
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 programs,
2 and strengthen Hawaii's workforce pipeline through employer-led,
3 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 "§235- 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 is employed
8 by an eligible taxpayer and is registered as a participant in a
9 state or federally recognized apprenticeship program.

10 "Qualified intern" means an individual who:

11 (1) Is engaged in a paid internship or work-based learning
12 placement with an eligible taxpayer for not less than
13 three months during the taxable year; and

14 (2) Is participating in a structured internship or work-
15 based learning program connected to an educational
16 institution, workforce training program, or industry-
17 recognized credential pathway, as determined by the
18 department of labor and industrial relations."

19 SECTION 3. The department of labor and industrial
20 relations, in coordination with the department of taxation,
21 shall submit a report of its findings and recommendations,



1 including any proposed legislation, on the workforce builder tax
2 credit to the legislature no later than twenty days prior to the
3 convening of the regular session of 2029. This report shall be
4 submitted in accordance with section 93-16, Hawaii Revised
5 Statutes, and shall include:

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

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

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

18 SECTION 5. New statutory material is underscored.

19 SECTION 6. This Act shall take effect on January 1, 2077.



S.B. NO. 3046
S.D. 1

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. Effective 1/1/2077. (SD1)

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