
A BILL FOR AN ACT

RELATING TO THE MINIMUM WAGE.

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

1 SECTION 1. The legislature finds that one job should be
2 enough to meet a person's basic needs. According to the
3 department of business, economic development, and tourism, a
4 single adult required an income of \$35,143 to achieve self-
5 sufficiency in Hawaii in 2018, while a single parent with one
6 child required an income of \$59,428. Yet, at the current
7 statewide minimum wage rate of \$10.10 per hour, a full-time
8 minimum wage employee earns only \$21,008 annually. Moreover,
9 the National Low Income Housing Coalition's Out of Reach 2020
10 report estimates that a minimum wage worker would have to work
11 one hundred seventeen hours per week to afford a one-bedroom
12 rental home at local fair market rent.

13 The legislature further finds that increasing the State's
14 minimum wage will help Hawaii's economy by giving low-wage
15 workers greater purchasing power. According to the department
16 of labor and industrial relations in 2018, following four
17 consecutive years of minimum wage increases, the state



1 unemployment level reached an all-time low of two per cent,
2 demonstrating that increasing the minimum wage does not
3 adversely impact statewide employment.

4 The legislature also finds that the virus known as "SARS-
5 CoV-2" causes a disease named "coronavirus disease 2019" (COVID-
6 19), which spread globally and was declared a pandemic by the
7 World Health Organization on March 11, 2020. Upon reaching
8 Hawaii's shores, the COVID-19 outbreak disrupted the local
9 economy, leaving hundreds of thousands of residents unemployed,
10 underemployed, or facing financial hardship. Low-wage workers
11 were disproportionately harmed by Hawaii's economic downturn,
12 which worsened their financial precarity and left thousands of
13 working families unable to pay for food, housing, electricity,
14 and other necessities.

15 The purpose of this Act is to uplift the prosperity of
16 working families in Hawaii by:

- 17 (1) Establishing a small business income tax credit for
18 qualified employers to offset the cost of providing
19 health care coverage for certain employees; and
20 (2) Increasing the State's minimum wage rate.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Small business income tax credit. (a) There
5 shall be allowed to each qualified taxpayer subject to the taxes
6 imposed by this chapter, an income tax credit which shall be
7 deductible from the qualified taxpayer's net income tax
8 liability, if any, imposed by this chapter for the taxable year
9 in which the credit is properly claimed.

10 (b) The amount of the tax credit shall be:

11 (1) Fifty per cent of the cost of providing health care
12 coverage for employees earning less than \$25,000 per
13 year; and

14 (2) Twenty-five per cent of the cost of providing health
15 care coverage for employees earning less than \$50,000
16 per year.

17 (c) The small business income tax credit shall be equal to
18 the qualified expenses of the qualified taxpayer, up to a
19 maximum of \$50,000; provided that if the credit exceeds the
20 qualified taxpayer's income liability, the excess of the credit
21 over liability may be used as a credit against the qualified



1 taxpayer's income tax liability in subsequent years until
2 exhausted.

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

9 (e) In the case of a partnership, S corporation, estate,
10 or trust, the tax credit allowable is for qualified expenses
11 incurred by the entity for the taxable year. The expenses upon
12 which the tax credit is computed shall be determined at the
13 entity level. Distribution and share of credit shall be
14 determined pursuant to section 704(b) of the Internal Revenue
15 Code.

16 (f) The director of taxation:

17 (1) Shall prepare any forms necessary to claim a credit
18 under this section;

19 (2) May require a qualified taxpayer to furnish reasonable
20 information to ascertain the validity of a claim for
21 credit; and



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1 (3) May adopt rules pursuant to chapter 91 necessary to
2 effectuate the purposes of this section.

3 (g) For the purposes of this section:

4 "Qualified expenses" means costs that are necessary and
5 directly incurred by the taxpayer for providing mandatory health
6 care coverage to any employee under a prepaid group health care
7 plan pursuant to section 393-11.

8 "Qualified taxpayer" means a business that:

9 (1) Employs twenty-five or fewer full-time employees, paid
10 at an average wage of no more than \$50,000;

11 (2) Has a gross income of less than \$1,000,000 in the
12 taxable year for which the credit is being claimed;

13 and

14 (3) Employs at least one employee who is compensated at
15 the minimum wage rate established under section 387-2.

16 (h) This section shall not apply to taxable years
17 beginning after December 31, 2026."

18 SECTION 3. Section 387-2, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "§387-2 Minimum wages. (a) Except as provided in section
21 387-9 and ~~[this section,]~~ subsection (b), every employer shall



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1 pay to each employee employed by the employer, wages at the rate
2 of not less than:

- 3 (1) \$6.25 per hour beginning January 1, 2003;
- 4 (2) \$6.75 per hour beginning January 1, 2006;
- 5 (3) \$7.25 per hour beginning January 1, 2007;
- 6 (4) \$7.75 per hour beginning January 1, 2015;
- 7 (5) \$8.50 per hour beginning January 1, 2016;
- 8 (6) \$9.25 per hour beginning January 1, 2017; ~~and~~
- 9 (7) \$10.10 per hour beginning January 1, 2018[-];
- 10 (8) \$11.50 per hour beginning January 1, 2022;
- 11 (9) \$13.50 per hour beginning January 1, 2023;
- 12 (10) \$14.50 per hour beginning January 1, 2024;
- 13 (11) \$16.00 per hour beginning January 1, 2025; and
- 14 (12) \$17.00 per hour beginning January 1, 2026.

15 (b) ~~[The hourly wage of a tipped employee may be deemed to~~
16 ~~be increased on account of tips if the employee is paid not less~~
17 ~~than:~~

- 18 ~~(1) 25 cents;~~
- 19 ~~(2) 50 cents per hour beginning January 1, 2015; and~~
- 20 ~~(3) 75 cents per hour beginning January 1, 2016;~~



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1 ~~below the applicable minimum wage by the employee's employer and~~
2 ~~the combined amount the employee receives from the employee's~~
3 ~~employer and in tips is at least 50 cents more than the~~
4 ~~applicable minimum wage; provided that beginning January 1,~~
5 ~~2015, the combined amount the employee receives from the~~
6 ~~employee's employer and in tips is at least \$7.00 more than the~~
7 ~~applicable minimum wage.]~~ On September 30, 2026, and on
8 September 30 of each year thereafter, the department shall
9 calculate an adjusted minimum wage rate to replace the minimum
10 wage rate established under subsection (a). The adjusted
11 minimum wage rate shall be calculated to the nearest twenty-five
12 cents using the Urban Hawaii Consumer Price Index, or a
13 successor index, for the twelve months prior to September 1 of
14 each year as calculated by the United States Department of
15 Labor; provided that if in any year the adjustments based on the
16 Urban Hawaii Consumer Price Index or a successor index, would
17 result in a lower minimum wage rate, the adjusted minimum wage
18 rate shall remain the same as the minimum wage rate in effect
19 for the year in which it is calculated."

20 SECTION 4. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



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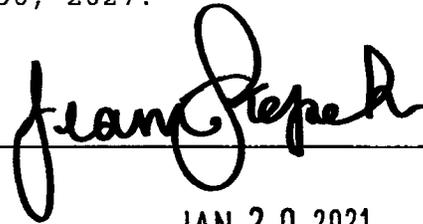
1 SECTION 5. This Act shall take effect on July 1, 2021;
2 provided that section 2 of this Act:

3 (1) Shall apply to taxable years beginning after December
4 31, 2022; and

5 (2) Shall be repealed on June 30, 2027.

6

INTRODUCED BY:

A handwritten signature in black ink, appearing to read "Jean Stephens", is written over a horizontal line.

JAN 20 2021



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Report Title:

DLIR; Tax Credit; Small Business; Health Care Costs; Minimum Wage

Description:

Establishes a temporary small business income tax credit for qualified employers to offset the cost of providing health care coverage to employees that earn below certain amounts. Raises the minimum wage and establishes an adjusted minimum wage rate for 2027 and after. Repeals the tip credit. Repeals the tax credit on 7/30/2027.

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

