

Honolulu, Hawaii

MAR 03 2023

RE: S.B. No. 801

S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 801, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to encourage the development of work-based educational programs in the State.

More specifically, this measure:

- (1) Establishes a qualified internship income tax credit for employers of qualified interns;
- (2) Requires qualified internships to fulfill requirements of the Department of Education and University of Hawaii work-based learning programs;
- (3) Provides an application and certification process for claims of credits to be administered by the Department of Labor and Industrial Relations;
- (4) Requires reports to the Legislature from the Department of Taxation and Department of Labor and Industrial Relations; and



- (5) Appropriates an unspecified amount of funds to the Department of Taxation to establish and implement the tax credit.

Your Committee received written comments in support of this measure from the Department of Labor and Industrial Relations, University of Hawaii, Chamber of Commerce Hawaii, Hawaii Gas, Hawaii Restaurant Association, HawaiiKidsCAN, and two individuals.

Your Committee received written comments on this measure from the Department of Education, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that local students will have a better chance at thriving in Hawaii if they have an opportunity to participate in a high-quality work-based learning experience before they graduate from high school. Your Committee also finds that, to drastically increase work-based learning experience opportunities for students, offering additional financial resources for employers will both incentivize companies to offer work-based learning opportunities and increase capacity to host student interns.

Your Committee has amended this measure by:

- (1) Clarifying that a taxpayer may claim a tax credit for each qualified intern the taxpayer employs;
- (2) Establishing an aggregate cap amount for the tax credit;
- (3) Clarifying that the tax credit is nonrefundable;
- (4) Clarifying the certification responsibilities of the Department of Labor and Industrial Relations;
- (5) Removing inapplicable language regarding refundable tax credits;
- (6) Providing that the Department of Taxation's report to the Legislature shall be submitted no later than January 1, 2026;



- (7) Clarifying that section 2 of the measure shall apply to taxable years beginning after December 31, 2023;
- (8) Clarifying that section 5 of the measure shall take effect on July 1, 2023; and
- (9) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

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

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



