

1 "Designated geographic area" means the regions represented
2 by the zip codes of 96706, 96707, and 96709.

3 "Establishment" means a single physical location where
4 business is conducted; provided that a business may include one
5 or more establishments.

6 "Full-time employee" means any employee, including a leased
7 employee and an employee under a joint employment arrangement,
8 for whom the employer is legally required to provide employee
9 fringe benefits.

10 "Qualified business" means a business that:

- 11 (1) Establishes or opens a new location within the
12 designated geographic area;
- 13 (2) If opening a new location within the designated
14 geographic area, has a minimum of ten full-time
15 employees working at the establishment in the
16 designated geographic area; or, if already established
17 in the designated geographic area and expanding or
18 building a new establishment in the same area, has a
19 net gain of ten full-time employees;



- 1 (3) Provides gross annual salaries of \$25,000 or more to
- 2 at least half of its employees at the establishment in
- 3 the designated geographic area;
- 4 (4) Earns at least half of its gross annual revenue from
- 5 its establishment in the designated geographic area;
- 6 (5) Is not participating in the state enterprise zone
- 7 program pursuant to chapter 209E; and
- 8 (6) Excludes retail, except when greater than fifty per
- 9 cent of sales are to Hawaii general excise tax
- 10 licensees.

11 § -2 **Eligibility; qualified business defined.** There is
12 established within the department of business, economic
13 development, and tourism, the Kapolei jobs initiative program.
14 Any qualified business is eligible to participate in the Kapolei
15 jobs initiative program and is eligible for the incentives
16 available pursuant to this chapter.

17 § -3 **Kapolei jobs initiative income tax credit program.**

18 (a) Each qualified business may apply for and receive, in
19 addition to any other incentive offered pursuant to this
20 chapter, the Kapolei jobs initiative income tax credit as
21 provided under section 235- ; provided that no more than twenty



1 new qualified businesses may receive the credit per calendar
2 year; provided further that no qualified business shall receive
3 the credit after December 31, 2023.

4 (b) Each qualified business shall submit annually to the
5 department of taxation, attached to their tax returns, an
6 approved form supplied by the department that provides the
7 information necessary for the department to determine if it may
8 certify the applicability of the tax credits provided in section
9 235- .

10 (c) Submission of a completed form referred to in
11 subsection (b) shall be prima facie evidence of the eligibility
12 of a business for the purposes of this section.

13 § -4 Adoption of rules. The department of business,
14 economic development, and tourism may adopt rules, pursuant to
15 chapter 91, to effectuate the purposes of this chapter."

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

19 "§235- Kapolei jobs initiative tax credit program. (a)
20 There shall be allowed to each qualified business, as defined in
21 section -1, subject to the tax imposed by this chapter, a



1 Kapolei jobs initiative tax credit, which shall be deductible
2 from the taxpayer's net income tax liability, if any, imposed by
3 this chapter for the taxable year in which the credit is
4 properly claimed.

5 (b) The amount of the tax credit shall:

6 (1) Be equal to eighty per cent of any tax imposed by this
7 chapter for the first tax year and ten per cent less
8 for each of the immediately succeeding four years for
9 any tax liability; and

10 (2) Include the amount of unemployment insurance accrued
11 or paid by an employer under chapter 383 as follows:

12 (A) For the first year, eighty per cent of the amount
13 accrued or paid;

14 (B) For the second year, seventy per cent of the
15 amount accrued or paid;

16 (C) For the third year, sixty per cent of the amount
17 accrued or paid;

18 (D) For the fourth year, fifty per cent of the amount
19 accrued or paid; and

20 (E) For the fifth year, forty per cent of the amount
21 accrued or paid;



1 provided that a qualified business shall be allowed to carry
2 over any unused tax credits in accordance with subsection (d).

3 (c) Any qualified business having taxable income from an
4 establishment's business activity, both within and without the
5 designated geographic area, as defined in section -1, shall
6 allocate and apportion its taxable income attributable to the
7 conduct of business. Tax credits provided for in this section
8 shall only apply to taxable income of a qualified business
9 attributable to the conduct of business within the designated
10 geographic area defined in section -1.

11 (d) If the tax credit under this section exceeds the
12 taxpayer's net income tax liability, the excess of credit may be
13 used as a tax credit against the taxpayer's net income tax
14 liability in a subsequent taxable year; provided that no excess
15 credit may be used after December 31, 2028.

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



1 (e) In the case of a partnership, S corporation, estate,
2 or trust, the tax credit allowable is for the costs of a
3 qualified business incurred to carry out the Kapolei jobs
4 initiative for the taxable year. The cost upon which the tax
5 credit is computed shall be determined at the entity level.
6 Distribution and share of the tax credit shall be determined
7 pursuant to section 704(b) (with respect to partner's
8 distributive share) of the Internal Revenue Code.

9 (f) To receive the tax credit, the qualified business
10 shall first prequalify for the credit by registering with the
11 department of business, economic development, and tourism during
12 the stage of business development in the designated geographic
13 area. Failure to comply with this provision may constitute a
14 waiver of the right to claim the credit.

15 (g) Every qualified business claiming a tax credit under
16 this section shall, no later than ninety days following the end
17 of each taxable year in which business costs were expended and
18 in which the tax credit can be claimed, submit a written, sworn
19 statement to the department of business, economic development,
20 and tourism identifying:



- 1 (1) Total expenditures incurred in the Kapolei jobs
2 initiative and amount of expenditures applicable to
3 the tax credit expended in the previous taxable year,
4 if any;
- 5 (2) The amount of tax credits claimed pursuant to this
6 section, if any, and the amount of total taxes paid,
7 if any, in the previous taxable year;
- 8 (3) The amount of unemployment insurance paid by the
9 qualified business in the previous taxable year;
- 10 (4) Hawaii employment and wage data, including the numbers
11 of full-time and part-time employees retained, wages
12 for each position, new jobs, temporary positions,
13 external services procured by the qualified business,
14 and payroll taxes; and
- 15 (5) Any other factors the department of business, economic
16 development, and tourism deems relevant.
- 17 The above information may be reported from the department of
18 business, economic development, and tourism to the legislature
19 in redacted form pursuant to subsection (h) (4). The purpose of
20 collecting the above information is to study the effectiveness
21 of the tax credit. The department of business, economic



1 development, and tourism may request any additional information
2 necessary to measure the effectiveness of the tax credit.

3 (h) The department of business, economic development, and
4 tourism shall:

5 (1) Maintain records of the names of the qualified
6 businesses claiming the tax credits;

7 (2) Obtain and total the aggregate amounts of expenditures
8 from all qualified businesses per taxable year;

9 (3) Provide a letter to the director of taxation
10 specifying the amount of the tax credit per qualified
11 business for each taxable year that a tax credit is
12 claimed and the cumulative amount of the tax credit
13 for all years claimed; and

14 (4) Submit a report to the legislature no later than
15 twenty days prior to the convening of each regular
16 session detailing the non-aggregated expenditures of
17 qualified businesses that form the basis of the tax
18 credit, itemized by qualified business, in a redacted
19 format to preserve the confidentiality of the
20 qualified businesses claiming the credit.



1 (i) The director of taxation shall prepare any forms that
 2 may be necessary to claim a credit under this section. The
 3 director may also require the taxpayer to furnish information to
 4 ascertain the validity of the claim for the tax credit made
 5 under this section and may adopt rules necessary to effectuate
 6 the purposes of this section pursuant to chapter 91.

7 (j) For the purposes of this section, "net income tax
 8 liability" means net income tax liability reduced by all other
 9 credits allowed under this chapter and chapter _____."

10 SECTION 4. New statutory material is underscored.

11 SECTION 5. This Act shall apply to taxable years beginning
 12 after December 31, 2018; provided that section 3 shall be
 13 repealed on December 31, 2023.

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INTRODUCED BY:

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 J. K. Cook
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JAN 24 2018



H.B. NO. 2659

Report Title:

Kapolei Jobs Initiative Pilot Program; Qualified Business;
Income Tax Credit; Unemployment Tax Credit

Description:

Establishes a Kapolei jobs initiative pilot program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region. Establishes a tax credit, until 12/31/2023, as part of the Kapolei jobs initiative pilot program and allows the tax credit to be claimed through 12/31/2028.

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