

JOSH GREEN, M.D.
GOVERNOR



KEITH T. HAYASHI
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 02/22/2023

Time: 10:00 AM

Location: CR 211 & Videoconference

Committee: Senate Ways and Means

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: SB 0801, SD1 RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT.

Purpose of Bill: Establishes a qualified internship income tax credit for employers of qualified interns for taxable years beginning after 12/31/2023. Requires qualified internships to fulfill requirements of the Department of Education and University of Hawaii work-based learning programs. Provides an application and certification process for claims of credits 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 1/1/2050. (SD1)

Department's Position:

The Hawaii State Department of Education (Department) supports the intent of Senate Bill 801, SD 1, which proposes a tax credit for employers offering positions to qualified interns in work-based learning programs approved by the Department or the University of Hawaii.

The Department appreciates the Legislature's support in increasing the number of work-based learning opportunities available for high school students across the state. Equitable access to work-based learning opportunities provides all students the means to obtain the experience and develop the skills necessary to succeed in the workforce. This will enable students to secure high-demand, high-wage jobs and positively contribute to Hawaii's economy.

The Department would need more information to assess the impact and any administrative costs that may be associated with implementation of this bill.

The Department defers to the Department of Labor and Industrial Relations and the Department

of Taxation with regards to the establishment and implementation of the tax credit.
The Department appreciates the opportunity to provide testimony on this measure.



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Ways and Means
Wednesday, February 22, 2023, at 10:00 a.m.

By

Debora Halbert
Vice President for Academic Strategy
University of Hawai'i System

SB 801 SD1 – RELATING TO QUALIFIED INTERNSHIPS TAX CREDIT

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

Thank you for the opportunity to provide testimony on SB 801 SD1, which seeks to provide qualified internship income tax credits to those who employ student interns from the Hawai'i Department of Education or the University of Hawai'i.

The University of Hawai'i (UH) appreciates the Senate's desire to incentivize the expansion of work-based learning in order to foster collaboration between Hawai'i's educational institutions and local industry, with a common goal of addressing the State's pressing workforce needs. Internships are indeed one of several nationally recognized "high impact practices" that tend to correlate with student success beyond graduation. When done well, internships help students build their self-confidence while acclimating to workplace culture and developing key industry-based skills that will enhance their employability.

The University of Hawai'i's new Strategic Plan 2023-2029, approved by the Board of Regents in November 2022, features an imperative calling on UH to "Meet Hawai'i's workforce needs of today and tomorrow." One of the stated objectives under this imperative is to partner more effectively with employers in order to "ensure the necessary preparation and support for students to succeed in their career," and the University will track its students' participation in internships as one of the metrics used to measure achievement of this objective. Regardless of the outcome of this bill, UH will strive to expand curricular offerings that feature workplace internships in the years ahead.

Thank you for the opportunity to provide testimony on this measure.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 801, S.D. 1, Relating to Qualified Internships Tax Credit

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, February 22, 2023

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 801, S.D. 1, for your consideration.

Section 2 of S.B. 801, S.D. 1, seeks to amend chapter 235, Hawaii Revised Statutes (HRS), by establishing a nonrefundable tax credit for employers of qualified interns for taxable years after December 31, 2023. The credit is equal to the amount of 50 hours of the qualified intern's salary, wage, or other remuneration for services rendered, with a maximum dollar amount to be determined, and shall be no more than 50 per cent of the taxpayer's tax liability. The credit is limited to no more than 5,250 qualified interns in a calendar year. Taxpayers must submit an application and receive initial approval from, the Department of Labor and Industrial Relations (DLIR) prior to the claiming of the credit.

Section 4 of the measure requires the Department to submit a report to the Legislature no later than January 1, 2025, which contains (1) the total value of qualified internship tax credits allowed for each taxable year; (2) the total number of taxpayers for which a credit was issued for each taxable year; and (3) information on the Department's process in administering the credit.

The measure has a defective effective date of January 1, 2050 and applies to

taxable years beginning after December 31, 2023.

First, the Department appreciates that the Committee on Labor and Technology amended the measure to add a third-party certification requirement, as the Department lacks the subject matter expertise to perform the certification. The Department defers to DLIR as to its ability to certify the credit, but requests that the third-party certification requirement be maintained.

Second, to avoid ambiguity, the Department suggests that subsection (h), on page 5, lines 16 through 18 of the measure, be deleted, as that provision applies to refundable credits.

Third, the Department requests that section 4 of the measure be amended by extending the deadline for the Department to submit a report to the Legislature from January 1, 2025 to January 1, 2026. Because this measure will apply to taxable years beginning after December 31, 2023, the data will not be available before January 1, 2025.

Finally, the Department notes that it is able to implement section 2 of this measure for taxable years beginning after December 31, 2023.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
KA 'OIHANA PONO LIMAHANA

February 22, 2023

To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair and
Members of the Senate Committee on Ways and Means

Date: Wednesday, February 22, 2023
Time: 10:00 a.m.
Place: Conference Room 211, State Capitol

From: Jade T. Butay, Director
Department of Labor and Industrial Relations (DLIR)

Re: S.B. 801 SD1 RELATING TO QUALIFIED INTERNSHIP TAX CREDIT

I. OVERVIEW OF PROPOSED LEGISLATION

The DLIR **supports the intent** of this measure, defers to DoTAX on the details of the tax code provisions, and provides **comments**. SB801SD1 proposes to establish a qualified internship income tax credit for employers of qualified interns for taxable years beginning after December 31, 2023. This bill requires the DLIR to:

- Accept applications from employers on a form prescribed by the department with information about an intern's daily tasks, expected learning outcomes during the internship, and other information that would qualify the internship under a Department of Education (DOE) or University of Hawaii (UH) approved work-based learning program.
- Certify that the employer would not have employed the intern without the tax credit allowed pursuant to the proposal
- Certify that the number of hours worked by the intern will increase during the taxable year applicable compared to the previous year,
- Accept certificates of claims for the tax credit wherein the employer provides information that an intern was provided training and experience in their chosen field of study, was paid wages of at least \$12/hour for at least 150 hours but no more than 15 hours a week during the academic year or 40 during break periods, and
- Submit a report providing the number of qualified interns for which a tax credit was issued, information on the department's administrative process including a description of personnel involved, an analysis and summary on the data points submitted in the applications and certificates of claim, and an analysis of the effectiveness of the tax credit to encourage the employment

of qualified interns.

II. COMMENTS ON THE SENATE BILL

The DLIR supports the intent of this measure to establish a qualified internship income tax credit for employers of qualified interns to maximize the quality work-based learning opportunities for high school students.

The department notes the following:

- To implement the bill the DLIR would need to have approximately \$356,000 reallocated from the existing internship program to fund seven (7) currently federally funded positions
- The seven reallocated positions would be involved in a variety of administrative tasks including developing criteria, training plans, employer and student verifications, monitoring, and interfacing with other departments, among other tasks
- An appropriation for IT needs to include computers and related equipment as well as software, programming, design, and interface components
- Suggests that the interns wage rate be not less than the applicable minimum wage rate pursuant to chapters 387 and 104, HRS, and
- Clarification of how the department would certify the taxpayer would not have employed the intern without the tax credit, certify the increase in hours worked by the intern, and the maximum duration of the internship



**Testimony to
The Committee on Ways and Means**

**Wednesday, February 22, 2023
10:00 AM
Conference Room 211 & VIA Videoconference
Hawaii State Capitol**

SB 801

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

Hawaii Gas **supports SB 801**, which will allow employers to obtain a tax credit for offering internships to qualified students in work-based learning programs that have been approved by the Department of Education or University of Hawaii.

Established in 1904, Hawaii Gas serves over 70,000 customers on all islands through its pipeline and delivery services, all of whom depend on the company for sustainable, reliable, and affordable gas for water heating, cooking, drying, and other commercial and industrial applications. The company employs some 350 professionals, over 75% of whom are members of the Teamsters Union and provides both regulated utility and unregulated propane operations.

Internships allow companies to invest in their own future success and perhaps discover new talent and future leaders. Internship programs give current employees an opportunity to mentor future leaders in the field, and it can promote a healthy work culture and build company morale.

Work-based learning opportunities, such as internships in skilled fields including healthcare, IT, and engineering , give students the chance to learn on-the-job and gain experience that will make them stand out high-paying for job opportunities in the future.

The tax credits in this bill will enable more of Hawaii's small and medium sized businesses, including Hawaii Gas, to offer these internships, which broadens and diversifies the pool for potential employers, thereby better responding to student interest. These funds directly stimulate the Hawaii economy and are a literal investment in the success of our youth.

We urge the committee to pass SB 801.

Thank you for the opportunity to testify.



david.miyashiro@hawaiikidscan.org
hawaiikidscan.org

David Miyashiro
Executive Director

February 22, 2023

Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee,

HawaiiKidsCAN strongly supports SB801 SD1, which establishes a qualified internship income tax credit for employers of qualified interns for taxable years beginning after 12/31/2023; requires qualified internships to fulfill requirements of the Department of Education and University of Hawai'i work-based learning programs; provides an application and certification process for claims of credits 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; and appropriates funds.

Founded in 2017, HawaiiKidsCAN is a local nonprofit organization committed to ensuring that Hawaii has an excellent and equitable education system that reflects the true voices of our communities and, in turn, has a transformational impact on our children and our state. We strongly believe that all students should have access to excellent educational opportunities, regardless of family income levels and circumstances.

Hawaii's youth are facing an affordability crisis if they want to remain in the state for years to come. While there are many elements needed to address this issue, a must-have is making sure our youth are equipped with the skills and connections they need to pursue their dream careers. Work-based learning opportunities, such as internships in skilled fields including healthcare, IT, and air travel, give students the chance to learn on-the-job and gain experience that will make them stand out high-paying for job opportunities in the future. On the other side, employers across Hawaii will have the opportunity to recruit and grow their own workforce by providing mentorship and training for their next generation of workers. This is a win-win for Hawaii's people and long-term future.

Accordingly, it is critical that youth are exposed to high-quality, high-paying careers while they still have access to free public education at the secondary level, and as they are gaining experience at the postsecondary level. Making sure our youth have a strong springboard prior to graduation and applying for full-time employment is more important than ever, as the current unemployment rates for youth (ages 16-24) across the country are higher than the national average of 3.4%. Currently, 7.3% of all 16-24 year-olds are unemployed. The younger half of that group, the 16-19 year-olds, are unemployed at a rate of 9.1%, while the older half still experiences higher-than-average unemployment at 6.6%. In Hawaii, the numbers are even more concerning, with 10.2% of all youth experiencing unemployment, which is one of the worst rates for this group in the country¹.

This bill will address this issue head-on by encouraging and enabling more employers to offer paid internships for students. The potential impact of paid internships for youth is clearly described in several examples of academic research. One journal article highlights the benefits of internships, including the “application of experiential learning” to promote a greater understanding of their chosen field and increased confidence in entering the workforce or attaining postsecondary education². Furthermore, employers reported that an applicant having experience, such as through an internship, was the most important factor when considering a decision to hire someone. Paid internships also make it more likely that students will invest time into an industry that is of long term interest and passion rather than a low-interest job just for money. The tax credits in this bill will enable more of Hawaii’s small and medium sized businesses to offer these internships, which broadens and diversifies the pool for potential employers, thereby better responding to student interest.

HawaiiKidsCAN recognizes the financial investment required to implement this bill, but finds the long-term benefits for our future workforce and economy far outweigh the costs. By our calculations, over 5,000 interns can benefit from this program every year for \$3.15 million dollars, with endless opportunities for professional and personal growth. These funds directly stimulate the Hawaii economy, and are a literal investment in the success of our youth.

Mahalo for your consideration,

David Miyashiro
Founding Executive Director
HawaiiKidsCAN

¹ <https://www.mathematica.org/dataviz/youth-unemployment-tracker>

² <https://dc.swosu.edu/cgi/viewcontent.cgi?article=1313&context=aij>



Ryan Tanaka, Chairman – Giovanni Pastrami Ave Kwok, Incoming Chair- Jade Dynasty

Tambara Garrick, Secretary – Hawaii Farm Project

Kahili Soon, Treasurer – Hukilau Marketplace

Greg Maples, Past Chair – Polynesian Cultural Center

Sheryl Matsuoka, Executive Director Ginny Wright, Operations Assistant Holly Kessler, Director of Membership Relations

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Date: February 18, 2023

To: Sen. Donovan M. Dela Cruz, Chair
Sen. Gilbert S.C> Keith-Agaran, Vice Chair
Committee on Ways and Means

From: Victor Lim, Legislative Lead

Subj: SB801, SD1 Relating to Qualified Internships Tax Credit

The Hawaii Restaurant Association representing 4,017 Eating and Drinking Place locations strongly supports SB801, SD1, that establishes a qualified internship income tax credit for employers of qualified interns for taxable years beginning after 12/31/2023.

By encouraging business to provide our students with opportunities to advance their knowledge and experience, this will also better prepare our students for a better career after they graduate and enter our mainstream workforce.

This incentive will also enable high school students to gain valuable experience in their chosen field and a better understanding of their field of interest, and at the same time gain professional skills.

There is a cost associated with businesses taking on new interns in teaching and mentoring candidates and most small businesses cannot bear this expense. This bill is mutually beneficial for students and employers alike. This credit is an investment in our future.

Thank you for giving us this opportunity to share our comments on this investment in our future.



TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Qualified Internship Tax Credit

BILL NUMBER: SB 801 SD 1

INTRODUCED BY: Senate Committee on Labor & Technology

EXECUTIVE SUMMARY: Establishes a qualified internship income tax credit for employers of qualified interns for taxable years beginning after 12/31/2023. Requires qualified internships to fulfill requirements of the Department of Education and University of Hawai'i work-based learning programs. Provides an application and certification process for claims of credits 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.

SYNOPSIS: Adds a new section to chapter 235, HRS, establishing the qualified internship tax credit. The credit amount is fifty hours of the value of salaries, wages, or other remuneration services paid to a qualified intern by the qualified taxpayer, up to a maximum of \$_____ in any taxable year.

There are several conditions on the credit: (1) the qualified intern was not employed by the taxpayer within the six months immediately preceding the commencement of the internship; (2) this credit shall be provided for not more than 5,250 qualified interns per calendar year; (3) the qualified internship tax credit, combined with other credits allowed pursuant to this chapter during the privilege period, shall not exceed fifty per cent of the taxpayer's tax liability and shall not reduce the taxpayer's minimum income tax liability.

The credit is nonrefundable and may be carried forward for seven taxable years.

Before the internship period starts, the employer needs to apply to DLIR with an application including a description of daily tasks to be completed, expected student learning outcomes, and other questions necessary to qualify the internship under a work-based learning program approved by the Department of Education or University of Hawaii.

Upon initial approval of the application, the employer needs to certify that the intern was employed and supervised in the State in a position that provides training and experience in the intern's chosen field of study, and was paid a wage of not less than \$12 per hour for a term of at least 150 hours but no more than 15 hours per week during the academic year and no more than 40 hours per week otherwise.

Defines "qualified intern" as an individual who is: (1) Enrolled in a department of education school or public charter school; (2) Employed and supervised in a position located in the State in a position that provides training and experience to the individual in their chosen field of study; and (3) Paid a wage of not less than \$12.00 per hour for a term of employment that includes at

least one hundred fifty hours; provided that the qualified intern works not more than fifteen hours per week during the academic year and not more than forty hours per week during the winter, spring, and summer holiday periods.

EFFECTIVE DATE: January 1, 2050.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. Using the tax system to give taxpayers money to do things that lawmakers want them to do for social policy reasons merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

The additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive compared to the amount that may be paid out in credits.

Digested: 2/17/2023



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Wednesday, February 22, 2023, at 10:00 A.M.
Conference Room 211 & Videoconference**

RE: SB 801 Relating to Qualified Internship Tax Credit

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports SB 801**, which establishes a qualified internship income tax credit for employers of qualified interns for taxable years beginning after 12/31/2023. Provides that qualified interns shall be paid not less than \$12.00 per hour, for a period of at least one hundred fifty hours. Restricts hours worked per week during the academic year and winter, spring, and summer holiday break periods. Requires a report to the Legislature. Appropriates funds.

The Chamber has worked throughout the interim with a working group consisting of private sector leaders, education non-profits like Hawaii Kids CAN, Department of Education, Kamehameha Schools, and other community groups to advance work-based-learning and career pathways for high school and post-secondary students.

At the Chamber we have a team of education and workforce development staff members, led by Executive Vice President Keala Peters, who work solely on this issue and work with a number of private sector companies on advancing work-based-learning, including internships. The feedback that our staff members, along with our policy working received was that we need more private-sector partners at the table to employ these high school and post-secondary interns.

We have worked to identify best practices to see how we can get more companies to participate and found that incentivizing these companies in a program to offer internships was something that has worked around the country. Currently, 30 U.S. States and territories offer incentives to businesses hiring interns or apprentices, and that list is growing every year.

A 2019 survey of internship programs by the National Association of Colleges and Employers found that 70% of interns received a job offer after the conclusion of their program. Internships provide clear paths to stable, well-paying jobs.

The pandemic and recovery ahead only underscore the need for action. By encouraging businesses to provide our students with opportunities to advance their knowledge and experience, we can prepare them for a career after they graduate.

There is a cost associated with businesses taking on new interns, and it takes resources and time to get a new intern up to speed, as other employees take time out of their day for



Chamber of Commerce HAWAII

The Voice of Business

teaching and mentoring. This translates to real costs, meaning internships are unsustainable to take on and offer for many small businesses.

This incentive will also enable high school students to gain valuable experience in their chosen field. Internships can provide students with the opportunity to develop a deeper understanding of their field of interest, as well as gain important professional skills such as communication, problem solving, and collaboration. The experience gained from an internship can be invaluable for a student's career prospects.

SB 801, if passed, will help to bridge the gap between the education system and the job market. By providing real-world experiences to high school students, employers can help to create a more well-rounded and educated workforce.

This bill is mutually beneficial for students and employers alike. Boosting opportunities in students' fields of study will create thousands of new positions that some students might not be able to find otherwise, while simultaneously providing small businesses with smart, driven people who are ready and willing to work.

The Chamber of Commerce Hawaii firmly believes that this tax credit is an investment in our future. We are committed to supporting employers who are willing to invest in the development of our students and are confident that this credit will help to create a brighter future for our state.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Thank you for the opportunity to testify.

SB-801-SD-1

Submitted on: 2/17/2023 11:29:39 AM

Testimony for WAM on 2/22/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Cards Pintor	Individual	Support	Written Testimony Only

Comments:

Aloha,

I support this bill.

Mahalo nui,

Cards Pintor

SB-801-SD-1

Submitted on: 2/20/2023 8:29:15 PM

Testimony for WAM on 2/22/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Erica Yamauchi	Individual	Support	Written Testimony Only

Comments:

Feb. 22, 2023

Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee,

I am a parent of two children in public schools, and an adjunct faculty member at UH-Mānoa, and I'm proud to support SB801 SD1.

Work-based learning opportunities, such as internships in skilled fields including healthcare, IT, and air travel, give students the chance to learn on the job and gain experience that will make them stand out for high-paying job opportunities in the future.

In Hawaii, 10.2% of all youth (ages 16-24) are experiencing unemployment, one of the worst rates for this group in the country. This bill will address this issue head-on by encouraging and enabling more employers to offer paid internships for students. The potential impact of paid internships for youth is clearly described in several examples of academic research. One journal article highlights the benefits of internships, including the "application of experiential learning" to promote a greater understanding of their chosen field and increased confidence in entering the workforce or attaining postsecondary education.

The tax credits in this bill will enable more of Hawaii's small- and medium-sized businesses to offer these internships, broadening and diversifying the pool for potential employers and better responding to student interest. These funds directly stimulate the Hawaii economy and are a literal investment in the success of our youth.

Thank you for the opportunity to testify.

Erica Yamauchi, Kaimukī/Wilhelmina Rise