

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 3, 2026

To: The Honorable Jackson D. Sayama, Chair,
The Honorable Mike Lee, Vice Chair, and
Members of the House Committee on Labor

Date: Tuesday, February 3, 2026

Time: 9:30 a.m.

Place: Conference Room 309, State Capitol

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

Re: H.B. 1851 RELATING TO TAXATION

The DLIR supports the intent of HB1851 and defers to the Department of Taxation (DoTAX) on the implementation of the tax credit. The department notes that apprenticeships are a proven model for achieving sustainable wages.

The DLIR serves as the State Apprenticeship Agency recognized by the U.S. Department of Labor to register apprenticeship programs in Hawaii. The department is responsible for approving Program Standards that comply with state and federal rules governing Registered Apprenticeship. By providing a tax credit for qualified apprenticeship programs, this measure will incentivize employers to expand the apprenticeship model.

The department anticipates significant challenges in determining qualified costs. The DLIR suggests providing a credit for apprentices per apprentice with a maximum cap.

Thank you for the opportunity to provide testimony.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

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

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 1851, Relating to Taxation.

BEFORE THE:
House Committee on Labor

DATE: Tuesday, February 3, 2026
TIME: 9:30 a.m.
LOCATION: State Capitol, Conference Room 309

Chair Sayama, Vice-Chair Lee, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1851 for your consideration.

H.B. 1851 establishes a nonrefundable apprenticeship program income tax credit equal to ten per cent of the “qualified costs” incurred by a “qualified apprenticeship program.”

“Qualified costs” are defined as “costs directly incurred by a qualified apprenticeship program for training, instruction, and related expenses necessary to maintain program compliance and provide apprenticeship opportunities.”

“Qualified apprenticeship program” is defined as “an apprenticeship program in the State that is registered and approved by the department of labor and industrial relations.” The director of taxation is authorized to prepare necessary forms, require the taxpayer to

furnish information to ascertain the validity of a claim for the tax credit, and to adopt rules necessary to effectuate the purpose of the bill.

The bill provides that the total tax credit claimed per qualified apprenticeship program shall not exceed an unspecified amount. It also provides an unspecified aggregate cap amount for all taxpayers per taxable year.

The tax credit must be claimed against the taxpayer's income tax liability, on or before the end of the twelfth month following the close of the taxable year. If the tax credit exceeds the taxpayer's income tax liability in a given taxable year, the bill allows a taxpayer to carry forward any excess of the tax credit until it is exhausted.

The bill is effective upon approval and applies to taxable years beginning after December 31, 2025.

First, DOTAX notes that it is unable to administer aggregate caps. If the aggregate cap is maintained, DOTAX requests that the bill be amended to require a third party to administer the aggregate cap.

Second, DOTAX recommends amending subsection (b) as follows to clarify that the taxpayer who is claiming the credit must incur expenses:

The amount of the tax credit shall be ten per cent of the qualified costs incurred by the taxpayer for a qualified apprenticeship program in the taxable year; provided that . . .

Third, DOTAX recommends amending subsection (d), which contains a requirement that the taxpayer comply with all applicable federal, state, and county statutes, ordinances, rules, and regulations. Enforcing this provision would be challenging, as DOTAX does not have the expertise to determine which laws apply to the taxpayer and whether the taxpayer is in compliance with all applicable laws. DOTAX recommends amending subsection (d) to instead require the taxpayer obtain a certificate of good standing.

Fourth, DOTAX recommends that the bill be amended to include a five-year time limit to claim any carry forward, as credits claimed further from the year costs are incurred are more difficult to verify.

Finally, DOTAX recommends that the effective date of the bill be amended to apply to taxable years beginning after December 31, 2026 to allow sufficient time to prepare forms, make system changes, and inform taxpayers.

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Apprenticeship Program Income Tax Credit

BILL NUMBER: HB 1851

INTRODUCED BY: SAYAMA, CHUN, GARRETT, ILAGAN, KAHALOA, KILA, LEE, M., LOWEN, MARTEN, MIYAKE, MORIKAWA, OLDS, POEPOE, TAKAYAMA, TAM, TARNAS, WOODSON

EXECUTIVE SUMMARY: Establishes an apprenticeship program income tax credit for certain qualified costs incurred by a qualified apprenticeship program. Applies to taxable years beginning after 12/31/2025.

SYNOPSIS: Adds a new section to chapter 235, HRS, to allow the apprenticeship program income tax credit. The credit is 10% of the qualified costs incurred by a qualified apprenticeship program, subject to a per-taxpayer limit of \$____ and an aggregate annual limit of \$____ statewide.

The credit is nonrefundable but may be carried forward.

All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with this provision shall constitute a waiver of the right to claim the credit.

To qualify for the income tax credit, the taxpayer shall be in compliance with all applicable federal, state, and county statutes, ordinances, rules, and regulations.

DLIR is tasked with certifying applications for the credit and the amount of qualified costs.

Defines “Qualified apprenticeship program” as an apprenticeship program in the State that is registered and approved by the department of labor and industrial relations.

Defines “Qualified costs” as costs directly incurred by a qualified apprenticeship program for training, instruction, and related expenses necessary to maintain program compliance and provide apprenticeship opportunities.

EFFECTIVE DATE: Taxable years beginning after December 31, 2025.

STAFF COMMENTS: The program proposed appears to be better administered outside of the tax code. Because applicants would need to go to DLIR anyway to have it vet the taxpayer’s application, it would be desirable to appropriate the money to DLIR and have that agency distribute the money as grants to qualifying businesses. The alternative would require significant resources

Re: HB 1851

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to be spent by DOTAX in preparing forms, reprogramming computer systems, and establishing guidance around the credit, where the number of applicants would seem to be relatively small.

We observe that the definition of “qualified apprenticeship program” is a program that is “approved” by DLIR, but the bill does not specify any criteria for approval or rejection. We recommend that the Legislature provide appropriate criteria.

Digested: 1/30/2026



HPCA

HAWAII PRIMARY CARE ASSOCIATION

**Testimony to the House Committee on Labor
Tuesday, February 3, 2026; 9:30 a.m.
State Capitol, Conference Room 309
Via Videoconference**

RE: HOUSE BILL NO. 1851, RELATING TO TAXATION.

Chair Sayama, Vice Chair Lee, and Members of the Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** House Bill No. 1851, RELATING TO TAXATION.

By way of background, the HPCA represents Hawaii's Federally Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines to over 150,000 patients each year who live in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

This bill, as received by your Committee, would establish an Apprenticeship Program Income Tax Credit for certain qualified costs incurred by a qualified apprenticeship program and apply to taxable years beginning after December 31, 2025.

The State of Hawaii is experiencing a severe shortage of health care professionals in the workforce, especially in rural areas. Recent studies note that the current shortage of physicians is at 20% of the total full-time equivalent positions throughout the State. The shortage is especially severe in the fields of primary care, infectious diseases, colorectal surgery, pathology, general surgery, pulmonology, neurology, neurosurgery, orthopedic surgery, family medicine, cardiothoracic surgery, rheumatology, cardiology, hematology/oncology, and pediatric subspecialties of endocrinology, cardiology, neurology, hematology/oncology, and gastroenterology.

The same can be said for registered and practical nurses, community health workers, social workers, pharmacists, and other disciplines in the field of health care.

Testimony on Senate Bill No. 1851
Tuesday, February 3, 2026; 9:30 a.m.
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The HPCA believes the income tax credit provided by this bill would help offset the costs of establishing and participating in apprenticeship programs that train and mentor new health care professionals. Such apprenticeship programs provide a needed service for our community by preparing students for meaningful employment, diversifying their learning opportunities, and promoting responsible citizenship. In addition, apprenticeship programs facilitate partnerships between businesses and educators for the creation of mentoring ventures and other opportunities so that new employees may gain the practical experience that will enable them to be productive members of our labor force. This is critical for the field of health care, especially in rural communities.

Because of this, the HPCA urges your favorable consideration of this measure.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiipcainet.



1050 Bishop St. PMB 235 |
Honolulu, HI 96813
P: 808-533-1292 | e:
info@hawaiifood.com

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TO: Committee on Labor
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 3, 2026

TIME: 9:30am

RE: HB1851 Relating to Taxation

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

Like many industries in our state, the food industry is facing a shortage of workers. While there are a range of diverse jobs in this field, there are often not enough applicants with the necessary skills and experience that our food businesses need.

This program will help our local food companies, and other businesses, work directly with young people to help them develop the specific skills they need to thrive in their future careers. Expanding work-based learning programs is a win for students as it provides valuable hands-on learning, and it's a win for businesses that get to engage these bright young people and help shape the workforce of tomorrow. This measure also promotes economic growth and job creation in our state.

We encourage the Committee to pass this measure, and we thank you for the opportunity to testify.



**HEARING BEFORE THE HOUSE COMMITTEE ON LABOR
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 309
Tuesday, February 3, 2026 AT 9:30 A.M.**

To The Honorable Representative Jackson D. Sayama, Chair
The Honorable Representative Mike Lee, Vice Chair
Members of the Committee on Labor

SUPPORT HB1851 RELATING TO TAXATION

The Maui Chamber of Commerce recognizes the critical importance of workforce development and the creation of high-quality job opportunities. HB1851, which proposes an income tax credit for qualified costs incurred by apprenticeship programs, directly supports these objectives by incentivizing investment in skills training and talent pipelines essential for local industries.

Apprenticeship programs are proven pathways to well-paying, sustainable careers. By reducing the financial burden on organizations that invest in such programs, this bill encourages more employers to participate in workforce development, helping to address persistent challenges in hiring and skills gaps across sectors. This is particularly significant for Maui, where businesses continue to face economic challenges and labor shortages.

Moreover, the proposed tax credit aligns with the goal of economic diversification by supporting industries like construction, manufacturing, and technology. Encouraging the growth of apprenticeship programs in these fields will help build a more resilient economy, provide residents with broader career options, and foster long-term prosperity for our communities.

We respectfully encourage the Legislature to ensure that the definition of "qualified costs" is clear and inclusive of a broad range of necessary training expenses. We appreciate the bill's focus on workforce development and urge its passage as a meaningful step toward a stronger, more diversified Hawai'i economy.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.