
A BILL FOR AN ACT

RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT.

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

1 PART I

2 SECTION 1. The legislature finds that local students will
3 have a better chance at surviving and thriving in Hawaii if they
4 have an opportunity to participate in a high-quality work-based
5 learning experience before they graduate from high school.

6 While partnerships between schools and employers have expanded
7 in the past decade, the legislature also finds that equitable
8 access to a diverse range of industries will require
9 significantly greater employer participation in these programs.

10 The legislature further finds that to drastically increase
11 work-based learning experience opportunities for students,
12 offering additional financial resources for employers will
13 incentivize companies to offer work-based learning opportunities
14 and increase capacity to host student interns. Without crucial
15 assistance to support work-based learning experiences, many
16 employers, especially small- to medium-sized companies, may



1 encounter difficulties in the hiring and retention of student
2 interns.

3 Accordingly, the purpose of this Act is to establish a
4 qualified internship tax credit.

5 PART II

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

9 "§235- Qualified internship tax credit. (a) There
10 shall be allowed to each taxpayer subject to the tax imposed
11 under this chapter, a qualified internship tax credit that shall
12 be deductible from the taxpayer's net income tax liability, if
13 any, imposed by this chapter for the taxable year in which the
14 credit is properly claimed.

15 (b) The amount of the tax credit shall be equal to the
16 value of fifty hours of salaries, wages, or other remuneration
17 services paid to each qualified intern employed by the taxpayer,
18 up to a maximum of \$ per taxpayer in any taxable year;
19 provided that the qualified intern was not employed by the
20 taxpayer within the six months immediately preceding the
21 commencement of the internship; provided further that the



1 qualified internship tax credit, combined with other credits
2 allowed pursuant to this chapter during the taxable year, shall
3 not exceed fifty per cent of the taxpayer's tax liability and
4 shall not reduce the taxpayer's minimum income tax liability.

5 (c) The total amount of tax credits allowed under this
6 section shall not exceed \$ _____ for all taxpayers in any
7 taxable year; provided that any taxpayer who is not eligible to
8 claim the credit in a taxable year due to the \$ _____ cap
9 having been exceeded for that taxable year shall be eligible to
10 claim the credit in the subsequent taxable year.

11 (d) If the tax credit under this section exceeds the
12 taxpayer's net income tax liability, the excess of the credit
13 over liability may be used as a credit against the taxpayer's
14 net income tax liability in subsequent years until exhausted.

15 (e) To receive the tax credit, a taxpayer shall first
16 submit an application to and in a form prescribed by the
17 department of labor and industrial relations. The department of
18 labor and industrial relations shall verify that applicants have
19 provided the following documentation:

20 (1) A description of the daily tasks to be completed by
21 the qualified intern;



1 (2) Expected student learning outcomes by the completion
2 of the internship period; and

3 (3) Confirmation that the internship has been approved as
4 part of a department of education-approved or
5 University of Hawaii-approved work-based learning
6 program.

7 (f) Every taxpayer claiming a tax credit under this
8 section, no later than ninety days following the end of each
9 taxable year in which a qualified intern was employed, shall
10 submit a written, sworn statement to the department of labor and
11 industrial relations that:

12 (1) Confirms that each qualified intern was employed and
13 supervised in the State in a position in which the
14 qualified intern received training and experience in
15 the intern's chosen field of study;

16 (2) Identifies the total wages paid to each qualified
17 intern and each qualified intern's hourly wage rate;
18 and

19 (3) Identifies the number of hours worked by each
20 qualified intern.



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

7 (h) The department of labor and industrial relations
8 shall:

- 9 (1) Maintain records of the names and addresses of the
10 taxpayers claiming the credit under this section;
11 (2) Verify the number of qualified interns employed by the
12 taxpayer and the wage rate of each qualified intern;
13 (3) Total all hours worked and wages paid to qualified
14 interns by the taxpayer; and
15 (4) Certify the amount of the tax credit for each taxable
16 year and cumulative amount of the tax credit; provided
17 that if, in any year, the annual amount of certified
18 credits reaches \$ in the aggregate, the
19 department of labor and industrial relations shall
20 immediately discontinue certifying credits and notify
21 the department of taxation.



1 Upon each determination made under this subsection, the
2 department of labor and industrial relations shall issue a
3 certificate to the taxpayer verifying information submitted to
4 the department of labor and industrial relations, including the
5 number of qualified interns, wages paid to qualified interns,
6 the credit amount certified for each taxable year, and the
7 cumulative amount of the tax credit for all years claimed. The
8 taxpayer shall file the certificate with the taxpayer's tax
9 return with the department of taxation. Notwithstanding the
10 authority of the department of labor and industrial relations
11 under this section, the director of taxation may audit and
12 adjust the tax credit amount to conform to the facts.

13 (i) The director of taxation:

14 (1) Shall prepare any forms that may be necessary to claim
15 a tax credit under this section;

16 (2) May require the taxpayer to furnish reasonable
17 information to ascertain the validity of the claim for
18 the tax credit made under this section; and

19 (3) May adopt rules under chapter 91 necessary to
20 effectuate the purposes of this section.



- 1 (b) The report shall include:
- 2 (1) The total number of qualified interns for which a
- 3 credit was issued for each taxable year;
- 4 (2) Information on the department's process in
- 5 administering the application and certification
- 6 process of the qualified internship tax credit,
- 7 including but not limited to a description of
- 8 departmental personnel tasked with processing and
- 9 certifying the qualified internship tax credit
- 10 applications;
- 11 (3) An analysis and summary on the data points found
- 12 within the qualified internship tax credit
- 13 applications submitted under subsection 235- (d),
- 14 Hawaii Revised Statutes, and certificates of claim
- 15 under subsection 235- (f), Hawaii Revised Statutes;
- 16 and
- 17 (4) An analysis of the effectiveness of the qualified
- 18 internship tax credit as an incentive to encourage
- 19 employment of qualified interns.



1 SECTION 4. (a) The department of taxation shall submit a
2 report on the qualified internship tax credit to the legislature
3 no later than January 1, 2026.

4 (b) The report shall include:

5 (1) The total value of qualified internship tax credits
6 authorized for each taxable year;

7 (2) The total number of taxpayers for which a credit was
8 issued for each taxable year;

9 (3) Information on the department's process in
10 administering the qualified internship tax credit,
11 including but not limited to a description of
12 departmental personnel tasked with verifying and
13 issuing the qualified internship tax credit; and

14 (4) Any recommendations, including proposed legislation,
15 to continue the qualified internship tax credit or
16 instead establish it as a grant program for qualified
17 internships.

18 PART IV

19 SECTION 5. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$ or so
21 much thereof as may be necessary for fiscal year 2023-2024 and



1 the same sum or so much thereof as may be necessary for fiscal
2 year 2024-2025 for the establishment and implementation of the
3 qualified internship tax credit.

4 The sums appropriated shall be expended by the department
5 of taxation for the purposes of this Act.

6 PART V

7 SECTION 6. New statutory material is underscored.

8 SECTION 7. This Act shall take effect on June 30, 3000;
9 provided that:

- 10 (1) Part II shall apply to taxable years beginning after
11 December 31, 2023; and
12 (2) Part IV shall take effect on July 1, 2023.



Report Title:

Qualified Internship Tax Credit; Work-based Learning; DOTAX;
DLIR; Appropriation

Description:

Establishes a qualified internship income tax credit for employers of qualified interns. Establishes an application and certification process for the tax credit, to be administered by the Department of Labor and Industrial Relations. Requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations. Appropriates funds. Effective 6/30/3000. (HD1)

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

