

HOUSE OF REPRESENTATIVES

AMENDMENT TO: H.B. No. 2541, H.D. 1OFFERED BY: Representative Val OkimotoDATE: 3/3/2020

SECTION 1. House Bill No. 2541, H.D. 1, is amended by adding a new section at page 10, line 2, to read as follows:

"SECTION 4. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and read as follows:

"§235- Minimum wage income tax credit for small businesses. (a) There shall be allowed to each qualified small business subject to the tax imposed by this chapter, a credit to offset the increase in minimum hourly rate that an employer must pay an employee, which shall be deductible from the net income tax liability of the qualified small business, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) The amount of the credit shall be equal to \$1 per minimum wage hour paid to employees during the taxable year. The credit shall only be claimed for minimum wage hours paid to employees at a rate greater than \$10.10 per hour. The credit shall not be claimed for minimum wage hours paid at the rate of

\$10.10 per hour or less. The credit claimed by each qualified small business shall not exceed \$50,000 per taxable year that the credit is available.

In the case of a partnership, S corporation, or other pass-through or disregarded entity, eligibility and calculation of the tax credit shall be determined at the entity level.

(c) If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the tax credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. Claims for the tax credit under this section, including any amended claims, shall be filed on or before the end of the twelfth month following the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

(d) For purposes of this section:

"Minimum wage hours" means the number of hours for which employees of the taxpayer were paid at the minimum hourly rate set forth in section 387-2.

"Minimum wage increase" means an increase from the \$10.10 minimum hourly rate that an employer must pay an employee under section 387-2.

"Qualified small business" means a taxpayer that has:

(1) Twenty-five or fewer employees;

- (2) No more than \$4,000,000 gross income in the taxable year for which the credit is being claimed; and
- (3) At least an equal number of minimum wage hours paid in the year for which the credit is being claimed compared to the year prior to the year that the minimum wage increase became effective.

(e) The director of taxation:

- (1) Shall prepare any forms necessary to claim a credit under this section;
- (2) May require a taxpayer to furnish reasonable information to ascertain the validity of a claim for credit; and
- (3) May adopt rules pursuant to chapter 91 to effectuate the purposes of this section.

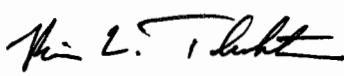
(f) The credit under this section may be claimed for the taxable year in which the minimum wage increase becomes effective and for the following four taxable years.

(g) The credit under this section shall not apply if an employer pays a minimum wage to an employee pursuant to section 387-2(b)."

SECTION 2. House Bill No. 2541, H.D. 1, is amended by renumbering section 4 as section 5.

SECTION 3. House Bill No. 2541, H.D. 1, is amended by renumbering section 5 as section 6, and amending section 6 to read as follows:

"SECTION 6. This Act shall take effect on July 1, 2050; provided that parts I and II shall apply to taxable years beginning after December 31, 2019, and section 4 shall apply to taxable years beginning after December 31, 2020."

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CARRIED	FAILED TO CARRY	WITHDRAWN
		
CHIEF CLERK, HOUSE OF REPRESENTATIVES		