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## A BILL FOR AN ACT

RELATING TO TAXATION.

**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-    High technology cooperative education tax credit.

5           (a) There shall be allowed to each eligible taxpayer who is not  
6 claimed or is not otherwise eligible to be claimed as a  
7 dependent by another taxpayer for federal or Hawaii state  
8 individual income tax purposes, who files an individual or  
9 corporate net income tax return for a taxable year, a high  
10 technology cooperative education tax credit that shall be  
11 deductible from the taxpayer's net income tax liability imposed  
12 by this chapter for the taxable year in which the tax credit is  
13 properly claimed.

14           (b) The amount of the tax credit shall be equal to the  
15 expenses claimed by an eligible taxpayer for costs related to  
16 the establishment, training, supervision, and other related  
17 costs incurred with operating a cooperative education program  
18 for public high school students in the taxpayer's qualified high



1 technology business; provided that the tax credit shall not  
2 exceed \$5,000 per claim.

3 (c) For the purpose of this section, "eligible taxpayer"  
4 means a person or business entity that owns or operates a  
5 "qualified high technology business", as that term is defined  
6 under section 235-110.9, and establishes and operates a high  
7 technology cooperative education program pursuant to rules  
8 adopted by the department of education.

9 To qualify for the income tax credit, the taxpayer shall be  
10 in compliance with all applicable federal, state, and county  
11 statutes, rules, and regulations.

12 (d) If the tax credit under this section exceeds the  
13 taxpayer's net income tax liability under this chapter, any  
14 excess of the tax credit may be used as a credit against the  
15 taxpayer's income tax liability in subsequent taxable years  
16 until exhausted; provided that no claim for a refund shall  
17 exceed \$1.

18 (e) If the taxpayer is a partnership, S corporation,  
19 estate, or trust, the tax credit is for the expenses incurred by  
20 the entity for the taxable year. The costs upon which the tax  
21 credit is computed shall be determined at the entity level.



1 Distribution and share of the tax credit shall be determined  
2 pursuant to section 235-110.7.

3 (f) If at any time during the period in which the tax  
4 credits are earned under this section, the taxpayer no longer  
5 qualifies for the tax credit, the tax credits claimed under this  
6 section shall be recaptured. The recapture shall be equal  
7 to per cent of the total tax credits claimed under this  
8 section. The amount of the recaptured tax credits shall be  
9 added to the taxpayer's tax liability for the taxable year in  
10 which the recapture occurs.

11 (g) Every claim, including amended claims, for the tax  
12 credit under this section shall be filed on or before the end of  
13 the twelfth month following the close of the taxable year for  
14 which the tax credit may be claimed. Failure to meet the filing  
15 requirements of this subsection shall constitute a waiver of the  
16 right to claim the tax credit.

17 (h) The director of taxation:

18 (1) Shall prepare such forms as may be necessary to claim  
19 a tax credit under this section;

20 (2) May require proof of the claim for the tax credit; and

21 (3) May adopt rules pursuant to chapter 91 to effectuate  
22 the purposes of this section.



1        (i) The department of education shall adopt rules pursuant  
2 to chapter 91 to effectuate this section.

3        (j) The department of taxation shall report to the  
4 legislature annually, no later than twenty days prior to the  
5 convening of every regular session, on the number of taxpayers  
6 claiming the tax credit and the total cost of the tax credit to  
7 the State during the past year."

8        SECTION 2. New statutory material is underscored.

9        SECTION 3. This Act shall take effect upon its approval  
10 and shall apply to taxable years beginning after December 31,  
11 2006.

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INTRODUCED BY:

*Mel Carroll*

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*Maui B. Lee*



**Report Title:**

Tax Credit; Education; High Technology

**Description:**

Provides a tax credit to high technology businesses that train high school students in a cooperative education program.

