
A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1 SECTION 1. The legislature finds that job growth in the
2 Kapolei region is a matter of community and state concern that
3 affects employers and employees alike as households continue to
4 outgrow the number of employment opportunities in the region.
5 According to estimates from the department of planning and
6 permitting of the city and county of Honolulu and Permitting and
7 Plash Econ Pacific LLC, in 2015, there were 34,341 households in
8 the Kapolei region with a population of approximately 107,234.
9 These numbers are expected to increase to 56,344 households and
10 a population of 164,556 by 2035. This expansion in the number
11 of households and the concomitant increase in population will
12 create additional needs within the Kapolei region, including
13 increased needs for goods and professional services. Without
14 additional job growth and business opportunities for the people
15 living in West Oahu, this population growth will result in
16 increased traffic congestion for residents of West Oahu as many
17 will need to continue commuting to downtown Honolulu.



1 for whom the employer is legally required to provide employee
2 fringe benefits.

3 "Qualified business" means a business that:

4 (1) Establishes a new location within the designated
5 geographic area or is already in existence in the
6 designated geographic area and opens an additional
7 location within the designated geographic area
8 resulting in the net gain of at least one additional
9 location for the business;

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

17 (3) Provides gross annual salaries of \$ or more
18 to at least half of its employees at the establishment
19 in the designated geographic area;

20 (4) Earns at least half of its gross annual revenue from
21 its establishment in the designated geographic area;



1 (5) Is not participating in the state enterprise zone
2 program pursuant to chapter 209E; and

3 (6) Excludes retail, except when greater than fifty per
4 cent of sales are to Hawaii general excise tax
5 licensees.

6 § -2 **Eligibility; qualified business.** There is
7 established within the department of business, economic
8 development, and tourism, the Kapolei jobs initiative pilot
9 program. Any qualified business is eligible to participate in
10 the Kapolei jobs initiative pilot program and is eligible for
11 the incentives available pursuant to this chapter.

12 § -3 **Kapolei jobs initiative income tax credit program.**

13 (a) Each qualified business may apply for and receive, in
14 addition to any other incentive offered pursuant to this
15 chapter, the Kapolei jobs initiative income tax credit as
16 provided under section 235- ; provided that no more than twenty
17 new qualified businesses may receive the credit per calendar
18 year; provided further that no qualified business shall receive
19 the credit after December 31, 2023.

20 (b) Each qualified business shall submit annually to the
21 department of taxation, attached to its tax returns, an approved



1 form supplied by the department of taxation that provides the
2 information necessary for the department of taxation to
3 prequalify the qualified business for the tax credit as provided
4 in section 235- .

5 (c) Submission of a completed form referred to in
6 subsection (b) shall be prima facie evidence of the eligibility
7 of a qualified business for the purposes of this section.

8 § -4 Adoption of rules. The department of business,
9 economic development, and tourism may adopt rules, pursuant to
10 chapter 91, to effectuate the purposes of this chapter."

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

14 "§235- Kapolei jobs initiative tax credit program. (a)
15 There shall be allowed to each qualified business, as defined in
16 section -1, subject to the tax imposed by this chapter, a
17 Kapolei jobs initiative tax credit, which shall be deductible
18 from the taxpayer's net income tax liability, if any, imposed by
19 this chapter for the taxable year in which the credit is
20 properly claimed.

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



- 1 (1) Be equal to eighty per cent of any tax imposed by this
- 2 chapter for the first tax year and ten per cent less
- 3 for each of the immediately succeeding four years for
- 4 any tax liability; and
- 5 (2) Include the amount of unemployment insurance accrued
- 6 and paid by an employer under chapter 383 as follows:
- 7 (A) For the first year, eighty per cent of the amount
- 8 accrued and paid;
- 9 (B) For the second year, seventy per cent of the
- 10 amount accrued and paid;
- 11 (C) For the third year, sixty per cent of the amount
- 12 accrued and paid;
- 13 (D) For the fourth year, fifty per cent of the amount
- 14 accrued and paid; and
- 15 (E) For the fifth year, forty per cent of the amount
- 16 accrued and paid.
- 17 (c) Any qualified business having taxable income from an
- 18 establishment's business activity, within and without the
- 19 designated geographic area, as defined in section -1, shall
- 20 allocate and apportion its taxable income attributable to the
- 21 conduct of business. Tax credits provided for in this section



1 shall only apply to taxable income of a qualified business
2 attributable to the conduct of business within the designated
3 geographic area defined in section -1.

4 (d) All claims for a tax credit under this section,
5 including amended claims, shall be filed on or before the end of
6 the twelfth month following the close of the taxable year for
7 which the tax credit may be claimed. Failure to comply with the
8 foregoing provision shall constitute a waiver of the right to
9 claim the tax credit.

10 (e) In the case of a partnership, S corporation, estate,
11 or trust, the tax credit allowable is for the costs of a
12 qualified business incurred to participate in the Kapolei jobs
13 initiative for the taxable year. The cost upon which the tax
14 credit is computed shall be determined at the entity level.
15 Distribution and share of the tax credit shall be determined
16 pursuant to section 704(b) (with respect to partner's
17 distributive share) of the Internal Revenue Code.

18 (f) To receive the tax credit, the qualified business
19 shall first prequalify for the credit by registering with the
20 department of business, economic development, and tourism during
21 the stage of business development in the designated geographic



1 area. Failure to comply with this provision may constitute a
2 waiver of the right to claim the credit.

3 (g) Every qualified business claiming a tax credit under
4 this section shall, no later than ninety days following the end
5 of each taxable year in which business costs were expended and
6 in which the tax credit can be claimed, submit a written, sworn
7 statement to the department of business, economic development,
8 and tourism identifying:

9 (1) Total expenditures incurred in the Kapolei jobs
10 initiative and amount of expenditures applicable to
11 the tax credit expended in the previous taxable year,
12 if any;

13 (2) The amount of tax credits claimed pursuant to this
14 section, if any, and the amount of total taxes paid,
15 if any, in the previous taxable year;

16 (3) The amount of unemployment insurance accrued and paid
17 by the qualified business in the previous taxable
18 year;

19 (4) Hawaii employment and wage data, including the numbers
20 of full-time and part-time employees retained, wages
21 for each position, new jobs, temporary positions,



1 external services procured by the qualified business,
2 and payroll taxes; and

3 (5) Any other factors the department of business, economic
4 development, and tourism deems relevant.

5 The above information may be reported from the department of
6 business, economic development, and tourism to the legislature
7 in redacted form pursuant to subsection (h) (4). The purpose of
8 collecting the above information is to study the effectiveness
9 of the tax credit. The department of business, economic
10 development, and tourism may request any additional information
11 necessary to measure the effectiveness of the tax credit.

12 (h) The department of business, economic development, and
13 tourism shall:

- 14 (1) Maintain records of the names of the qualified
15 businesses claiming the tax credits;
16 (2) Obtain and total the aggregate amounts of expenditures
17 from all qualified businesses per taxable year;
18 (3) Provide a letter to the director of taxation
19 specifying the amount of the tax credit per qualified
20 business for each taxable year that a tax credit is



1 claimed and the cumulative amount of the tax credit
2 for all years claimed; and

3 (4) Submit a report to the legislature no later than
4 twenty days prior to the convening of each regular
5 session detailing the non-aggregated expenditures of
6 qualified businesses that form the basis of the tax
7 credit, itemized by qualified business, in a redacted
8 format to preserve the confidentiality of the
9 qualified businesses claiming the credit.

10 (i) The director of taxation shall prepare any forms that
11 may be necessary to claim a credit under this section. The
12 director of taxation may also require the taxpayer to furnish
13 information to ascertain the validity of the claim for the tax
14 credit made under this section and may adopt rules necessary to
15 effectuate the purposes of this section pursuant to chapter 91.

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

19 SECTION 4. New statutory material is underscored.



1 SECTION 5. This Act shall take effect on July 1, 2112, and
2 shall apply to taxable years beginning after December 31, 2018;
3 provided that section 3 shall be repealed on December 31, 2028.



Report Title:

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

Description:

Establishes a five-year 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 Kapolei jobs initiative tax credit incentive until 12/31/2028. Takes effect on 7/1/2112. (SD1)

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

