

JAN 20 2023

A BILL FOR AN ACT

RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT.

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

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

5 While partnerships between schools and employers have expanded
6 in the past decade, the legislature also finds that equitable
7 access to a diverse range of industries will require
8 significantly greater employer participation in these programs.

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



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

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

6 "§235- Qualified internship tax credit. (a) There
7 shall be allowed to each qualified taxpayer subject to the tax
8 imposed under this chapter, a qualified internship income tax
9 credit that shall be deductible from the taxpayer's net income
10 tax liability, if any, imposed by this chapter for the taxable
11 year in which the credit is properly claimed.

12 (b) The amount of the tax credit shall be equal to fifty
13 hours of the value of salaries, wages, or other remuneration
14 services paid to a qualified intern by the qualified taxpayer,
15 up to a maximum of \$ in any taxable year; provided
16 that the qualified intern was not employed by the taxpayer
17 within the six months immediately preceding the commencement of
18 the internship; provided further that this credit shall be
19 provided for not more than 5,250 qualified interns per calendar
20 year; provided further that the qualified internship tax credit,
21 combined with other credits allowed pursuant to this chapter



1 during the privilege period, shall not exceed fifty per cent of
2 the taxpayer's tax liability and shall not reduce the taxpayer's
3 minimum income tax liability.

4 (c) Any unused credit resulting from the limitations
5 pursuant to subsection (b), the excess credit over liability may
6 be carried forward, if necessary, for use in the seven privilege
7 periods following the privilege period for which the credit is
8 allowed.

9 (d) A credit claimed pursuant to this section shall not be
10 disbursed unless the taxpayer submits an application to the
11 department of taxation and receives an initial approval in
12 accordance with this subsection and complies with the filing
13 requirements in accordance with subsection (i). The application
14 shall include:

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

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

19 (3) Other questions or prompts as necessary to qualify the
20 internship under the department of education or



1 University of Hawaii-approved work-based learning
2 program.

3 Failure of the taxpayer to fulfill the requirements set forth by
4 the department of education or University of Hawaii to qualify
5 as a work-based learning program shall result in denial of the
6 application.

7 (e) The taxpayer shall certify that the taxpayer would not
8 have employed the qualified intern but substantially for the
9 credit allowed pursuant to this section, and that the taxpayer
10 expects that the number of hours worked by the qualified intern
11 will increase in the privilege period for which the application
12 is submitted compared to the immediately preceding privilege
13 period.

14 (f) The taxpayer, upon initial approval of the application
15 pursuant to subsection (d), shall certify that the qualified
16 intern was employed and supervised in the State in a position
17 that:

18 (1) Provides training and experience to the qualified
19 intern in their chosen field of study; and

20 (2) The qualified intern was paid a wage of not less than
21 \$12.00 per hour for a term of employment that includes



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

6 (g) The director of taxation:

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

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

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

14 (h) All of the provisions relating to assessments and
15 refunds under this chapter and under section 231-23(c)(1) shall
16 apply to the tax credit under this section.

17 (i) All claims for tax credits under this section,
18 including any amended claims, shall be filed on or before the
19 end of the twelfth month following the close of the taxable year
20 for which the credit may be claimed. Failure to comply with the



1 foregoing provision shall constitute a waiver of the right to
2 claim the credit.

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

5 (1) Enrolled in a department of education school or public
6 charter school;

7 (2) Employed and supervised in a position located in the
8 State in a position that provides training and
9 experience to the individual in their chosen field of
10 study; and

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

18 SECTION 3. (a) The department of taxation shall submit a
19 report of on the qualified internship tax credit, to the
20 legislature no later than January 1, 2024.

21 (b) The report shall include:



- 1 (1) The total value of qualified internship tax credits
2 allowed for each taxable year;
- 3 (2) The total number of qualified interns for which a
4 credit was issued for each taxable year;
- 5 (3) Information on the department of taxation's process in
6 administering the qualified internship tax credit,
7 including but not limited to a description of
8 departmental personnel tasked with issuing the
9 qualified internship tax credit; and
- 10 (4) An analysis on the effectiveness of the qualified
11 internship tax credit as an incentive to encourage
12 employment of qualified interns.

13 SECTION 4. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$ or so
15 much thereof as may be necessary for fiscal year 2023-2024 and
16 the same sum or so much thereof as may be necessary for fiscal
17 year 2024-2025 for the establishment and implementation of the
18 qualified internship tax credit.

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

21 SECTION 5. New statutory material is underscored.



1 SECTION 6. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2023.

3

INTRODUCED BY:

Lynn DeCorte
By request



S.B. NO. 801

Report Title:

Qualified Internship Tax Credit; Work-Based Learning; Department of Taxation; Department of Education; University of Hawaii

Description:

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.

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