



STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 03/22/2023
Time: 09:30 AM
Location: 423 VIA VIDEOCONFERENCE
Committee: House Economic
Development

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: SB 0801, SD2 RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT.

Purpose of Bill: Establishes a qualified internship income tax credit for employers of qualified interns. Requires qualified internships to fulfill requirements of the Department of Education and University of Hawaii work-based learning programs. Provides an application and certification process for claims of credits to be administered by the Department of Labor and Industrial Relations. Requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations. Appropriates funds. Effective 1/1/2050. (SD2)

Department's Position:

The Hawaii State Department of Education (Department) supports the intent of Senate Bill 801, SD 2, which proposes a tax credit for employers offering positions to qualified interns in work-based learning programs approved by the Department or the University of Hawaii.

The Department appreciates the Legislature's support in increasing the number of work-based learning opportunities available for high school students across the state. Equitable access to work-based learning opportunities provides all students the means to obtain the experience and develop the skills necessary to succeed in the workforce. This will enable students to secure high-demand, high-wage jobs and positively contribute to Hawaii's economy.

The Department would need more information to assess the impact and any administrative costs that may be associated with the implementation of this bill.

The Department defers to the Department of Labor and Industrial Relations and the Department of Taxation with regards to the establishment and implementation of the tax credit.

The Department appreciates the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
KA 'OIHANA PONO LIMAHAHA

March 22, 2023

To: The Honorable Daniel Holt, Chair
The Honorable Rachele F. Lamosao, Vice Chair and
Members of the House Committee on Economic Development

Date: Wednesday, March 22, 2023
Time: 9:30 a.m.
Place: Conference Room 423, State Capitol

From: Jade T. Butay, Director
Department of Labor and Industrial Relations (DLIR)

Re: S.B. 801 SD2 RELATING TO QUALIFIED INTERNSHIP TAX CREDIT

OVERVIEW OF PROPOSED LEGISLATION

The DLIR **supports the intent** of this measure, defers to DoTAX on the details of the tax code provisions, and provides **comments**. SB801 SD2 proposes to establish a qualified internship income tax credit for employers of qualified interns for taxable years beginning after December 31, 2023. This bill requires the DLIR to:

- Accept applications from employers on a form prescribed by the department with information about an intern's daily tasks, expected learning outcomes during the internship, and other information that would qualify the internship under a Department of Education (DOE) or University of Hawaii (UH) approved work-based learning program.
- Certify that the employer would not have employed the intern without the tax credit allowed pursuant to the proposal
- Certify that the number of hours worked by the intern will increase during the taxable year applicable compared to the previous year,
- Accept certificates of claims for the tax credit wherein the employer provides information that an intern was provided training and experience in their chosen field of study, was paid wages of at least \$12/hour for at least 150 hours but no more than 15 hours a week during the academic year or 40 during break periods, and
- Submit a report providing the number of qualified interns for which a tax credit was issued, information on the department's administrative process including a description of personnel involved, an analysis and summary on the data points submitted in the applications and certificates of claim, and

an analysis of the effectiveness of the tax credit to encourage the employment of qualified interns.

II. COMMENTS ON THE SENATE BILL

The DLIR supports the intent of this measure to establish a qualified internship income tax credit for employers of qualified interns to maximize the quality work-based learning opportunities for high school students.

The department notes the following:

- To implement the bill the DLIR would need to have approximately \$356,000 reallocated from the existing internship program to fund seven (7) currently federally funded positions
- The seven reallocated positions would be involved in a variety of administrative tasks including developing criteria, training plans, employer and student verifications, monitoring, and interfacing with other departments, among other tasks
- An appropriation for IT needs to include computers and related equipment as well as software, programming, design, and interface components
- Suggests that the interns wage rate be not less than the applicable minimum wage rate pursuant to chapters 387 and 104, HRS, and
- Clarification of how the department would certify the taxpayer would not have employed the intern without the tax credit, certify the increase in hours worked by the intern, and the maximum duration of the internship

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:

S.B. No. 801, S.D.2, Relating to Qualified Internships Tax Credit

BEFORE THE:

House Committee on Economic Development

DATE: Wednesday, March 22, 2023

TIME: 9:30 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 S.B. 801, S.D.2, for your consideration.

Section 2, in Part II, of S.B. 801, S.D.2, seeks to amend chapter 235, Hawaii Revised Statutes (HRS), by establishing a nonrefundable tax credit with an aggregate cap for employers of qualified interns for taxable years beginning after December 31, 2023. The credit is equal to the amount of 50 hours of the qualified intern's salary, wage, or other remuneration for services rendered, with an unspecified maximum dollar amount per taxpayer in any taxable year, and shall be no more than 50 per cent of the taxpayer's tax liability. Taxpayers must submit an application and receive initial approval from the Department of Labor and Industrial Relations (DLIR) prior to the claiming of the credit. DLIR must cease the certification of credits and notify the Department once the annual amount reaches the unspecified aggregate amount.

Section 4, in Part III, of the measure requires the Department to submit a report to the Legislature no later than January 1, 2026, which contains (1) the total value of qualified internship tax credits authorized for each taxable year; (2) the total number of taxpayers for which a credit was issued for each taxable year; and (3) information on the Department's process in administering the credit.

Section 5, in Part IV, of the measure appropriates an unspecified amount from the general revenues of the State for fiscal year 2023-2024, and the same sum or so much thereof as may be necessary for fiscal year 2024-2025 to establish and implement the qualified internship tax credit.

The measure has a defective effective date of January 1, 2050 with Part I applying to taxable years beginning after December 31, 2023, and Part IV taking effect on July 1, 2023.

The Department appreciates that the Senate Committee on Ways and Means adopted amendments proposed by the Department to delete provisions relating to refundable credits and to extend the deadline for the Department to submit a report to the Legislature.

The Department defers to DLIR as to its ability to certify the credit, but requests that the third-party certification requirement be maintained.

Finally, the Department notes that it is able to implement section 2 of this measure for taxable years beginning after December 31, 2023.

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



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
House Committee on Economic Development
Wednesday, March 22, 2023, at 9:30 a.m.

By

Debora Halbert
Vice President for Academic Strategy
University of Hawai'i System

SB 801 SD2 – RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT

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

Thank you for the opportunity to provide testimony on SB 801 SD2, which seeks to provide qualified internship income tax credits to those who employ student interns from the Hawai'i Department of Education or the University of Hawai'i.

The University of Hawai'i (UH) appreciates the Legislature's desire to incentivize the expansion of work-based learning in order to foster collaboration between Hawai'i's educational institutions and local industry, with a common goal of addressing the State's pressing workforce needs. Internships are indeed one of several nationally recognized "high impact practices" that tend to correlate with student success beyond graduation. When done well, internships help students build their self-confidence while acclimating to workplace culture and developing key industry-based skills that will enhance their employability.

The University of Hawai'i's new Strategic Plan 2023-2029, approved by the Board of Regents in November 2022, features an imperative calling on UH to "Meet Hawai'i's workforce needs of today and tomorrow." One of the stated objectives under this imperative is to partner more effectively with employers in order to "ensure the necessary preparation and support for students to succeed in their career," and the University will track its students' participation in internships as one of the metrics used to measure achievement of this objective. Regardless of the outcome of this bill, UH will strive to expand curricular offerings that feature workplace internships in the years ahead.

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



david.miyashiro@hawaiikidsan.org
hawaiikidsan.org

David Miyashiro
Executive Director

March 22, 2023

Committee on Economic Development
Rep. Daniel Holt, Chair
Rep. Rachele F. Lamosao, Vice Chair

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

HawaiiKidsCAN strongly supports SB801 SD2, which establishes a qualified internship income tax credit for employers of qualified interns; requires qualified internships to fulfill requirements of the Department of Education and University of Hawai'i work-based learning programs; provides an application and certification process for claims of credits to be administered by the Department of Labor and Industrial Relations; requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations; and appropriates funds.

After further discussions with leaders from the Department of Taxation and Department of Labor and Industrial Relations, we also suggest technical amendments to the bill to help streamline the administration of this program. We have provided an example of an amended bill at the end of this testimony.

Founded in 2017, HawaiiKidsCAN is a local nonprofit organization committed to ensuring that Hawaii has an excellent and equitable education system that reflects the true voices of our communities and, in turn, has a transformational impact on our children and our state. We strongly believe that all students should have access to excellent educational opportunities, regardless of family income levels and circumstances.

Hawaii's youth are facing an affordability crisis if they want to remain in the state for years to come. While there are many elements needed to address this issue, a must-have is making sure our youth are equipped with the skills and connections they need to pursue their dream careers. Work-based learning opportunities, such as internships in skilled fields including healthcare, IT, and air travel, give students the chance to learn on-the-job and gain experience that will make them stand out high-paying for job opportunities in the future. On the other side, employers across Hawaii will have the opportunity to recruit and grow their own workforce by providing mentorship and

training for their next generation of workers. This is a win-win for Hawaii's people and long-term future.

Accordingly, it is critical that youth are exposed to high-quality, high-paying careers while they still have access to free public education at the secondary level, and as they are gaining experience at the postsecondary level. Making sure our youth have a strong springboard prior to graduation and applying for full-time employment is more important than ever, as the current unemployment rates for youth (ages 16-24) across the country are higher than the national average of 3.4%. Currently, 7.3% of all 16-24 year-olds are unemployed. The younger half of that group, the 16-19 year-olds, are unemployed at a rate of 9.1%, while the older half still experiences higher-than-average unemployment at 6.6%. In Hawaii, the numbers are even more concerning, with 10.2% of all youth experiencing unemployment, which is one of the worst rates for this group in the country¹.

This bill will address this issue head-on by encouraging and enabling more employers to offer paid internships for students. The potential impact of paid internships for youth is clearly described in several examples of academic research. One journal article highlights the benefits of internships, including the "application of experiential learning" to promote a greater understanding of their chosen field and increased confidence in entering the workforce or attaining postsecondary education². Furthermore, employers reported that an applicant having experience, such as through an internship, was the most important factor when considering a decision to hire someone. Paid internships also make it more likely that students will invest time into an industry that is of long term interest and passion rather than a low-interest job just for money. The tax credits in this bill will enable more of Hawaii's small and medium sized businesses to offer these internships, which broadens and diversifies the pool for potential employers, thereby better responding to student interest.

HawaiiKidsCAN recognizes the financial investment required to implement this bill, but finds the long-term benefits for our future workforce and economy far outweigh the costs. By our calculations, over 5,000 interns can benefit from this program every year for \$3.15 million dollars, with endless opportunities for professional and personal growth. These funds directly stimulate the Hawaii economy, and are a literal investment in the success of our youth.

Mahalo for your consideration,

¹ <https://www.mathematica.org/dataviz/youth-unemployment-tracker>

² <https://dc.swosu.edu/cgi/viewcontent.cgi?article=1313&context=aij>

David Miyashiro
Founding Executive Director
HawaiiKidsCAN

THE SENATE

THIRTY-SECOND LEGISLATURE,
2023

STATE OF HAWAII

S.B. NO. 801
S.D. 2

A BILL FOR AN ACT

RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT.

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

PART I

SECTION 1. The legislature finds that local students will have a better chance at surviving and thriving in Hawaii if they have an opportunity to participate in a high-quality work-based learning experience before they graduate from high school.

While partnerships between schools and employers have expanded

in the past decade, the legislature also finds that equitable access to a diverse range of industries will require significantly greater employer participation in these programs.

The legislature further finds that, to drastically increase work-based learning experience opportunities for students, offering additional financial resources for employers will both incentivize companies to offer work-based learning opportunities and increase capacity to host student interns. Without crucial assistance to support work-based learning experiences, many employers, especially small to medium-sized companies, may encounter difficulties in the hiring and retention of student interns.

Accordingly, the purpose of this Act is to establish a qualified internship tax credit.

PART II

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

"§235- Qualified internship tax credit. (a) There shall be allowed to each taxpayer subject to the tax imposed under this chapter, a qualified internship tax credit that shall be deductible from the taxpayer's net income tax liability, if

any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) The amount of the tax credit shall be equal to the value of fifty hours of salaries, wages, or other remuneration services paid to each qualified intern employed by the taxpayer, up to a maximum of \$ _____ per taxpayer in any taxable year; provided that the qualified intern was not employed by the taxpayer within the six months immediately preceding the commencement of the internship; provided further that the qualified internship tax credit, combined with other credits allowed pursuant to this chapter during the taxable year, shall not exceed fifty per cent of the taxpayer's tax liability and shall not reduce the taxpayer's minimum income tax liability.

(c) The total amount of tax credits allowed under this section shall not exceed \$ _____ for all taxpayers in any taxable year; provided that any taxpayer who is not eligible to claim the credit in a taxable year due to the \$ _____ cap having been exceeded for that taxable year shall be eligible to claim the credit in the subsequent taxable year.

(d) To receive the tax credit, a taxpayer shall first submit an application to and in a form prescribed by the department of labor and industrial relations. The department of

labor and industrial relations shall verify that applicants have provided the following documentation:

(1)

(1) A description of the daily tasks to be completed by the qualified intern;

(2) Expected student learning outcomes by the completion of the internship period; and

(3) Confirmation that the internship has been approved as part off a department of education or University of Hawaii-approved work-based learning program.

(e) Every taxpayer claiming a tax credit under this section, no later than ninety days following the end of each taxable year in which a qualified intern was employed, shall submit a written, sworn statement to the department of labor and industrial relations, that:

(1) Confirms that each qualified intern was employed and supervised in the State in a position that provides training and experience to the qualified intern in their chosen field of study;

(2) Identifies the total wages paid to each qualified intern and each qualified intern's hourly wage rate; and

(3) Identifies the number of hours worked by each qualified intern.

(f) The department of labor and industrial relations shall:

(1) Maintain records of the names and addresses of the taxpayers claiming the credit under this section;

(2) Verify the number of qualified interns employed by the taxpayer and the wage rate of each qualified intern;

(3) Total all hours worked and wages paid to qualified interns by the taxpayer; and

(4) Certify the amount of the tax credit for each taxable year and cumulative amount of the tax credit; provided that if, in any year, the annual amount of certified credits reaches \$ _____ in the aggregate, the department of labor and industrial relations shall immediately discontinue certifying credits and notify the department of taxation.

Upon each determination made under this subsection, the department of labor and industrial relations shall issue a certificate to the taxpayer verifying information submitted to the department of labor and industrial relations, including the number of qualified interns, wages paid to qualified interns, the credit amount certified for each taxable year, and the cumulative amount of the tax credit for all years claimed. The taxpayer shall file the certificate with the taxpayer's tax return with the department of taxation. Notwithstanding the authority of the department of labor and industrial relations under this section, the director of taxation may audit and adjust the tax credit amount to conform to the facts.

(g) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

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

(3) May adopt rules under chapter 91 necessary to effectuate the purposes of this section.

(h) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

All claims for tax credits under this section, including any 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 to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(i) As used in this section, "qualified intern" means an individual who is:

(1) Enrolled in a department of education school, or public charter school, or the University of Hawaii system;

(2) Is engaged in an internship experience located in the State that is defined as a highly structured, time-limited professional work experience with sustained interactions with a worksite mentor that is aligned with a student's program of study, whereby the intern applies technical and employability skills in an authentic workplace environment; and

(3) Paid a wage of not less than \$12.00 per hour for a term of employment that includes at least one hundred fifty hours; provided that the qualified intern works not more than fifteen hours per week during the academic year and not more than forty hours per week during the winter, spring, and summer holiday periods."

PART III

SECTION 3. (a) The department of labor and industrial relations shall submit a report on the qualified internship tax credit to the legislature no later than January 1, 2025.

(b) The report shall include:

(1) The total number of qualified interns for which a credit was issued for each taxable year;

(2) Information on the department's process in administering the application and certification process of the qualified internship tax credit, including but not limited to a description of departmental personnel tasked with processing and certifying the qualified internship tax credit applications;

(3) An analysis and summary on the data points found within the qualified internship tax credit applications submitted under subsection 235- (d), Hawaii Revised Statutes, and certificates of claim under subsection 235- (f), Hawaii Revised Statutes; and

(4) An analysis of the effectiveness of the qualified internship tax credit as an incentive to encourage employment of qualified interns.

SECTION 4. (a) The department of taxation shall submit a report on the qualified internship tax credit to the legislature no later than January 1, 2026.

(b) The report shall include:

(1) The total value of qualified internship tax credits authorized for each taxable year;

(2) The total number of taxpayers for which a credit was issued for each taxable year;
and

(3) Information on the department's process in administering the qualified internship tax credit, including but not limited to a description of departmental personnel tasked with verifying and issuing the qualified internship tax credit.

PART IV

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2023-2024 and the same sum or so much thereof as may be necessary for fiscal year 2024-2025 for the establishment and implementation of the qualified internship tax credit.

The sums appropriated shall be expended by the department of taxation for the purposes of this Act.

PART V

SECTION 6. New statutory material is underscored.

SECTION 7. This Act shall take effect on January 1, 2050; provided that:

- (1) Part I shall apply to taxable years beginning after December 31, 2023; and
- (2) Part IV shall take effect on July 1, 2023.

This Act shall be repealed on December 31, 2029. The Legislature is encouraged to use the reporting from Part III, Section 4 to consider furthering the intent of this Act through a means such as a grant program.

Report Title:

Qualified Internship Tax Credit; Work-Based Learning; DOTAX;
DLIR

Description:

Establishes a qualified internship income tax credit for employers of qualified interns. Requires qualified internships to fulfill requirements of the Department of Education and University of Hawaii work-based learning programs. Provides an application and certification process for claims of credits to

be administered by the Department of Labor and Industrial Relations. Requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations. Appropriates funds. Effective 1/1/2050. (SD2)

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



Testimony to the House Committee on Economic Development

Wednesday March 22, 2022

9:30 A.M.

Video Conference

Conference Room 423

SB 801 SD2: RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT

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

My name is Gary Kai and I am the Executive Director of the Hawaii Business Roundtable. The Hawaii Business Roundtable supports Senate Bill 801 SD1 which establishes a qualified internship income tax credit for employers of qualified interns.

The Hawai'i Business Roundtable is a statewide organization made up of Chief Executive Officers of many of the largest companies in Hawaii. While it is made up of business leaders, the Hawaii Business Roundtable is a community organization focused on broad community issues. It partners with government, private, nonprofit and other community organizations in building a stronger future for Hawaii and its keiki.

The HBR supports work-based learning opportunities for students across the state. Equitable access to work-based learning opportunities provides all students the means to obtain the experience and develop the skills necessary to succeed in the workforce. This will enable students to secure high-demand, high-wage jobs and positively contribute to Hawaii's economy.

Public education has always been a cornerstone of the Roundtable's work. On its current agenda it supports the efforts of our public schools to create work-based learning experiences that includes exposure to real-world work places. Creating a tax credit to encourage employers to hire qualified interns helps to provide a strong partnership with our business community that provides paid work-based learning experiences that help all our students be successful in their future lives in our community.

We look forward to supporting this effort to help our youth and congratulate and thank the legislature for this effort. We strongly support Senate Bill 801 SD2.

Gary K. Kai, Executive Director

Hawaii Business Roundtable



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Economic Development
Wednesday, March 22, 2023, at 9:30 A.M.
Conference Room 423 & Videoconference**

RE: SB 801 SD2 Relating to Qualified Internship Tax Credit

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

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports SB 801**, which establishes a qualified internship income tax credit for employers of qualified interns. Requires qualified internships to fulfill requirements of the Department of Education and University of Hawaii work-based learning programs. Provides an application and certification process for claims of credits to be administered by the Department of Labor and Industrial Relations. Requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations.

The Chamber has worked throughout the interim with a working group consisting of private sector leaders, education non-profits like Hawaii Kids CAN, Department of Education, Kamehameha Schools, and other community groups to advance work-based-learning and career pathways for high school and post-secondary students.

At the Chamber we have a team of education and workforce development staff members, led by Executive Vice President Keala Peters, who work solely on this issue and work with a number of private sector companies on advancing work-based-learning, including internships. The feedback that our staff members, along with our policy working received was that we need more private-sector partners at the table to employ these high school and post-secondary interns.

We have worked to identify best practices to see how we can get more companies to participate and found that incentivizing these companies in a program to offer internships was something that has worked around the country. Currently, 30 U.S. States and territories offer incentives to businesses hiring interns or apprentices, and that list is growing every year.

A 2019 survey of internship programs by the National Association of Colleges and Employers found that 70% of interns received a job offer after the conclusion of their program. Internships provide clear paths to stable, well-paying jobs.

The pandemic and recovery ahead only underscore the need for action. By encouraging businesses to provide our students with opportunities to advance their knowledge and experience, we can prepare them for a career after they graduate.



Chamber of Commerce HAWAII

The Voice of Business

There is a cost associated with businesses taking on new interns, and it takes resources and time to get a new intern up to speed, as other employees take time out of their day for teaching and mentoring. This translates to real costs, meaning internships are unsustainable to take on and offer for many small businesses.

This incentive will also enable high school students to gain valuable experience in their chosen field. Internships can provide students with the opportunity to develop a deeper understanding of their field of interest, as well as gain important professional skills such as communication, problem solving, and collaboration. The experience gained from an internship can be invaluable for a student's career prospects.

SB 801, if passed, will help to bridge the gap between the education system and the job market. By providing real-world experiences to high school students, employers can help to create a more well-rounded and educated workforce.

This bill is mutually beneficial for students and employers alike. Boosting opportunities in students' fields of study will create thousands of new positions that some students might not be able to find otherwise, while simultaneously providing small businesses with smart, driven people who are ready and willing to work.

The Chamber of Commerce Hawaii firmly believes that this tax credit is an investment in our future. We are committed to supporting employers who are willing to invest in the development of our students and are confident that this credit will help to create a brighter future for our state.

After discussions with both DLIR and DoTax, **we are recommending the below amendments** to make it easier on the agencies to administer the credit and to make sure that the students are getting the proper educational experience with each internship.

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.

Thank you for the opportunity to testify.



Chamber of Commerce HAWAII
The Voice of Business

THE SENATE

S.B. NO. 801

THIRTY-SECOND LEGISLATURE, 2023

S.D. 2

STATE OF HAWAII

A BILL FOR AN ACT

RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT.

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

PART I

SECTION 1. The legislature finds that local students will have a better chance at surviving and thriving in Hawaii if they have an opportunity to participate in a high-quality work-based learning experience before they graduate from high school. While partnerships between schools and employers have expanded in the past decade, the legislature also finds that



Chamber of Commerce HAWAII

The Voice of Business

equitable access to a diverse range of industries will require significantly greater employer participation in these programs.

The legislature further finds that, to drastically increase work-based learning experience opportunities for students, offering additional financial resources for employers will both incentivize companies to offer work-based learning opportunities and increase capacity to host student interns. Without crucial assistance to support work-based learning experiences, many employers, especially small to medium-sized companies, may encounter difficulties in the hiring and retention of student interns.

Accordingly, the purpose of this Act is to establish a qualified internship tax credit.

PART II

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

"§235- **Qualified internship tax credit.** (a) There shall be allowed to each taxpayer subject to the tax imposed under this chapter, a qualified internship tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.



Chamber of Commerce HAWAII
The Voice of Business

(b) The amount of the tax credit shall be equal to the value of fifty hours of salaries, wages, or other remuneration services paid to each qualified intern employed by the taxpayer, up to a maximum of \$ _____ per taxpayer in any taxable year; provided that the qualified intern was not employed by the taxpayer within the six months immediately preceding the commencement of the internship; provided further that the qualified internship tax credit, combined with other credits allowed pursuant to this chapter during the taxable year, shall not exceed fifty per cent of the taxpayer's tax liability and shall not reduce the taxpayer's minimum income tax liability.

(c) The total amount of tax credits allowed under this section shall not exceed \$ _____ for all taxpayers in any taxable year; provided that any taxpayer who is not eligible to claim the credit in a taxable year due to the \$ _____ cap having been exceeded for that taxable year shall be eligible to claim the credit in the subsequent taxable year.

(d) To receive the tax credit, a taxpayer shall first submit an application to and in a form prescribed by the department of labor and industrial relations. The department of labor and industrial relations shall verify that applicants have provided the following documentation:

(1) _



Chamber of Commerce HAWAII

The Voice of Business

- (1) A description of the daily tasks to be completed by the qualified intern;
- (2) Expected student learning outcomes by the completion of the internship period; and
- (3) Confirmation that the internship has been approved as part off a department of education or University of Hawaii-approved work-based learning program.

—

-

(e) Every taxpayer claiming a tax credit under this section, no later than ninety days following the end of each taxable year in which a qualified intern was employed, shall submit a written, sworn statement to the department of labor and industrial relations, that:

(1) Confirms that each qualified intern was employed and supervised in the State in a position that provides training and experience to the qualified intern in their chosen field of study;

(2) Identifies the total wages paid to each qualified intern and each qualified intern's hourly wage rate; and

(3) Identifies the number of hours worked by each qualified intern.

(f) The department of labor and industrial relations shall:

(1) Maintain records of the names and addresses of the taxpayers claiming the credit under this section;

(2) Verify the number of qualified interns employed by the taxpayer and the wage rate of each qualified intern;

(3) Total all hours worked and wages paid to qualified interns by the taxpayer; and

(4) Certify the amount of the tax credit for each taxable year and cumulative amount of the tax credit; provided that if, in any year, the annual amount of certified credits reaches \$



Chamber of Commerce HAWAII

The Voice of Business

in the aggregate, the department of labor and industrial relations shall immediately discontinue certifying credits and notify the department of taxation.

Upon each determination made under this subsection, the department of labor and industrial relations shall issue a certificate to the taxpayer verifying information submitted to the department of labor and industrial relations, including the number of qualified interns, wages paid to qualified interns, the credit amount certified for each taxable year, and the cumulative amount of the tax credit for all years claimed. The taxpayer shall file the certificate with the taxpayer's tax return with the department of taxation. Notwithstanding the authority of the department of labor and industrial relations under this section, the director of taxation may audit and adjust the tax credit amount to conform to the facts.

(g) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

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

(3) May adopt rules under chapter 91 necessary to effectuate the purposes of this section.

(h) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.



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All claims for tax credits under this section, including any 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 to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(i) As used in this section, "qualified intern" means an individual who is:

(1) Enrolled in a department of education school, or public charter school, or the University of Hawaii system;

(2) Is engaged in an internship experience located in the State that is defined as a highly structured, time-limited professional work experience with sustained interactions with a worksite mentor that is aligned with a student's program of study, whereby the intern applies technical and employability skills in an authentic workplace environment; and

(3) Paid a wage of not less than \$12.00 per hour for a term of employment that includes at least one hundred fifty hours; provided that the qualified intern works not more than fifteen hours per week during the academic year and not more than forty hours per week during the winter, spring, and summer holiday periods."

PART III

SECTION 3. (a) The department of labor and industrial relations shall submit a report on the qualified internship tax credit to the legislature no later than January 1, 2025.

(b) The report shall include:

(1) The total number of qualified interns for which a credit was issued for each taxable year;

(2) Information on the department's process in administering the application and certification process of the qualified internship tax credit, including but not limited to a



Chamber of Commerce HAWAII

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description of departmental personnel tasked with processing and certifying the qualified internship tax credit applications;

(3) An analysis and summary on the data points found within the qualified internship tax credit applications submitted under subsection 235- (d), Hawaii Revised Statutes, and certificates of claim under subsection 235- (f), Hawaii Revised Statutes; and

(4) An analysis of the effectiveness of the qualified internship tax credit as an incentive to encourage employment of qualified interns.

SECTION 4. (a) The department of taxation shall submit a report on the qualified internship tax credit to the legislature no later than January 1, 2026.

(b) The report shall include:

(1) The total value of qualified internship tax credits authorized for each taxable year;

(2) The total number of taxpayers for which a credit was issued for each taxable year; and

(3) Information on the department's process in administering the qualified internship tax credit, including but not limited to a description of departmental personnel tasked with verifying and issuing the qualified internship tax credit.

PART IV

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ _____ or so much thereof as may be necessary for fiscal year 2023-2024 and the same sum or so much thereof as may be necessary for fiscal year 2024-2025 for the establishment and implementation of the qualified internship tax credit.

The sums appropriated shall be expended by the department of taxation for the purposes of this Act.

PART V



Chamber of Commerce HAWAII

The Voice of Business

SECTION 6. New statutory material is underscored.

SECTION 7. This Act shall take effect on January 1, 2050;

provided that:

(1) Part I shall apply to taxable years beginning after December 31, 2023; and

(2) Part IV shall take effect on July 1, 2023.

This Act shall be repealed on December 31, 2029. The Legislature is encouraged to use the reporting from Part III, Section 4 to consider furthering the intent of this Act through a means such as a grant program.

Report Title:

Qualified Internship Tax Credit; Work-Based Learning; DOTAX;
DLIR

Description:

Establishes a qualified internship income tax credit for employers of qualified interns. Requires qualified internships to fulfill requirements of the Department of Education and University of Hawaii work-based learning programs. Provides an application and certification process for claims of credits to be administered by the Department of Labor and Industrial Relations. Requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations. Appropriates funds. Effective 1/1/2050. (SD2)

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



HiAccounting

March 22, 2023

Committee on Economic Development
Rep. Daniel Holt, Chair
Rep. Rachele F. Lamosao, Vice Chair

Wednesday, March 23, 2023, 9:30am
House Conference Room 423 and via Video Conference

Re: SB801, Relating to Qualified Internship Tax Credits

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

I am the owner and CEO of Hawaii Accounting LLC, a local CPA firm, which provides tax, accounting and payroll services for over 500 clients in Hawaii. Our company, as well as our industry across the entire country, is challenged with finding experienced professionals that desire to have a career in accounting and tax.

We are very much in support of SB801, which will help provide incentive for more Hawaii based company's to create internships for our local students.

We are committed to hiring only Hawaii based employees and providing students at the local universities and junior colleges the opportunity to learn more about the accounting profession, its stability and the career path it avails. Accountants are always in demand; we have a tremendous shortage.

By investing into local students, we have a better chance of keeping our youth in Hawaii for career opportunities, career advancement and starting their families here rather than moving abroad for more attractive opportunities and usually better compensation packages.

At Hawaii Accounting LLC, we have been successful (50% conversion rate) converting our interns to full-time Hawaii employees after they gained the experience being an intern at our company.

Work-based learning opportunities, such as internships give students the chance to learn on-the-job skills and gain the experience necessary to build careers right here in Hawaii. These tax credits will directly stimulate the Hawaii economy and increase Hawaii's talent pipeline for the future.

Mahalo,

Matthew S Delaney
CEO & President





March 22, 2023

Committee on Economic Development
Rep. Daniel Holt, Chair
Rep. Rachele F. Lamosao, Vice Chair

Wednesday, March ~~23~~²², 2023, 9:30am
House Conference Room 423 and via Video Conference

Re: SB801, Relating to Qualified Internship Tax Credits

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

I am the President of Hawaii Health Care Inc., which owns and operates three (3) subsidiaries in the State of Hawaii: Hawaii Nursing Inc. (nurse staffing), Hawaii Home Care Inc. (skilled and non-skilled home care services) and Cradles N' Crayons LLC (medically fragile pediatric skilled nursing) and I strongly support **SB801 SD2**.

At Hawaii Health Care we have hired interns in our administrative, payroll and human resource departments. We are looking to expand our internships to provide additional services in the field to our clients. These internships provide students with an invaluable opportunity to get real world experience that they might not otherwise ever gain before they graduate and try and find a career/job.

The tax credits in this bill will incentivize more of Hawaii's small and medium sized businesses to offer work-based learning opportunities through internships. This helps our students learn in-demand skills and diversifies the candidates for local employers. These work-based learning experiences are critical for the economic future of our state as we prepare our young people for the in-demand careers of the future.

Work-based learning opportunities, such as internships give students the chance to learn on-the-job skills and gain the experience necessary to build careers right here in Hawaii. These tax credits will directly stimulate the Hawaii economy and increase Hawaii's talent pipeline for the future.

Mahalo,

Lorelei Crowder, RN, BSN
President
Hawaii Health Care Inc.





March 22, 2023

Committee on Economic Development
Rep. Daniel Holt, Chair
Rep. Rachele F. Lamosao, Vice Chair

Wednesday, March 22, 2023, 9:30am
House Conference Room 423 and via Video Conference

Re: SB801, Relating to Qualified Internship Tax Credits

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

My name is Vel Taniguchi, HR Manager, for the state's newest PEO serving Hawaii based small businesses, DemandHR, and **we enthusiastically support SB801.**

This bill is near and dear to my heart. I started as an intern with our parent company, The Hawaii Group, as a Billing Assistant at only 18 years old. The company gave me an opportunity to gain the experience I never would have received anywhere else at the time since I had no corporate or office experience prior to my internship. The experience I gained as an intern gave me the confidence to grow within our organization, and I now oversee all human resources functions for over 200 employees.

From first-hand experience, internships are vital for students to learn real life skills that they might not otherwise ever gain before they graduate and try and find a career/job. Also, internships are integral for companies to better understand the new generation and provide cohesion and share perspectives.

The tax credits in this bill will incentivize more of Hawaii's employers to offer work-based learning opportunities.

Work-based learning opportunities, such as internships give students the chance to learn on-the-job skills and gain the experience necessary to build careers right here in Hawaii. These tax credits will directly stimulate Hawaii's economy and increase Hawaii's talent pipeline for the future. This is essential and directly impacts us as we strive to become better employers that continue to perpetuate Hawaii's culture within the work environment.

A better future starts with us now.

Mahalo,

A handwritten signature in black ink that reads 'Vel Taniguchi'.

Vel Taniguchi
Human Resource Manager



DemandHR LLC

Topa Financial Center, 700 Bishop Street, Suite 600, Honolulu, HI 96813
P 808.529.9990 W www.DemandHR.com



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

Tambara Garrick, Secretary – Hawaii Farm Project

Kahili Soon, Treasurer – Hukilau Marketplace

Greg Maples, Past Chair – Polynesian Cultural Center

Sheryl Matsuoka, Executive Director **Ginny Wright, Operations Assistant** **Holly Kessler, Director of Membership Relations**

2022- 23

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Date: March 21, 2023

To: Rep. Daniel Holt, Chair
Rep. Rachelle F. Lamosao, Vice Chair
Committee on Economic Development

From: Victor Lim, Legislative Lead

Subj: SB801, SD2 Relating to Qualified Internships Tax Credit

The Hawaii Restaurant Association representing 4,017 Eating and Drinking Place locations strongly supports SB801, SD2, that establishes a qualified internship income tax credit for employers of qualified interns for taxable years beginning after December 31, 2023.

By encouraging business to provide our students with opportunities to advance their knowledge and experience, this will also better prepare our students for a better career after they graduate and enter our mainstream workforce.

This incentive will also enable high school students to gain valuable experience in their chosen field and a better understanding of their field of interest, and at the same time gain professional skills.

There is a cost associated with businesses taking on new interns in teaching and mentoring candidates and most small businesses cannot bear this expense. This bill is mutually beneficial for students and employers alike. This credit is an investment in our future.

Thank you for giving us this opportunity to share our comments on this investment in our future.



March 21, 2023

Committee on Economic Development
Representative Daniel Holt, Chair
Representative Rachele F. Lamasao, Vice Chair



Working together for Kapolei

Wednesday, March 22, 2023, 9:30 a.m.
Conference Room #423 and Videoconference

RE: SB801 SD2, Relating to Qualified Internship Tax Credit

Dear Chair Holt, Vice Chair Lamasao and members of the Committee,

My name is Kiran Polk, and I am the Executive Director of the Kapolei Chamber of Commerce. The Kapolei Chamber of Commerce is an advocate for businesses in the Kapolei region and West O'ahu. The Chamber works on behalf of its members and the entire business community to improve the regional and State economic climate and help Kapolei businesses thrive. We are a member-driven, member-supported organization representing the interests of all types of business: small, medium or large, for profit or non-profit businesses or sole proprietorship.

The Kapolei Chamber of Commerce **strongly supports SB801 SD2**, which establishes a qualified internship income tax credit for employers of qualified interns for taxable years beginning after 12/31/2023. Provides that qualified interns shall be paid not less than \$12.00 per hour, for a period of at least one hundred fifty hours. Restricts hours worked per week during the academic year and winter, spring, and summer holiday break periods. Requires a report to the Legislature. Appropriates funds.

Kapolei Chamber of Commerce has established itself as a *Career Hub* that generates, supports, connects, documents and reports the programmatic efforts to assist schools in delivering world-class programs that improve student achievement, increase post-secondary attendance, and generate a vibrant workforce. In 2018, the Chamber pioneered student career exploration in the State by holding the 1st multi-school student career expo. Annually we now bring over 1300 9th grade students onto the campus at UH West O'ahu to interact and explore careers by interacting with over 70 employers as they select their career academies.

Career exploration is only the launching point and work-based learning is the continuum needed to strengthen our pipeline from K-12 to post-secondary and into our workforce. The Kapolei Chamber is also dedicated working with our education partners in West O'ahu to **address curricular and outreach gaps in the workforce pipeline by advocating and supporting internship and mentoring opportunities for our students with West O'ahu employers** among industry sectors including healthcare, innovative technology and the professional trades.

As our small businesses face challenges with staffing shortages and inflationary impacts, this tax credit is a solid investment in our future. It will **provide the support needed for increased participation in work-based learning and will provide the needed investment into our future.** These collaborative learning experiences will help nurture and sustain our future workforce, bringing a brighter horizon for all.

Thank you for this opportunity to provide testimony.

Best,

A handwritten signature in black ink, appearing to read "K Polk", is displayed within a light gray rectangular box.

Kiran Polk
Executive Director



March 22, 2023

Committee on Economic Development

Rep. Daniel Holt, Chair

Rep. Rachele F. Lamosao, Vice Chair

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

As diverse members of our local community, the Hawaii Work-Based Learning Policy Hui **strongly supports SB801 SD2.**

While we represent many perspectives and roles, we are united in believing that Hawaii's students deserve to be equipped with the skills and connections they need to get hired for local jobs that enable them to live, work, and contribute to this special place. While work-based learning can be an incredibly powerful learning opportunity for

young people of all backgrounds, our system does not yet have the capacity to offer quality experiences to all students. We believe this bill takes an important step forward by incentivizing more employers to participate in official programs as part of the Hawaii Department of Education or University of Hawaii.

For this reason, we kindly request you **PASS SB801 SD2**. Mahalo for the opportunity to testify.

(Please see names below.)

Name	Email	Zip code	Affiliation
Daphne Okunaga	Daphne.okunaga@k12.hi.us	96789	Pearl City High School
The Rev. Prof. Gregory Johnson	fathergregghawaii@gmail.com	96789	
Sarah Lee Morihara	sarah.morihara@colliers.com	96816	Colliers
Lauren Avery	lavery@waimeahub.org	96743	
Unyong Nakata	unyong@nakataadvisory.com	96825	Nakata Advisory, LLC
Allyn Y Tabata	ALLYN@QR-SE.COM	96789	
Gary Wong	gwong@islandsnr.com	96826	Islands Skilled Nursing and Rehabilitation
Terrance Arashiro	tarashiro@atahawaii.com	96817	Austin, Tsutsumi & Associates, Inc.
Linda Kawamura	lkawamura@oceanit.com	96817	Oceanit Laboratories, Inc.
Derek Mukai	dmukai@cpe-hawaii.com	96813	Community Planning and Engineering, Inc.
Faith Rex	maxrex96822@gmail.com	96822	SMS Consulting LLC
Claudia Crist	claudiacrist@kalaukia.com	96706	Kalaukia Enterprises LLC
Jackie Kaina	jkaina@kedb.com	96766	Kauai Economic Development Board
Anne Reis	anne.reis@coralmed-inc.com	96813	Coral Med Management Institute Inc
Tim Carson	tcarson@smshawaii.com	96813	SMS Research & Marketing Services, Inc.
Elden Ito	eito@revacomm.com	96813	RVCM
Bernard Nunies	bknunies@gmail.com	96813	
Lord Ryan Lizardo	lrizardo@cochawaii.org	96813	
Ryan Yanagihara	kamaainatech808@gmail.com	96721	KTS CONSULTING

Michael Nawaiki OConnell	moconnell@huihuliau.com	96792	Hui Huliau
Karlo Tanjuakio	karlo@kure.app	96792	Kure and GoLeanSixSigma.com
Jon Henry Lee	JonHenry.Lee@k12.hi.us	96706	James Campbell High School
BERNADETTE TYRELL	bernadette.tyrell@k12.hi.us	96744	Castle High School
Dr. Saba Kam, Nursing Department Chairperson	saba@hawaii.edu	96734	Kapiolani Community College Nursing Program
Lynelle Marble	info@hec.org	96813	Hawaii Executive Collaborative
Nick Allday	nick.allday@coffman.com	96813	
Kiran Polk	kiranpolk@gmail.com	96707	Kapolei Chamber of Commerce
Lin Hadama	lin.hadama@k12.hi.us	96817	Farrington High School
Brian Tatsumura	briant808@hawaii.rr.com	96821	Briant808 LLC
Katie Taladay	katie@medb.org	96815	STEMworks
Jason Higa	jhiga@fchenterprises.com	96826	FCH Enterprises dba Zippy's Restaurants
Gregory Hester	ghester@uluhitech.com	96813	Ulu HI-Tech, Inc.
Courtney Suma	c.suma.okinawan@gmail.com	96706	
Bruce Meyers	bkunio@aol.com	96720	Okahara and Associates, Inc.
Ryan Ashlock	ashlocr1@ah.org	96734	Adventist Health Castle

SB-801-SD-2

Submitted on: 3/21/2023 9:02:43 AM

Testimony for ECD on 3/22/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ken Hayashida	KAI Hawaii, Inc.	Support	Written Testimony Only

Comments:

March 21, 2023

Committee on Economic Development

Rep. Daniel Holt, Chair

Rep. Rachele F. Lamosao, Vice Chair

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

I am a local business manager at KAI Hawaii, Inc. and I strongly support SB801 SD2.

The tax credits in this bill will incentivize more of Hawaii’s small and medium sized businesses to offer work-based learning opportunities through internships. This helps our students learn in-demand skills and diversifies the pool of employees for local employers. These work-based learning experiences are critical for the economic future of our state as we prepare our young people for the in-demand careers of the future.

Work-based learning opportunities, such as internships give students the chance to learn on-the-job skills and gain the experience necessary to build careers right here in Hawaii. These tax credits will directly stimulate the Hawaii economy and increase Hawaii’s talent pipeline for the future.

Mahalo for your consideration,

Ken Hayashida



**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII**

March 22, 2023

Re: SB 801 SD2 RELATING TO RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT

Good morning, Chair Holt and members of the House Committee on Economic Development. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

We support SB 801 SD2 Relating to Relating to Qualified Internships Tax Credit. This measure establishes a qualified internship income tax credit for employers of qualified interns; requires qualified internships to fulfill requirements of the Department of Education and University of Hawai'i work-based learning programs; provides an application and certification process for claims of credits to be administered by the Department of Labor and Industrial Relations; requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations; and appropriates funds.

Many educational courses require students to gain experience through such means as internship programs. For many, this is their introduction outside of the class to gain firsthand real world experience. This reinforces many of the things that the learn in the classroom. This would also help them when seeking jobs in the future as they would now have experience in time management, communication, working with others, and problem-solving to name a few. This could also lead to permanent employment.

This measure may encourage more employers to take on internships at their company. Businesses see these types of students as our future employees and leaders. The student interns are interested to participate and learn new skills; however some companies currently are apprehensive to take on interns as it would be an added cost to their payroll to take someone on who is not skilled and would have a steep learning curve. A tax credit would be a positive incentive to have more companies take on interns.

Mahalo again for this opportunity to testify.



**Testimony to the House Committee on Economic Development
Wednesday, March 22, 2023 at 9:30 AM
Conference Room 423 & Videoconference**

RE: SB 801 SD2 Relating to Qualified Internship Tax Credit

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

First, I am so honored to be standing in front of you all today on behalf of SB 801. My name is Lord Ryan Lizardo and I am currently the Director of Work-Based Learning at the Chamber of Commerce Hawaii. However, today, I come to you not only as that Director, but also a proud Campbell Alumni, teacher, and community supporter of our future Saber Leaders.

I graduated from Campbell High School in 2010 where I served as Student Body President, the Editor-in-Chief of the Newspaper, and National Honor Society President. Although my school resume was impressive, I didn't realize how much I didn't know when it came to real world experiences outside of the classroom. At that time, work-based learning didn't exist in my worldview. Work-Based Learning is a vehicle that exposes young leaders to potential careers that they are passionate about. This includes guest speakers, field trips, mentorships, and ultimately internships. These are all things I did not get to experience in high school. I was able to discover my passion for education as a Big Brother in the Big Brothers and Big Sister program, but it still wasn't enough to prepare me for what was waiting outside of the walls of Campbell.

This became evident to me when I went to school at Chapman University and attended my first big job interview for a position in a red volcom t-shirt and faux leather jacket. My mentor in college (a strong Asian woman who taught Sociology) told me that in the real world, I would've been sent home immediately. She, however, took me under her wing and became my mentor in the world of higher education, a career path I was interested in. That served as my first big WBL experience. I would then have my first internship with an LGBTQ+ elderly home and support group creating education activities my Junior Year of college. That experience, to me, came too late in my own development.

I was lucky enough to come back to teach at Campbell High School in 2014 where I had the honor of teaching social studies for 6 years. In that time, I also served as an Academy Teacher Lead for the Academy of Public and Human Services. The Academies changed how I thought about education. For the first time, in education, I started to see the importance of providing these real world experiences with employers to our students. These students got to explore careers they were passionate about and take classes that would expose them to what skills were needed in the field. For many of my students, I saw when it clicked for them and they suddenly knew what they wanted to pursue. The level of preparation these students were



Chamber of Commerce HAWAII

The Voice of Business

getting was far beyond what I had in school. However, coming from the largest school in the state at the time, the opportunities were still slim for students to get internships, the most sought after WBL experience for students. For many students, only those considered the top students in the school could achieve an internship.

It became more evident that the need for more WBL experiences, especially internships, is not only a Campbell challenge, but a systemic challenge among schools and employers. Many of our employers want to offer these internships, but many have financial barriers. Bill SB801 is an opportunity for more employers to get involved and also becomes a vehicle for equity for our students. The more paid internships we provide, the more access our students from underserved and under-resourced communities will have to earn and learn.

This bill makes me think of the untapped potential of our youth and employers that we can nourish with a WBL experience:

- I think of Keziah, a Senior at Pearl City High School that through her mentorship with a young professional decided to change her major to business before attending college.
- I think of my former student Kaya, who had to go out of state to Las Vegas to get an internship because there was no availability for internships here in Hawaii, despite her strong resume as a former High School Class President and current UH Schidler School of Business Student.
- I think of Jarel, a student at Waipahu High School who couldn't take on an internship because it conflicted with his part-time job to support his family. The internship was unpaid.
- I think of our many small-medium companies who would love to host a student intern, but do not have the capacity to do so.

If you talk to any of the students who have gone through a WBL experience in the past four years, you will see the difference in the level of preparation they have for their next steps and how much more prepared they are for their future. I implore you to support this bill to provide more opportunities for our youth and continue to nurture their untapped potential. Investment in this bill is not just an investment on our students, but it is an investment in our local economy as this bill will increase the amount of opportunities for our youth.

The student, teacher, director, and young Lord Ryan in his red volcom shirt thank you again for your time today and I hope you support SB801.



March 20th, 2023

Aloha Representatives,

I am writing to you today to express my strong support for work-based learning programs, particularly in the state of Hawai'i. As someone who has witnessed firsthand the benefits that these programs can provide, I believe that they are an essential part of any strategy to prepare our young people for successful careers and to meet the demands of our rapidly changing economy.

Over the last 5 years, I have designed and implemented the work-based learning programs for Hawai'i's largest public charter school, Hawaii Technology Academy (HTA); and I also built my own career-based learning organization, Pilina Education Alliance. At HTA, we had a high school graduation rate of 91% but less than 50% of our students were going off to college or university. Our Native Hawaiian and Pacific Islander student population was less than 40%. I'm proud to say that through the work-based learning program, we saw over 3 years, 95% of those work-based learning graduates go off to attend college or university. This is why I built Pilina Education Alliance. I wanted to offer this type of education and experience for all high school students across our state.

Work-based learning programs offer a unique opportunity for students to gain hands-on experience in their chosen field, to develop important skills, and to make meaningful connections with employers and industry professionals. They provide a bridge between the classroom and the workplace, allowing students to see the practical applications of what they are learning and to get a taste of what their future career might be like.

In Hawai'i, where the economy is heavily dependent on tourism, government, and other booming industries, work-based learning programs are especially important. These programs can help to address the skills gap that exists in many of these sectors, by providing students with the specialized training and experience that employers are looking for. They can also help to

ensure that our young people are prepared for the jobs of the future, which are likely to require a combination of technical skills and critical thinking abilities.

Moreover, work-based learning programs have been shown to have a positive impact on student outcomes. According to a report by the National Governors Association, students who participate in work-based learning programs are more likely to graduate high school on time, to enroll in college, and to complete a degree or credential. They are also more likely to be employed and to earn higher wages than their peers who did not participate in such programs.

In sum, I strongly believe that work-based learning programs are a critical component of any effort to prepare our young people for successful careers and to build a strong and resilient economy in Hawai'i. I urge you to support these programs and to invest in the future of our state.

Warm regards,
Mary Wenstrom



Written Statement of
Jeannine Souki
Senior Manager – Government & Regulatory Affairs

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
March 22, 2023 – 9:30 AM
Conference Room 423, Hawai'i State Capitol

SUPPORT FOR:
S.B. 801, S.D. 2 – RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT

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

Re: Testimony providing support for SB 801, SD2

Aloha Honorable Chair, Vice-Chair, and Committee Members:

Thank you for the opportunity to submit written support for SB 801, SD2, which establishes a qualified internship income tax credit for employers of qualified interns and requires qualified internships to fulfill the requirements of the Department of Education and University of Hawaii work-based learning programs.

Developing a skilled and sufficient workforce for building and maintaining our high-speed broadband fiber, in both specialized telecommunications and construction jobs is much needed as Hawaiian Telcom supports continued improvement and deployment of broadband infrastructure in the State. Programs such as this help incentivize employers to establish internship programs that help build workforce skills and capacity.

We appreciate the opportunity to support SB 801, SD2, and urge your Committee's passage of this legislation.



WRITTEN TESTIMONY ONLY

March 22, 2023

Representative Daniel Holt, Chair
Representative Rachele F. Lamosao, Vice Chair
House Committee on Economic Development

RE: Senate Bill 801, S.D. 2 – RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT
Hearing date: March 22, 2023, 9:30 a.m.

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

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC (“YB”) for Senate Bill 801, S.D. 2 – Relating to Qualified Internships Tax Credit. The purpose of this measure is to establish a qualified internship income tax credit of employers of qualified interns.

YB is a common carrier by water, transporting property by tug and barge between the islands of O‘ahu, Hawai‘i, Kaua‘i, Maui, Moloka‘i, and Lāna‘i. YB is currently the only water carrier authorized to transport property under Chapter 271G, Hawaii Revised Statutes (“HRS”) (i.e., the Hawaii Water Carrier Act), subject to the regulatory authority of the Public Utilities Commission of the State of Hawaii (“PUC”). Since 1900, customers across Hawaii have relied on YB’s frequent, regular, and universal sailings to serve as the bridge that connects all communities in this island-state.

In recent years, YB has offered paid internships at various departments within the company. YB’s experience with such internships has been very positive, as they have provided valuable opportunities for growth, collaboration, and education for the intern, the company, and the community-at-large. YB generally supports the tax credit proposed in this measure, as it should encourage more businesses to offer such beneficial internships.

Thank you for your service to the State of Hawaii, and for the opportunity to testify on this measure.

Sincerely,

Kris Nakagawa
Vice President, External and Legal Affairs

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Qualified Internship Tax Credit

BILL NUMBER: SB 801 SD 2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Establishes a qualified internship income tax credit for employers of qualified interns. Requires qualified internships to fulfill requirements of the Department of Education and University of Hawai‘i work-based learning programs. Provides an application and certification process for claims of credits to be administered by the Department of Labor and Industrial Relations. Requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations.

SYNOPSIS: Adds a new section to chapter 235, HRS, establishing the qualified internship tax credit. The credit amount is fifty hours of the value of salaries, wages, or other remuneration services paid to a qualified intern by the qualified taxpayer, up to a maximum of \$_____ in any taxable year.

There are several conditions on the credit: (1) the qualified intern was not employed by the taxpayer within the six months immediately preceding the commencement of the internship; (2) this credit shall be provided for not more than \$_____ for all taxpayers in any taxable year, provided that a taxpayer who is denied because of the statewide cap being exceeded may claim the credit in the subsequent year; (3) the qualified internship tax credit, combined with other credits allowed pursuant to this chapter during the taxable year, shall not exceed fifty per cent of the taxpayer's tax liability and shall not reduce the taxpayer's minimum income tax liability.

The credit is nonrefundable.

Before the internship period starts, the employer needs to apply to DLIR with an application including a description of daily tasks to be completed, expected student learning outcomes, and other questions necessary to qualify the internship under a work-based learning program approved by the Department of Education or University of Hawaii.

Upon initial approval of the application, the employer needs to certify that the intern was employed and supervised in the State in a position that provides training and experience in the intern's chosen field of study, and was paid a wage of not less than \$12 per hour for a term of at least 150 hours but no more than 15 hours per week during the academic year and no more than 40 hours per week otherwise.

Defines "qualified intern" as an individual who is: (1) Enrolled in a department of education school or public charter school; (2) Employed and supervised in a position located in the State in a position that provides training and experience to the individual in their chosen field of study; and (3) Paid a wage of not less than \$12.00 per hour for a term of employment that includes at

least one hundred fifty hours; provided that the qualified intern works not more than fifteen hours per week during the academic year and not more than forty hours per week during the winter, spring, and summer holiday periods.

EFFECTIVE DATE: January 1, 2050; section 2 of the measure shall apply to taxable years beginning after December 31, 2023; section 5 of the measure shall take effect on July 1, 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: 3/20/2023



Government Relations

Testimony of
Jonathan Ching
Government Relations Director

Before:
House Committee on Economic Development
The Honorable Daniel Holt, Chair
The Honorable Rachele F. Lamosao, Vice Chair

March 22, 2023
9:30 a.m.
Conference Room 423 & Via Videoconference

Re: SB 801, SD2, Relating to Qualified Internship Tax Credit.

Chair Holt, Vice Chair Lamosao and committee members, thank you for this opportunity to provide testimony on SB 801, SD2, which establishes a qualified internship income tax credit for employers of qualified interns.

Kaiser Permanente Hawai'i SUPPORTS SB 801, SD2.

Kaiser Permanente Hawai'i is one of the nation's largest not-for-profit health plans, serving 12.6 million members nationwide, and more than 269,000 members in Hawai'i. In Hawai'i, more than 4,200 dedicated employees and more than 650 Hawai'i Permanente Medical Group physicians and advance practice providers work in our integrated health system to provide our members coordinated care and coverage. Kaiser Permanente Hawai'i has more than 20+ medical facilities, including our award-winning Moanalua Medical Center. We continue to provide high-quality coordinated care for our members and deliver on our commitment to improve the health of our members and the 1.4 million people living in the communities we serve.

Kaiser Permanente Hawai'i supports SB 801, SD2 because it is another tool that will help provide equitable access to work-based learning opportunities for Hawai'i students. This will enable students to secure high-demand, high-wage jobs and positively contribute to Hawaii's economy. We support SB 801, SD2 because it will allow employers to offer paid internships for students, which will not only expose local students to skills needed in their area of interest, but also encourage the student to invest time into an industry that is of long-term interest and passion. We believe that this measure is part of our efforts to "grow our own" locally here in Hawaii.

Mahalo for the opportunity to testify on this important measure.



March 21, 2023

Committee: House Committee on Economic Development
Bill Number: SB 801 SD2, Relating to Qualified Internships Tax Credit
Hearing Date and Time: March 22, 2023, 9:30am
Re: Testimony of HPM Building Supply in support

Dear Chair Holt, Vice Chair Lamasao, and members of the Committee,

I am writing to express my strong support for SB 801 SD2 which establishes a qualified internship income tax credit for employers of qualified interns.

HPM Building Supply is a 100% employee-owned company serving Hawaii's home improvement market and building industry for over 100 years since 1921. With 17 locations across Hawaii and Washington State, HPM offers various services and products, including retail stores, building supply and lumber yards, home design centers, drafting and design services, and manufacturing facilities. HPM is dedicated to enhancing homes, improving lives, and transforming communities. The company is guided by its core values of Heart, Character, and Growth, striving to provide top-quality products and build exceptional customer loyalty. HPM has earned recognition as a leader in the industry for its products, services, and commitment to its community.

This bill aligns with two of HPM's core values: Heart and Growth. With Heart, we care deeply about the future of our children and our community. With Growth, we are committed to transforming the next generation of workers and building a better economy for Hawaii.

Work-based learning opportunities such as internships give students the chance to learn on-the-job and gain experience that will make them stand out in high-paying job opportunities in the future. This bill will encourage and enable more employers to offer paid internships for students, which will directly address the issue of high youth unemployment rates in Hawaii.

HPM recognizes the benefits of internships in promoting experiential learning and building confidence in entering the workforce or attaining post-secondary education. By offering qualified internships, we can provide students with valuable experience in high-demand industries such as healthcare, technology, construction and engineering.

Furthermore, the tax credits suggested in this bill will incentivize more small and medium-sized businesses in Hawaii to provide paid internships, resulting in a more extensive and diverse range of opportunities that align with student interest. Through a skilled workforce, Hawaii's economy will continue to grow and thrive.

We respectfully request your favorable consideration of SB 801 SD2 and support for this critical measure.

Sincerely,

Jason Fujimoto
President & CEO





Committee on Economic Development
Rep. Daniel Holt, Chair
Rep. Rachele F. Lamosao, Vice Chair

March 22, 2023

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

As a mom of a Kalani high school son and a teacher at Queen Ka'ahumanu School, I proudly support SB801 SD2 that promotes Work Based Learning, because it wisely boosts our economy, community, and our youth.

I spend my precious freetime creating goofy videos for kids to understand the value of what they need to learn, like "NERDitude" and "Pineapple Chunkinator" to teach why they seriously need to take mandated state tests. During Covid lockdown, I would dream up and dress up as a new character every week to help kids stay connected and understand how we still had "Home Boundless Possibilities".

Work Based Learning is a NO BRAINER!! We don't need to make goofy edu videos to try to teach kids why it's important for on the job, getting paid, heartwork = breadwinner, "I can stay to live and work in Hawai'i", "I can help my own family"! In Work Based Learning, youth are no longer bound to their home or school desks as they vicariously try to figure out why they need to learn this educational stuff. Let's help teens immediately see value!

Teachers spend countless hours trying to help kids turn negatives into positives. We help people discover hope and opportunities. Offering real experiences in viable high paying careers can keep our kids living in Hawaii. Let's continue to grow Win-Win programs that give reciprocal value to our students and the communities we live in.

As a mom, I know my high school son would absolutely LOVE to get paid for on the job schooling. Let's help employers get tax credit for internships, for the benefit of us all!

Mahalo nui loa,
Celeste Yukiko Endo