

---

---

# A BILL FOR AN ACT

RELATING TO INCOME TAX CREDITS.

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

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§235-       Small business; bonus; tax credit. (a) There  
5 shall be allowed to each qualified taxpayer subject to the tax  
6 imposed by this chapter a tax credit that shall be deductible  
7 from the taxpayer's net income tax liability, if any, imposed by  
8 this chapter for the taxable year in which the credit is  
9 properly claimed.

10           (b) The amount of the tax credit shall be equal to  
11 \$ \_\_\_\_\_ per qualified employee, up to a maximum of  
12 \$ \_\_\_\_\_.

13           (c) If the tax credit under this section exceeds the  
14 taxpayer's net income tax liability, the excess of credit over  
15 liability may be used as a tax credit against the taxpayer's net  
16 income tax liability in subsequent years until exhausted. All  
17 claims for tax credits under this section, including any amended



1 claims, shall be filed on or before the end of the twelfth month  
2 following the close of the taxable year for which the credit may  
3 be claimed. Failure to comply with the foregoing provision  
4 shall constitute a waiver of the right to claim the credit.

5 (d) The director of taxation:

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

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

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

13 (e) For the purposes of this section:

14 "Bonus" means a payment made in addition to the employee's  
15 regular earnings. "Bonus" does not include overtime pay.

16 "Qualified employee" means an employee of a qualified  
17 taxpayer who was provided a bonus.

18 "Qualified taxpayer" means any employer:

19 (1) That is a small business; and

20 (2) Who provides bonuses to their employees.



1        "Small business" means a for-profit corporation, limited  
2 liability company, partnership, limited partnership, sole  
3 proprietorship, or other legal entity that:

- 4        (1) Is domiciled and authorized to do business in Hawaii;  
5        (2) Is independently owned and operated; and  
6        (3) Employs fewer than one hundred full-time or part-time  
7        employees in Hawaii."

8        SECTION 2. New statutory material is underscored.

9        SECTION 3. This Act, upon its approval, shall apply to  
10 taxable years beginning after December 31, 2023.

11

INTRODUCED BY:



JAN 19 2024



# H.B. NO. 2126

**Report Title:**

Small Business; Bonus; Tax Credit

**Description:**

Establishes a tax credit for small businesses who provide bonuses for their employees.

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

