
A BILL FOR AN ACT

RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT.

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

1 PART I

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

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

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



1 encounter difficulties in the hiring and retention of student
2 interns.

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

5 PART II

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

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

15 (b) The amount of the tax credit shall be equal to the
16 value of fifty hours of salaries, wages, or other remuneration
17 services paid to each qualified intern employed by the taxpayer,
18 up to a maximum of \$ per taxpayer in any taxable year;
19 provided that the qualified intern was not employed by the
20 taxpayer within the six months immediately preceding the
21 commencement of the internship; provided further that the



1 qualified internship tax credit, combined with other credits
2 allowed pursuant to this chapter during the taxable year, shall
3 not exceed fifty per cent of the taxpayer's tax liability and
4 shall not reduce the taxpayer's minimum income tax liability.

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

11 (d) To receive the tax credit, a taxpayer shall first
12 submit an application to and in a form prescribed by the
13 department of labor and industrial relations. 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 information deemed necessary by the department
20 of labor and industrial relations to determine whether
21 the internship fulfills the requirements of a



1 department of education or University of Hawaii-
2 approved work-based learning 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 in its application under subsection (d)
9 that the taxpayer:

10 (1) Would not have employed the qualified intern but
11 substantially for the tax credit allowed under this
12 section; and

13 (2) Expects that the number of hours worked by the
14 qualified intern will increase in the taxable year for
15 which the application is submitted, compared to the
16 immediately preceding taxable year.

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



- 1 (1) Certifies that each qualified intern was employed and
- 2 supervised in the State in a position that provides
- 3 training and experience to the qualified intern in
- 4 their chosen field of study;
- 5 (2) Identifies the total wages paid to each qualified
- 6 intern and each qualified intern's hourly wage rate;
- 7 and
- 8 (3) Identifies the number of hours worked by each
- 9 qualified intern.
- 10 (g) The department of labor and industrial relations
- 11 shall:
- 12 (1) Maintain records of the names and addresses of the
- 13 taxpayers claiming the credit under this section;
- 14 (2) Verify the number of qualified interns employed by the
- 15 taxpayer and the wage rate of each qualified intern;
- 16 (3) Total all hours worked and wages paid to qualified
- 17 interns by the taxpayer; and
- 18 (4) Certify the amount of the tax credit for each taxable
- 19 year and cumulative amount of the tax credit; provided
- 20 that if, in any year, the annual amount of certified
- 21 credits reaches \$ in the aggregate, the



1 department of labor and industrial relations shall
2 immediately discontinue certifying credits and notify
3 the department of taxation.

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

- 16 (h) The director of taxation:
17 (1) Shall prepare any forms that may be necessary to claim
18 a tax credit under this section;
19 (2) May require the taxpayer to furnish reasonable
20 information to ascertain the validity of the claim for
21 the tax credit made under this section; and



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

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

7 All claims for tax credits under this section, including
8 any amended claims, shall be filed on or before the end of the
9 twelfth month following the close of the taxable year for which
10 the credit may be claimed. Failure to comply with the foregoing
11 provision shall constitute a waiver of the right to claim the
12 credit.

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

15 (1) Enrolled in a department of education school or public
16 charter school;

17 (2) Employed and supervised in a position located in the
18 State that provides training and experience to the
19 individual in their chosen field of study; and

20 (3) Paid a wage of not less than \$12.00 per hour for a
21 term of employment that includes at least one hundred



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

PART III

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

10 (b) The report shall include:

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

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

20 (3) An analysis and summary on the data points found
 21 within the qualified internship tax credit



1 applications submitted under subsection 235- (d),
2 Hawaii Revised Statutes, and certificates of claim
3 under subsection 235- (f), Hawaii Revised Statutes;
4 and

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

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

11 (b) The report shall include:

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

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

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



1 PART IV

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

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

10 PART V

11 SECTION 6. New statutory material is underscored.

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

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

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



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.

