
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- Income tax credit for hiring a person totally
5 disabled. (a) There shall be allowed to each taxpayer subject
6 to the tax imposed by this chapter, a credit for the hiring of a
7 person totally disabled that shall be deductible from the
8 taxpayer's net income tax liability, if any, imposed by this
9 chapter for the taxable year in which the credit is properly
10 claimed.

11 (b) The amount of the credit shall be equal to fifty per
12 cent of the qualified wages of a person totally disabled. A tax
13 credit that exceeds the taxpayer's income tax liability may be
14 used as a credit against the taxpayer's income tax liability in
15 subsequent years until exhausted; provided that in no taxable
16 year shall the total amount of the tax credit claimed under this
17 section exceed \$ per taxpayer.



1 (c) Certification of a person totally disabled for the
2 purpose of claiming a credit under this section shall be
3 submitted to the department of taxation on forms prescribed by
4 the department of taxation.

5 (d) An individual shall not be treated as a person totally
6 disabled unless, on or before the day on which the individual
7 begins work for the employer, the employer has received
8 certification from a qualified physician. If an individual has
9 been certified as a person totally disabled and the
10 certification is incorrect because it was based on false
11 information provided by the individual, the certification shall
12 be revoked and wages paid by the employer shall not be treated
13 as qualified wages.

14 In any request for a certification of an individual as a
15 person totally disabled, the employer shall certify that a good
16 faith effort was made to determine that the individual is a
17 person totally disabled.

18 (e) Wages paid to a person totally disabled are ineligible
19 to be claimed by the employer for a tax credit under this
20 section as follows:



- 1 (1) No wages shall be taken into account under this
2 section with respect to a person totally disabled who:
- 3 (A) Bears any of the relationships described in
4 section 152(d) (2) (A) through (G) of the Internal
5 Revenue Code to the taxpayer, or, if the taxpayer
6 is a corporation, to an individual who owns,
7 directly or indirectly, more than fifty per cent
8 in value of the outstanding stock of the
9 corporation (determined with the application of
10 section 267(c) of the Internal Revenue Code);
- 11 (B) If the taxpayer is an estate or trust, is a
12 grantor, beneficiary, or fiduciary of the estate
13 or trust, or is an individual who bears any of
14 the relationships described in section
15 152(d) (2) (A) through (G) of the Internal Revenue
16 Code to a grantor, beneficiary, or fiduciary of
17 the estate or trust; or
- 18 (C) Is a dependent, as defined in section 152 of the
19 Internal Revenue Code, of the taxpayer, or, if
20 the taxpayer is a corporation, of an individual
21 described in subparagraph (A), or, if the



1 taxpayer is an estate or trust, of a grantor,
2 beneficiary, or fiduciary of the estate or trust;
3 and

4 (2) No wages shall be taken into account under this
5 section with respect to any person totally disabled
6 if, prior to the day the individual is hired by the
7 employer, the individual had been employed by the
8 employer at any time.

9 (f) In the case of a successor employer referred to in
10 section 3306(b)(1) of the Internal Revenue Code, the
11 determination of the amount of the tax credit allowable under
12 this section with respect to wages paid by the successor
13 employer shall be made in the same manner as if the wages were
14 paid by the predecessor employer referred to in the section.

15 (g) Claims for the tax credit under this section,
16 including any amended claims, shall be filed on or before the
17 end of the twelfth month following the taxable year for which
18 the credit may be claimed. Failure to comply with the foregoing
19 provision shall constitute a waiver of the right to claim the
20 tax credit.

21 (h) The director of taxation:



1 (1) Shall prepare any forms necessary to claim a credit
2 under this section;

3 (2) May require a taxpayer to furnish reasonable
4 information to ascertain the validity of a claim for
5 credit; and

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

8 (i) No deduction shall be allowed for that portion of the
9 wages or salaries paid or incurred for the taxable year that is
10 equal to the amount of the tax credit determined under this
11 section.

12 (j) For purposes of this section:

13 "Person totally disabled" has the same meaning as in
14 section 235-1.

15 "Qualified physician" means:

16 (1) A physician or osteopathic physician licensed under
17 chapter 453;

18 (2) A qualified out-of-state physician who is currently
19 licensed to practice in the state in which the
20 physician resides; or



1 (3) A commissioned medical officer in the United States
2 Army, Navy, Marine Corps, or Public Health Service,
3 engaged in the discharge of one's official duty.

4 "Qualified wages" means wages attributable to work rendered
5 by a person totally disabled for the six-month period after the
6 individual is initially hired.

7 "Wages" means wages, commissions, fees, salaries, bonuses,
8 and every and all other kinds of remuneration for, or
9 compensation attributable to, services performed by an employee
10 for the employee's employer, including the cash value of all
11 remuneration paid in any medium other than cash and the cost-of-
12 living allowances and other payments included in gross income by
13 section 235-7(b), but excluding income excluded from gross
14 income by section 235-7 or other provisions of this chapter."

15 SECTION 2. New statutory material is underscored.

16 SECTION 3. This Act shall take effect on January 7, 2059.



Report Title:

Persons Totally Disabled; Employment; Income Tax Credit

Description:

Provides a taxpayer who hires a person totally disabled with a nonrefundable tax credit for wages earned by the individual during the six-month period after the individual is initially hired by the taxpayer. Effective January 7, 2059. (SD1)

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