff and contribute to the economy.

The HFMA applauds the State for its support and its goal to double local food production by 2030. While the food manufactures of this state are hard at work to reach this



goal, the additional support this bill would provide is crucial to the continued success of the industry.

Thank you for this opportunity to provide testimony.



# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Job Creation Credit

BILL NUMBER: HB 398

INTRODUCED BY: HOLT, COCHRAN, GATES, KILA, LAMOSAO, LOWEN, MARTEN, MARTINEZ, NISHIMOTO, TAKENOUCI, TODD, WOODSON, Poepoe

EXECUTIVE SUMMARY: Establishes a refundable job creation income tax credit for employers who increase the number of full-time employees in the State and make certain capital investment expenditures.

SYNOPSIS: Adds a new section to chapter 235, HRS, to create the job creation income tax credit. The amount of the credit is: (1) \$3,000 for each new full-time employee hired in a qualified employment position in the first year or partial year of employment; provided that an employee hired in the last ninety days of a taxable year shall be excluded for that taxable year and shall be considered new full-time employees in the following taxable year; (2) \$3,000 for each new full-time employee in a qualified employment position for the full taxable year in the second year of continuous employment; and (3) \$3,000 for each new full-time employee in a qualified employment position for the full taxable year in the third year of continuous employment.

To qualify for this tax credit, and subject to certification by DOTAX, the taxpayer shall: (1) Have capital investments of at least \$50,000; and (2) Hire at least one new full-time employee in a qualified employment position for each location of its business before it claims a first year tax credit for the location.

The credit is refundable.

All claims, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure shall constitute a waiver of the right to claim the credit.

To apply for certification for the credit, the taxpayer must submit information before March 31 of the year following the year the investment is made. DOTAX then certifies the credit and the certificate is to be filed with the taxpayer's tax return.

Defines "capital investment" as an expenditure to acquire, lease, or improve property that is used in operating a business, including land, buildings, machinery, fixtures, and equipment.

Defines "new full-time employee" as a full-time employee who: (1) First became employed by the taxpayer within the fiscal year whose hire results in a net increase in the taxpayer's full-time employees in the State; and (2) Is receiving compensation at least equal to or above the fiscal year's self-sufficiency income standard established by the department of business, economic development, and tourism pursuant to section 201-3(5), HRS. The term does not include a

person who was previously employed in the State by the taxpayer, whose position was subsequently terminated or eliminated, and who was later rehired by the taxpayer.

Defines “qualified employment position” as one where (1) The position consists of at least 1,750 hours per year of full-time permanent employment; and (2) The job duties are performed primarily at the location or locations of the taxpayer's business in the State.

EFFECTIVE DATE: Taxable years beginning after June 30, 2023.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. Using the tax system to give taxpayers money to do things that lawmakers want them to do for social policy reasons merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

The additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive compared to the amount that may be paid out in credits.

Digested: 2/1/2023



**LATE**

**Ryan Tanaka, Chairman** – Giovanni Pastrami    **Ave Kwok, Incoming Chair**- Jade Dynasty

**Andy Huang, Vice Chairman**-L&L Hawaiian BBQ    **Tambara Garrick, Secretary** – Hawaii Farm Project

**Kahili Soon, Treasurer** – Hukilau Marketplace    **Greg Maples, Past Chair** – Polynesian Cultural Center

**Sheryl Matsuoka**, Executive Director    **Chivon Garcia**, Executive Assistant    **Holly Kessler**, Director of Membership Relations

- 2022- 23**
- Board of Directors**
- Lee Anderson
- Noa Aoki
- Robert Bach
- Javier Barberi
- Andy Huang
- Tim Januszewski
- Tom Jones
- Felix Koeppenkastrop
- Ashley Leal
- Victor Lim
- Conan Paik-Rosa
- Mike Palmer
- Tyler Roukema
- Michael Skedeleski
- Alison"Bo" Tanaka
- Katy Tanaka
- Tina Wang
- Alan Wiltshire
- Anthony Wong
- Nicolas Wong
- Paul Yokota
  
- Allied Members**
- Rockey Bustamante
- Louis Chun
- Hugh Duncan
- Michael Griffith
- James Idemoto
- Christopher Lee
- Scott Meichtry
- Raymond Orozco
- Bryan Pearl
- Jason Wong
  
- Advisory Board**
- Jerry Agrusa
- Biff Graper
- John Richards
- Richard Turbin

Date: February 2, 2023

To: Rep. Daniel Holt, Chair  
Rep. Rachele F. Lamosao, Vice Chair  
Members of the Committee on Economic Development

From: Victor Lim, Legislative Lead

Subject: HB398 Job Creation Tax Credit

The Hawaii Restaurant Association representing 3,400 restaurants here in Hawaii supports HB398 that establishes a refundable job creation income tax credit for employers who increase the number of full-time employees in the state and also make certain capital investment expenditures.

We will recommend that on page 4, section (d), for this tax credit dealing with qualifications for the tax credit, we will recommend that you clean up the language to make it easier and clearer on what it takes to qualify. Subsection (2) should take out the words (each location) so that it will be flexible and easier to qualify.

Even though we are now out of the Covid-19, businesses continue to struggle in this high interest rate and high inflationary climate, such a bill will encourage businesses small and medium to invest and also hire new people.

Thank you for giving us this opportunity to share our point of view on this.



**LATE**

**LATE**

**HB-398**

Submitted on: 2/3/2023 9:53:21 AM

Testimony for ECD on 2/3/2023 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Pamela Tumpap	Maui Chamber of Commerce	Support	Written Testimony Only

Comments:

**HB-398**

Submitted on: 2/2/2023 12:12:22 AM

Testimony for ECD on 2/3/2023 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Will Caron	Individual	Comments	Written Testimony Only

Comments:

While I am not necessarily opposed to a tax credit to reward job creation, there are many things that we need to fund—affordable housing, education, infrastructure, and supports for working families such as the child tax credit—and Hawai'i will need consistent, equitable revenue sources to make these investments.

The legislature should support passage of tax fairness bills aimed at raising revenue through taxes on the wealthiest among us. We should tax capital gains the same way we tax regular income; we should close the estate tax loophole; we should implement a 1% wealth tax on assets worth more than \$20 million, we should phase out low income tax rates for high income earners, and we should target corporations that currently enjoy preferential tax treatment, such as real estate investment trusts. Then use some of the revenue from these taxes to fund this and other tax credits aimed at helping working families and boosting the economy.

Mahalo.