



1           §   -1   **Definitions.**  As used in this chapter:

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

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

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

11          "Qualified business" means a business that:

- 12          (1)  Establishes or opens a new location within the  
13              designated geographic area;
- 14          (2)  If opening a new location within the designated  
15              geographic area, has a minimum of ten full-time  
16              employees working at the establishment in the  
17              designated geographic area; or, if already established  
18              in the designated geographic area and expanding or  
19              building a new establishment in the same area, has a  
20              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- .



1 (b) Each qualified business shall submit annually to the  
 2 department of taxation an approved form supplied by the  
 3 department that provides the information necessary for the  
 4 department to determine if it may certify the applicability of  
 5 the tax credits provided in section 235- .

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

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

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

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



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

2        (1) Be equal to            per cent of any tax imposed by this

3        chapter for the first tax year and            per cent less

4        for each of the immediately succeeding four years for

5        any tax liability; and

6        (2) Include the amount of unemployment insurance accrued

7        or paid by an employer under chapter 383 as follows:

8        (A) For the first year,            per cent of the amount

9        accrued or paid;

10       (B) For the second year,            per cent of the amount

11       accrued or paid;

12       (C) For the third year,            per cent of the amount

13       accrued or paid;

14       (D) For the fourth year,            per cent of the amount

15       accrued or paid; and

16       (E) For the fifth year,            per cent of the amount

17       accrued or paid;

18       provided that a qualified business shall be allowed to carry

19       over any unused tax credits in accordance with subsection (d).

20       A maximum of \$            of tax credits in the aggregate for all

21       eligible taxpayers may be used in any one taxable year.



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

9        (d) If the tax credit under this section exceeds the  
10 taxpayer's net income tax liability, the excess of credit may be  
11 used as a tax credit against the taxpayer's net income tax  
12 liability in the immediately succeeded five taxable years until  
13 exhausted.

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

20        (e) In the case of a partnership, S corporation, estate,  
21 or trust, the tax credit allowable is for the costs of a



1 qualified business incurred to carry out the Kapolei jobs  
2 initiative for the taxable year. The cost upon which the tax  
3 credit is computed shall be determined at the entity level.  
4 Distribution and share of the tax credit shall be determined  
5 pursuant to section 704(b) (with respect to partner's  
6 distributive share) of the Internal Revenue Code.

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

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

19 (1) Total expenditures incurred in the Kapolei jobs  
20 initiative and amount of expenditures applicable to



- 1           the tax credit expended in the previous taxable year,  
2           if any;
- 3           (2) The amount of tax credits claimed pursuant to this  
4           section, if any, and the amount of total taxes paid,  
5           if any, in the previous taxable year;
- 6           (3) The amount of unemployment insurance accrued and the  
7           amount of unemployment insurance paid by the qualified  
8           business in the previous taxable year;
- 9           (4) Hawaii employment and wage data, including the numbers  
10           of full-time and part-time employees retained, wages  
11           for each position, new jobs, temporary positions,  
12           external services procured by the qualified business,  
13           and payroll taxes; and
- 14           (5) Any other factors the department of business, economic  
15           development, and tourism deems relevant.

16 The above information may be reported from the department of  
17 business, economic development, and tourism to the legislature  
18 in redacted form pursuant to subsection (h) (4). The purpose of  
19 collecting the above information is to study the effectiveness  
20 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, upon its approval, shall apply to  
 12 taxable years beginning after December 31, 2017; provided that  
 13 section 3 shall be repealed on December 31, 2024.

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INTRODUCED BY:

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JAN 23 2017



# H.B. NO. 943

**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 12/31/2024, as part of the Kapolei jobs initiative pilot program.

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