
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 taxable year, shall not exceed fifty per cent of the
2 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 taxable
7 years following the taxable year for which the credit is
8 claimed.

9 (d) Unless a taxpayer submits an application to and in a
10 form prescribed by the department of labor and industrial
11 relations, receives an initial approval in accordance with this
12 subsection, and complies with the filing requirements in
13 accordance with subsection (i), the credit claimed pursuant to
14 this section shall not be disbursed. The application shall
15 include:

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

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

20 (3) Other questions or prompts as necessary to qualify the
21 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 to the department of labor
8 and industrial relations that the taxpayer would not have
9 employed the qualified intern but substantially for the credit
10 allowed pursuant to this section, and that the taxpayer expects
11 that the number of hours worked by the qualified intern will
12 increase in the taxable year for which the application is
13 submitted compared to the immediately preceding taxable year.

14 (f) The taxpayer, upon initial approval of the application
15 pursuant to subsection (d), shall provide a certificate of
16 claim, in the form as prescribed by the department of labor and
17 industrial relations, that certifies that the qualified intern
18 was employed and supervised in the State in a position that:

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



1 (2) The qualified intern was paid a wage of not less than
2 \$12.00 per hour for a term of employment that includes
3 at least one hundred fifty hours; provided that the
4 qualified intern works not more than fifteen hours per
5 week during the academic year and not more than forty
6 hours per week during winter, spring, and summer
7 holiday break periods.

8 (g) The director of taxation:

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

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

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

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

19 (i) All claims for tax credits under this section,
20 including any amended claims, shall be filed on or before the
21 end of the twelfth month following the close of the taxable year



1 for which the credit may be claimed. Failure to comply with the
2 foregoing provision shall constitute a waiver of the right to
3 claim the credit.

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

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

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

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

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



- 1 (b) The report shall include:
- 2 (1) The total number of qualified interns for which a
- 3 credit was issued for each taxable year;
- 4 (2) Information on the department's process in
- 5 administering the qualified internship tax credit,
- 6 including but not limited to a description of
- 7 departmental personnel tasked with processing and
- 8 certifying the qualified internship tax credit
- 9 applications;
- 10 (3) An analysis and summary on the data points found
- 11 within the qualified internship tax credit
- 12 applications submitted under subsection 235- (d),
- 13 Hawaii Revised Statutes, and certificates of claim
- 14 under subsection 235- (f), Hawaii Revised Statutes;
- 15 and
- 16 (4) An analysis on the effectiveness of the qualified
- 17 internship tax credit as an incentive to encourage
- 18 employment of qualified interns.

19 SECTION 4. (a) The department of taxation shall submit a

20 report on the qualified internship tax credit to the legislature

21 no later than January 1, 2025.



- 1 (b) The report shall include:
- 2 (1) The total value of qualified internship tax credits
- 3 allowed for each taxable year;
- 4 (2) The total number of taxpayers for which a credit was
- 5 issued for each taxable year; and
- 6 (3) Information on the department's process in
- 7 administering the qualified internship tax credit,
- 8 including but not limited to a description of
- 9 departmental personnel tasked with verifying and
- 10 issuing the qualified internship tax credit.

11 SECTION 5. There is appropriated out of the general

12 revenues of the State of Hawaii the sum of \$ or so

13 much thereof as may be necessary for fiscal year 2023-2024 and

14 the same sum or so much thereof as may be necessary for fiscal

15 year 2024-2025 for the establishment and implementation of the

16 qualified internship tax credit.

17 The sums appropriated shall be expended by the department

18 of taxation for the purposes of this Act.

19 SECTION 6. New statutory material is underscored.



1 SECTION 7. This Act shall take effect on January 1, 2050;
2 provided that this Act shall apply to taxable years beginning
3 after December 31, 2023.

4



Report Title:

Qualified Internship Tax Credit; Work-Based Learning; Department of Taxation; Department of Labor and Industrial Relations

Description:

Establishes a qualified internship income tax credit for employers of qualified interns for taxable years beginning after 12/31/2023. 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. (SD1)

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