
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that before the COVID-19
2 pandemic, one of the chief concerns for businesses was a
3 shortage of workers. Since the pandemic and the economic
4 downturn, many workers have left the State, which has
5 exacerbated the pre-existing labor crisis. Businesses
6 throughout the State are wanting to bring back the workers they
7 had to lay off during the COVID-19 pandemic but are still
8 struggling to make ends meet and do not have the extra resources
9 to rehire workers.

10 The legislature further finds that the unemployment rate in
11 Hawaii as of November 2022 was 3.3 per cent, which is still
12 higher than pre-pandemic levels. The economy has still not
13 recovered, and businesses need assistance to rehire laid off
14 workers and get the economy back on track.

15 Hawaii is also only one of nine states that do not have a
16 job creation tax credit and do not incentivize businesses to
17 hire workers and grow the economy.



1 One of the biggest issues in Hawaii's economy during the
2 COVID-19 pandemic was the lack of diversification for the State,
3 which led to the high unemployment rates and people being laid
4 off from the tourism industry. The State needs tools to help
5 recruit new industries to keep advancing and diversifying the
6 economy.

7 The purpose of this Act is to establish a job creation
8 income tax credit for employers who increase the number of
9 full-time employees in the State and make certain capital
10 investment expenditures.

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

14 "§235- Job creation income tax credit. (a)
15 Notwithstanding any law to the contrary, there shall be allowed
16 to each taxpayer subject to the taxes imposed by this chapter, a
17 job creation income tax credit that shall be deductible from the
18 taxpayer's net income tax liability, if any, imposed by this
19 chapter for the taxable year in which the credit is properly
20 claimed. The amount of the credit shall be equal to:



1 (1) \$3,000 for each new full-time employee hired in a
2 qualified employment position in the first year or
3 partial year of employment; provided that an employee
4 hired in the last ninety days of a taxable year shall
5 be excluded for that taxable year and shall be
6 considered new full-time employees in the following
7 taxable year;

8 (2) \$3,000 for each new full-time employee in a qualified
9 employment position for the full taxable year in the
10 second year of continuous employment; and

11 (3) \$3,000 for each new full-time employee in a qualified
12 employment position for the full taxable year in the
13 third year of continuous employment.

14 (b) In the case of a partnership, S corporation, estate,
15 or trust, the tax credit allowable shall be for net increases in
16 full-time employees hired in qualified employment positions in
17 the State as computed and certified by the department of
18 taxation for the taxable year. The cost upon which the tax
19 credit is computed shall be determined at the entity level.
20 Distribution and share of credit shall be determined by rule.

1 (c) The credit allowed under this section shall be claimed
2 against the net income tax liability for the taxable year. If
3 the tax credit claimed by the taxpayer under this section
4 exceeds the amount of the income tax payments due from the
5 taxpayer, the excess of credits over payments due shall be
6 refunded to the taxpayer. All claims, including amended claims,
7 for a tax credit under this section shall be filed on or before
8 the end of the twelfth month following the close of the taxable
9 year for which the credit may be claimed. Failure to comply
10 with the foregoing provision shall constitute a waiver of the
11 right to claim the credit.

12 (d) To qualify for the tax credit, subject to
13 certification by the department pursuant to subsection (e), the
14 taxpayer shall:

15 (1) Have capital investments of at least \$50,000; and
16 (2) Hire at least one new full-time employee in a
17 qualified employment position for each location of the
18 taxpayer's business before claiming a first year tax
19 credit for the location.

20 (e) Every taxpayer, before March 31 of each year in which
21 a capital investment in a qualified employment position was made



1 in the previous taxable year, shall submit a written, certified
2 statement to the department of taxation identifying:

3 (1) Capital investments, if any, made in the previous
4 taxable year;

5 (2) The number of new full-time employees of the taxpayer
6 hired in qualified employment positions in the
7 previous taxable year; and

8 (3) The amount of tax credits claimed pursuant to this
9 section, if any, in the previous taxable year.

10 (f) The department shall:

11 (1) Maintain records of the names and addresses of the
12 taxpayers claiming the credits under this section and
13 the total number of qualified employment positions
14 upon which the tax credit is based;

15 (2) Verify the nature and amount of the capital
16 investments and qualified employment positions;

17 (3) Total all capital investments and qualified employment
18 positions that the department certifies; and

19 (4) Certify the amount of the tax credit for each taxable
20 year and cumulative amount of the tax credit.



1 Upon each determination made under this subsection, the
2 department of taxation shall issue a certificate to the taxpayer
3 verifying information submitted to the department, including
4 capital investment amounts, number of new full-time employees,
5 and number of qualified employment positions, the credit amount
6 certified for each taxable year, and the cumulative amount of
7 the tax credit during the credit period. The taxpayer shall
8 file the certificate with the taxpayer's tax return with the
9 department of taxation.

10 (g) The director of taxation:

11 (1) Shall prepare forms as may be necessary to claim a
12 credit under this section;

13 (2) May audit and adjust the tax credit amount to conform
14 to the facts; and

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

17 (h) For the purposes of this section:

18 "Capital investment" means an expenditure to acquire,
19 lease, or improve property that is used in operating a business,
20 including land, buildings, machinery, fixtures, and equipment.



1 "Net income tax liability" means net income tax liability
2 reduced by all other credits allowed under this chapter.

3 "New full-time employee" means a full-time employee who:

4 (1) First became employed by the taxpayer within the

5 fiscal year whose hire results in a net increase in

6 the taxpayer's full-time employees in the State; and

7 (2) Is receiving compensation equal to or above the fiscal

8 year's self-sufficiency income standard established by

9 the department of business, economic development, and

10 tourism pursuant to section 201-3(5).

11 "New full-time employee" does not include a person who was

12 previously employed in the State by the taxpayer, whose position

13 was subsequently terminated or eliminated, and who was later

14 rehired by the taxpayer.

15 "Qualified employment position" means employment that meets

16 the following requirements:

17 (1) The position consists of at least 1,750 hours per year

18 of full-time permanent employment; and

19 (2) The job duties are performed primarily at the location

20 or locations of the taxpayer's business in the State.

21 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on June 30, 3000.



Report Title:

Job Creation Income Tax Credit; Qualified Employment Positions;
Capital Expenditures

Description:

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.
Effective 6/30/3000. (HD1)

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not legislation or evidence of legislative intent.*

