

JAN 28 2026

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## A BILL FOR AN ACT

RELATING TO INCOME TAX CREDIT.

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

1 SECTION 1. The legislature finds that the State's long-  
2 term economic competitiveness depends on a skilled, adaptable,  
3 and locally trained workforce aligned with the needs of private-  
4 sector employers. Employers across multiple industries report  
5 that the costs associated with recruiting, training, and  
6 supervising interns and apprentices are a significant barrier to  
7 expanding work-based learning opportunities.

8 The legislature further finds that while the State  
9 currently provides indirect workforce support through grants,  
10 training reimbursements, and allocation of funding from federal  
11 programs, the State does not offer a direct, broad-based tax  
12 incentive to encourage private-sector employers to create and  
13 sustain internship and apprenticeship placements.

14 Unfortunately, while the State has established workforce-related  
15 tax credits and incentive programs administered by the  
16 department of labor and industrial relations, employer  
17 participation in certain existing credit programs has been



1 limited, in part due to narrow eligibility criteria,  
2 administrative complexity, or lack of alignment with employer-  
3 driven workforce needs.

4 The legislature also finds that employer-led, demand-driven  
5 workforce initiatives have demonstrated higher levels of  
6 private-sector engagement. In particular, sector partnerships  
7 coordinated by The Chamber of Commerce of Hawaii have  
8 successfully engaged a broad cross-section of employers to  
9 collaboratively identify workforce needs, develop training  
10 pathways, and support work-based learning opportunities aligned  
11 with industry demand.

12 Furthermore, the legislature finds that expanding private-  
13 sector participation in internship and apprenticeship programs  
14 requires a broad-based, accessible incentive that complements  
15 existing workforce programs, leverages proven employer networks,  
16 and reduces the cost barriers faced by businesses, particularly  
17 small and medium-sized employers, when offering paid work-based  
18 learning placements.

19 Therefore, the purpose of this Act is to establish a  
20 workforce builder tax credit to incentivize private-sector  
21 employers to provide paid internships and apprenticeships,



1 increase employer participation in work-based learning,  
2 programs, and strengthen Hawaii's workforce pipeline through  
3 employer-led, industry-aligned pathways.

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 "S235- Workforce builder tax credit. (a) There is  
8 allowed to each eligible taxpayer subject to the taxes imposed  
9 under this chapter, a nonrefundable workforce builder income tax  
10 credit that shall be deductible from the taxpayer's net income  
11 tax liability, if any, imposed by this chapter for the taxable  
12 year in which the credit is properly claimed.

13 (b) The amount of the tax credit shall be:  
14 (1) \$1,000 for each qualified intern; or  
15 (2) \$2,000 for each qualified apprentice.  
16 (c) The department of taxation shall allow the credit  
17 under this section upon certification by the department of labor  
18 and industrial relations that the eligible taxpayer has employed  
19 a qualified intern or qualified apprentice during the taxable  
20 year.



1           (d) The total amount of the tax credits allowed under this  
2 section shall not exceed \$5,000,000 in the aggregate for all  
3 taxable years combined; provided that the department of taxation  
4 shall disallow any credit claimed once the aggregate cap has  
5 been reached.

6           (e) If the tax credit under this section exceeds the  
7 taxpayer's income tax liability, the excess of the tax credit  
8 over liability may be used as a credit against the taxpayer's  
9 net income tax liability in subsequent years until exhausted.  
10 All claims, including amended claims, for a tax credit under  
11 this section shall be filed on or before the end of the twelfth  
12 month following the close of the taxable year for which the  
13 credit may be claimed. Failure to comply with the foregoing  
14 provision shall constitute a waiver of the right to claim the  
15 credit.

16           (f) The director of taxation:  
17           (1) Shall prepare any forms necessary to claim a tax  
18 credit under this section; and  
19           (2) May require proof of the claim for the tax credit.  
20           (g) The department of labor and industrial relations, in  
21 coordination with the department of taxation, shall adopt rules



1 pursuant to chapter 91 necessary to carry out the purposes of  
2 this section.

3 (h) For the purposes of this section:

4 "Eligible taxpayer" means a private-sector business entity  
5 subject to taxation under this chapter that employs one or more  
6 qualified interns or qualified apprentices in the State.

7 "Qualified apprentice" means an individual who:

8 (1) Is a resident of the State; and  
9 (2) Is employed by an eligible taxpayer and is registered  
10 as a participant in a state or federally recognized  
11 apprenticeship program.

12 "Qualified intern" means an individual who:

13 (1) Is a resident of the State;  
14 (2) Is engaged in a paid internship or work-based learning  
15 placement with an eligible taxpayer for not less than  
16 three months during the taxable year; and  
17 (3) Is participating in a structured internship or work-  
18 based learning program connected to an educational  
19 institution, workforce training program, or industry-  
20 recognized credential pathway, as determined by the  
21 department of labor and industrial relations."



1 SECTION 3. The department of labor and industrial  
2 relations, in coordination with the department of taxation,  
3 shall submit a report of its findings and recommendations,  
4 including any proposed legislation, on the workforce builder tax  
5 credit to the legislature no later than twenty days prior to the  
6 convening of the regular session of 2029. This report shall be  
7 submitted in accordance with section 93-16, Hawaii Revised  
8 Statutes, and shall include:

- 9 (1) The number of participating employers;
- 10 (2) The number of interns and apprentices supported;
- 11 (3) Industry sectors represented;
- 12 (4) The fiscal impact of the tax credit; and
- 13 (5) Any recommendation for continuation, modification, or  
14 expansion of the tax credit.

15 SECTION 4. There is appropriated out of the general  
16 revenues of the State of Hawaii the sum of \$5,000,000 or so much  
17 thereof as may be necessary for fiscal year 2026-2027 to  
18 administer and fund the workforce builder tax credit.

19 The sum appropriated shall be expended by the department of  
20 taxation for the purposes of this Act.

21 SECTION 5. New statutory material is underscored.



1 SECTION 6. This Act, upon its approval, shall apply to  
2 taxable years beginning after December 31, 2026.

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INTRODUCED BY: D.K.



# S.B. NO. 3046

**Report Title:**

DLIR; DOTAX; Nonrefundable Income Tax Credit; Workforce Builder Tax Credit; Report; Appropriation

**Description:**

Establishes a nonrefundable Workforce Builder Tax Credit for employers who employ qualified interns and apprentices, to be applied to taxable years beginning after 12/31/2026. Requires a report to the Legislature. Appropriates funds.

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

