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## A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

1           SECTION 1. The legislature finds that local students will  
2 have a better chance at surviving and thriving in Hawaii if they  
3 possess high-quality work-based learning experience before they  
4 graduate from high school. Although partnership programs  
5 between schools and employers have been expanding over the past  
6 decade, the legislature finds that equitable access to a diverse  
7 range of industries will require significantly greater  
8 participation by employers in these programs.

9           In order to significantly increase these offerings for  
10 students, the legislature further finds that additional  
11 financial resources for employers would incentivize companies to  
12 offer work-based learning opportunities and help them add  
13 capacity to host students. Without these resources, it will  
14 continue to be difficult for many employers, especially small-  
15 to medium-sized employers, to justify offering these  
16 experiences.



1           Accordingly, the purpose of this Act is to establish a tax  
2 credit for employers that provide work-based learning programs  
3 for qualified interns.

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

7           "§235-       Work-based learning programs; qualified interns;  
8 income tax credit. (a) Notwithstanding any law to the  
9 contrary, there shall be allowed to each individual or corporate  
10 taxpayer subject to the tax imposed by this chapter, an income  
11 tax credit that shall be deductible from the taxpayer's net  
12 income tax liability, if any, imposed by this chapter for the  
13 taxable year in which the credit is properly claimed for taxable  
14 years beginning after January 1, 2024, but before January 1,  
15 2025. A taxpayer shall be allowed a nonrefundable tax credit  
16 against the tax imposed pursuant to this chapter in an amount  
17 equal to fifty hours of the value of the salaries, wages, or  
18 other remuneration for services paid to a qualified intern.  
19           (b) The credit allowed shall not be permitted for more  
20 than 5,250 qualified interns per calendar year.



1        (c) No credit shall be allowed for a qualified intern who  
2 was employed by the taxpayer during the six months immediately  
3 preceding the commencement of employment as a qualified intern.

4        (d) A credit claimed shall not be allowed unless the  
5 taxpayer submits an application and receives an initial approval  
6 from the department and complies with all filing requirements.

7        The application shall include:

8        (1) A description of the daily tasks to be performed by  
9        the qualified intern;

10       (2) Expected learning outcomes by the end of the  
11       internship period; and

12       (3) Other questions or prompts that qualify the internship  
13       position as part of a work-based learning program that  
14       has been approved by the department of education or  
15       University of Hawaii, as applicable.

16       Failure to meet the qualifications of a bona fide work-  
17 based learning program shall result in denial of the  
18 application.

19       (e) A taxpayer shall file an application with the  
20 department for an initial approval of a credit allowed for each



1 qualified intern for which the taxpayer claims a credit. In the  
2 application, the taxpayer shall certify that:

3 (1) The taxpayer would not have employed the qualified  
4 intern but for the credit allowed; and

5 (2) The taxpayer expects that the number of hours worked  
6 by qualified interns shall increase in the taxable  
7 year for which the application is submitted compared  
8 to the immediately preceding taxable year.

9 (f) The department shall reject an application for initial  
10 approval if that approval would exceed the limitations set forth  
11 in this section. Complete applications shall be applied against  
12 the limitations specified in subsection (b) in the order in  
13 which the complete applications are received.

14 The department shall issue an initial approval or rejection  
15 within ninety days of receipt of an application. If the  
16 department fails to issue an initial approval or rejection  
17 within ninety days of receipt of an application, the application  
18 shall be deemed to have received initial approval,  
19 notwithstanding the limitations specified in subsection (b).



1        (g) The commencement of the employment of a qualified  
2 intern prior to the receipt of an initial approval shall not  
3 preclude allowance of the credit claimed.

4        (h) A taxpayer who has received an initial approval shall  
5 file with the taxpayer's return an application for the credit  
6 allowed. In the application, the taxpayer shall certify that:

7        (1) The qualified intern was employed and supervised in  
8 Hawaii in a position that provides training and  
9 experience to the individual in the individual's  
10 chosen field of study; and

11       (2) The qualified intern was paid a wage of no less than  
12 \$12.00 per hour for a term of employment that includes  
13 at least one hundred fifty hours, with no more than  
14 fifteen hours per week during the school year and no  
15 more than forty hours per week during winter and  
16 summer holiday breaks.

17       (i) The department may require a taxpayer who claims the  
18 credit to provide documentation that the work-based learning  
19 program has been approved by the department of education or  
20 University of Hawaii, as applicable.



1       (j) The order of priority of the application of the credit  
2 allowed under this section and any other credits allowed by law  
3 shall be as prescribed by the department. The amount of the  
4 credit applied under this section against the tax imposed for a  
5 taxable year, together with any other credits allowed against  
6 the tax imposed, shall not exceed fifty per cent of the tax  
7 liability otherwise due and shall not reduce the tax liability  
8 to an amount less than the statutory minimum. An unused credit  
9 resulting from the limitations of this section may be carried  
10 forward, if necessary, for use in the seven taxable years  
11 following the taxable year for which the credit is allowed.

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

18       (l) The department may adopt any necessary rules to  
19 administer this section.

20       (m) As used in this section:

21       "Department" means the department of taxation.



1 "Qualified intern" means an individual who is:

2 (1) Enrolled in a department of education school, public  
3 charter school, or at a campus within the University  
4 of Hawaii system;

5 (2) Employed and supervised in Hawaii in a position that  
6 provides training and experience to the individual in  
7 their chosen field of study; and

8 (3) Paid a wage of no less than \$12.00 per hour for a term  
9 of employment that includes at least one hundred fifty  
10 hours, with no more than fifteen hours per week during  
11 the school year and no more than forty hours per week  
12 during winter and summer holiday breaks."

13 SECTION 3. At least twenty days before the convening of  
14 the regular sessions of 2025 and 2026, the department of  
15 taxation shall submit a report to the governor and legislature  
16 that includes:

17 (1) The total value of tax credits allowed for each tax  
18 year;

19 (2) The total number of qualified interns for which a tax  
20 credit was allowed for each tax year; and



# H.B. NO. 399

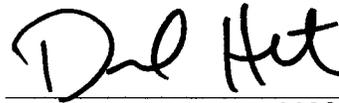
1           (3) Information on the division's experience in  
2           administering the tax credits, including but not  
3           limited to a description of increased workload  
4           associated with the tax credit, and an analysis as to  
5           the effectiveness of the credits as an incentive for  
6           encouraging the employment of qualified interns.

7           SECTION 4. New statutory material is underscored.

8           SECTION 5. This Act shall take effect on July 1, 2023.

9

INTRODUCED BY:



JAN 20 2023



# H.B. NO. 399

**Report Title:**

Tax Credit; Work-based Learning Programs; Department of Education; University of Hawaii; Qualified Interns

**Description:**

Allows employers to obtain a tax credit for offering positions to qualified interns in work-based learning programs that have been approved by the department of education or University of Hawaii.

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

