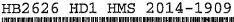
A BILL FOR AN ACT

RELATING TO TAXATION.

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

- 1 SECTION 1. The legislature finds that there is a great
- 2 need for Hawaii to develop and support manufacturing in the
- 3 State. Hawaii imports over ninety per cent of the products
- 4 consumed each year. At the same time, there is a great demand
- 5 outside the State for products that are made in Hawaii.
- 6 The purpose of this Act is to promote manufacturing in the
- 7 State by establishing a temporary income tax credit for
- 8 taxpayers who incur expenses for manufacturing products in the
- 9 State.
- 10 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
- 11 amended by adding a new section to be appropriately designated
- 12 and to read as follows:
- 13 "S235- Manufacturing tax credit. (a) There shall be
- 14 allowed to each taxpayer subject to the taxes imposed by this
- 15 chapter, an income tax credit for qualified manufacturing costs
- 16 that shall be deductible from the taxpayer's net income tax
- 17 liability, if any, imposed by this chapter for the taxable year
- 18 in which the credit is properly claimed.





1	(b) The amount of the credit shall be twenty per cent of
2	the qualified manufacturing costs incurred during the taxable
3	year; provided that the total credit claimed per taxpayer shall
4	not exceed \$200,000. Qualified manufacturing costs shall not
5	include any costs for which another credit is claimed under this
6	chapter.
7	In the case of a partnership, S corporation, estate, or
8	trust, the tax credit allowable is for qualified manufacturing
9	costs incurred by the entity for the taxable year. The cost
10	upon which the tax credit is computed shall be determined at the
11	entity level. Distribution and share of credit shall be
12	determined by section 704(b) of the Internal Revenue Code.
13	If a deduction is taken under section 179 (with respect to
14	election to expense depreciable business assets) of the Internal
15	Revenue Code of 1986, as amended, no tax credit shall be allowed
16	for those costs for which the deduction is taken.
17	The basis for eligible property for depreciation of
18	accelerated cost recovery system purposes of state income taxes
19	shall be reduced by the amount of credit allowable and claimed.
20	(c) If the tax credit under this section exceeds the
21	taxpayer's income tax liability, the excess of the tax credit

1	over liab	oility shall be refunded to the taxpayer; provided that
2	no refund	ls or payment on account of the tax credits allowed by
3	this sect	ion shall be made for amounts less than \$1. Every
4	claim, in	cluding amended claims, for a tax credit under this
5	section s	hall be filed on or before the end of the twelfth month
6	following	the close of the taxable year for which the credit may
7	be claime	d. Failure to comply with the foregoing provision
8	shall con	stitute a waiver of the right to claim the credit.
9	<u>(d)</u>	The director of taxation:
10	(1)	Shall prepare any forms that may be necessary to claim
11		a credit under this section;
12	(2)	May require the taxpayer to furnish information to
13		ascertain the validity of the claim for credit made
14		under this section; and
15	(3)	May adopt rules pursuant to chapter 91 to effectuate
16		this section.
17	<u>(e)</u>	The department of business, economic development, and
18	tourism s	hall:
19	(1)	Maintain records of the total amount of qualified
20		manufacturing costs for each taxpayer claiming a
21		credit;

credit;

1	(2)	Verify the amount of the qualified manufacturing costs
2		<pre>claimed;</pre>
3	<u>(3)</u>	Total all qualified manufacturing costs claimed; and
4	(4)	Certify the total amount of the tax credit for each
5		taxable year.
6	Upon	each determination, the department of business,
7	economic	development, and tourism shall issue a certificate to
8	the taxpa	yer verifying the qualified manufacturing costs and the
9	credit am	ount certified for each taxable year.
10	The	taxpayer shall file the certificate with the taxpayer's
11	tax retur	n with the department of taxation. Notwithstanding the
12	<u>certifica</u>	tion authority of the department of business, economic
13	developme	nt, and tourism under this section, the director of
14	taxation	may audit and adjust certification to conform to the
15	facts.	
16	<u>(f)</u>	As used in this section:
17	"Net	income tax liability" means income tax liability
18	reduced b	y all other credits allowed under this chapter.
19	<u>"Qua</u>	lified manufacturing costs" means expenditures for:

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1	(1)	Costs incurred to purchase equipment to be used in
2		manufacturing tangible personal property in the State;
3		<u>and</u>
4	(2)	Costs incurred to train employees to manufacture
5		tangible personal property in the State."
6	SECT	ION 3. New statutory material is underscored.
7	SECT	ION 4. This Act shall take effect on January 20, 2050;
8	provided	that:
9	(1)	Section 2 shall apply to taxable years beginning after
10		December 31, 2014; and
11	(2)	This Act shall be repealed on January 1, 2023.

Report Title:

Income Tax Credit; Manufacturing

Description:

Establishes an income tax credit for taxpayers who incur certain expenses for manufacturing products in Hawaii. Applies to taxable years beginning after December 31, 2014. Repealed on January 1, 2023. Effective January 20, 2050. (HB2626 HD1)

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