
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Section 235-55.91, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending its title and subsection (a) to read:

4 "§235-55.91 Credit for employment of vocational
5 rehabilitation referrals[-] and wages of former inmates hired by
6 a technology business. (a) There shall be allowed to each
7 taxpayer subject to the tax imposed by this chapter, a credit
8 for employment of vocational rehabilitation referrals and for
9 certain wages paid to former inmates employed by a technology
10 business owned by the taxpayer, which shall be deductible from
11 the taxpayer's net income tax liability, if any, imposed by this
12 chapter for the taxable year in which the credit is properly
13 claimed."

14 2. By amending subsection (c) to read:

15 "(c) For purposes of this section:

16 "Former inmate" means a person formerly placed in the
17 custody of the department of public safety.



1 "Hiring date" means the day the vocational rehabilitation
2 referral is hired by the employer.

3 "Qualified first-year wages" means, with respect to any
4 vocational rehabilitation referral, qualified wages attributable
5 to service rendered during the one-year period beginning with
6 the day the individual begins work for the employer.

7 "Qualified wages" means the wages paid or incurred by the
8 employer during the taxable year to an individual who is a
9 vocational rehabilitation referral and more than one-half of the
10 wages paid or incurred for such an individual is for services
11 performed in a trade or business of the employer.

12 "Technology business" means a trade or business that
13 derives the majority of its gross income from the sale or
14 license of products or services resulting from its software
15 development or information technology development, or both, and
16 participates in the Work Opportunity Tax Credit program
17 administered by the United States Department of Labor,
18 Employment and Training Administration. A "technology business"
19 excludes any trade or business that is considered by standard
20 practice as part of the broadcast industry or any
21 telecommunications carrier, as defined in section 269-1, that



1 holds a franchise or charter enacted or granted by the
2 legislative or executive authority of the State or its
3 predecessor governments.

4 "Vocational rehabilitation referral" means any individual
5 who is certified by the department of human services vocational
6 rehabilitation and services for the blind division in
7 consultation with the Hawaii state employment service of the
8 department of labor and industrial relations as:

9 (1) Having a physical or mental disability which, for such
10 individual, constitutes or results in a substantial
11 handicap to employment; and

12 (2) Having been referred to the employer upon completion
13 of (or while receiving) rehabilitative services
14 pursuant to:

15 (A) An individualized written rehabilitation plan
16 under the State's plan for vocational
17 rehabilitation services approved under the
18 Rehabilitation Act of 1973, as amended;

19 (B) A program of vocational rehabilitation carried
20 out under chapter 31 of title 38, United States
21 Code; or



1 (C) An individual work plan developed and implemented
2 by an employment network pursuant to subsection
3 (g) of section 1148 of the Social Security Act,
4 as amended, with respect to which the
5 requirements of such subsection are met.

6 "Wages" has the meaning given to such term by section
7 3306(b) of the Internal Revenue Code (determined without regard
8 to any dollar limitation contained in the Internal Revenue Code
9 section). "Wages" shall not include:

10 (1) Amounts paid or incurred by an employer for any period
11 to any vocational rehabilitation referral for whom the
12 employer receives state or federally funded payments
13 for on-the-job training of the individual for the
14 period;

15 (2) Amounts paid to an employer (however utilized by the
16 employer) for any vocational rehabilitation referral
17 under a program established under section 414 of the
18 Social Security Act; and

19 (3) If the principal place of employment is at a plant or
20 facility, and there is a strike or lockout involving
21 vocational rehabilitation referrals at the plant or



1 facility, amounts paid or incurred by the employer to
2 the vocational rehabilitation referral for services
3 which are the same as, or substantially similar to,
4 those services performed by employees participating
5 in, or affected by, the strike or lockout during the
6 period of strike or lockout."

7 3. By amending subsection (e) to read:

8 "(e) The following wages paid to vocational rehabilitation
9 referrals and former inmates employed by a technology business
10 owned by the taxpayer are ineligible to be claimed by the
11 employer for this credit:

12 (1) No wages shall be taken into account under this
13 section with respect to a vocational rehabilitation
14 referral who:

15 (A) Bears any of the relationships described in
16 section 152(d)(2)(A) to (G) of the Internal
17 Revenue Code to the taxpayer, or, if the taxpayer
18 is a corporation, to an individual who owns,
19 directly or indirectly, more than fifty per cent
20 in value of the outstanding stock of the



1 corporation (determined with the application of
2 section 267(c) of the Internal Revenue Code);

3 (B) If the taxpayer is an estate or trust, is a
4 grantor, beneficiary, or fiduciary of the estate
5 or trust, or is an individual who bears any of
6 the relationships described in section
7 152(d)(2)(A) to (G) of the Internal Revenue Code
8 to a grantor, beneficiary, or fiduciary of the
9 estate or trust; or

10 (C) Is a dependent (described in section 152(d)(2)(H)
11 of the Internal Revenue Code) of the taxpayer,
12 or, if the taxpayer is a corporation, of an
13 individual described in subparagraph (A), or, if
14 the taxpayer is an estate or trust, of a grantor,
15 beneficiary, or fiduciary of the estate or trust.

16 (2) No wages shall be taken into account under this
17 section with respect to any vocational rehabilitation
18 referral if, prior to the hiring date of the
19 individual, the individual had been employed by the
20 employer at any time during which the individual was
21 not a vocational rehabilitation referral.



1 (3) No wages shall be taken into account under this
2 section with respect to any vocational rehabilitation
3 referral unless such individual either:

4 (A) Is employed by the employer at least ninety days;
5 or

6 (B) Has completed at least one hundred-twenty hours
7 of services performed for the employer."

8 4. By amending subsection (g) to read:

9 "(g) No credit shall be determined under this section with
10 respect to wages paid by an employer to a vocational
11 rehabilitation referral or former inmate employed by a
12 technology business owned by the taxpayer for services performed
13 by the individual for another person unless the amount
14 reasonably expected to be received by the employer for the
15 services from the other person exceeds the wages paid by the
16 employer to the individual for such services."

17 SECTION 2. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 3. This Act, upon its approval, shall apply to
20 taxable years beginning after December 31, 2017.



Report Title:

Income Tax Credit; Former Inmate Hires; Technology Businesses

Description:

Provides an income tax credit for wages paid by a technology business owner to employees who were formerly in the custody of the department of public safety. (SD1)

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

