

STAND. COM. REP. NO.

1503

Honolulu, Hawaii

, 2023

MAR 24

RE: S.B. No. 801
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
S.B. No. 801, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO QUALIFIED INTERNSHIPS TAX
CREDIT,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Establish a qualified internship income tax credit for employers of qualified interns;
- (2) Require qualified internships to fulfill requirements of a Department of Education-approved or University of Hawaii-approved work-based learning program;
- (3) Establish an application and certification process for the tax credit to be administered by the Department of Labor and Industrial Relations;
- (4) Require reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations on the administration of the qualified internship tax credit; and

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- (5) Appropriate funds to the Department of Taxation to establish and implement the tax credit.

Your Committee received testimony in support of this measure from the Hawaii Business Roundtable; HawaiiKidsCAN; Chamber of Commerce Hawaii; Hawaii Accounting LLC; Hawaii Health Care Inc.; DemandHR; Hawai'i Restaurant Association; Kapolei Chamber of Commerce; Hawaii Work-Based Learning Policy Hui; KAI Hawaii, Inc.; Retail Merchants of Hawaii; Pilina Education Alliance, LLC; Hawaiian Telcom; Young Brothers, LLC; Kaiser Permanente Hawai'i; HPM Building Supply; and two individuals. Your Committee received comments on this measure from the Department of Education, Department of Labor and Industrial Relations, Department of Taxation, University of Hawai'i System, and Tax Foundation of Hawaii.

Your Committee finds that Hawaii's youth will face an affordability crisis if they want to remain in the State. Your Committee further finds that work-based learning opportunities, including internships in skilled fields, will give students the chance to learn on the job and gain experience that will help them stand out in the job market and obtain high-paying careers. This measure will encourage more employers to offer paid internships for students by offering financial incentives through a qualified internship tax credit.

Your Committee has amended this measure by:

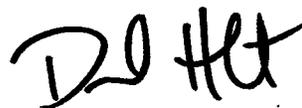
- (1) Requiring the Department of Labor and Industrial Relations to verify that applicants for the tax credit provide certain documentation, rather than requiring the application for the tax credit to include the documentation, and amending the documentation requirements;
- (2) Deleting language that would have:
 - (A) Denied the application of a taxpayer for failure to fulfill the requirements set forth by the Department of Education or University of Hawaii to qualify as a work-based learning program; and



- (B) Required a taxpayer to certify to the Department of Labor and Industrial Relations certain information in the taxpayer's application;
- (3) Amending the definition of "qualified intern";
- (4) Requiring the Department of Taxation to include in its report to the Legislature any recommendations, including proposed legislation, to continue the qualified internship tax credit or instead establish it as a grant program for qualified internships;
- (5) Clarifying that the qualified internship tax credit shall apply to taxable years beginning after December 31, 2023;
- (6) Changing the effective date to June 30, 3000, to encourage further discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 801, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 801, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development,



DANIEL HOLT, Chair



