

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



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

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1851, H.D.2, Relating to Taxation

BEFORE THE:

House Committee on Finance

DATE: Wednesday, March 4, 2026
TIME: 10:00 a.m.
LOCATION: State Capitol, Conference Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1851, H.D.2, for your consideration.

H.B. 1851, H.D.2, establishes a nonrefundable “apprenticeship program income tax credit” equal to the lesser of \$4,800 or 50 percent of the “qualified costs” incurred by a taxpayer for a “qualified apprenticeship program.”

“Qualified costs” are defined as “wages paid to each apprentice.” “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 total tax credit claimed per qualified apprenticeship program shall not exceed an unspecified amount per taxable year, with an aggregate cap amount of \$1.5 million for all taxpayers per taxable year. A taxpayer may claim the credit in the

subsequent tax year if the aggregate cap is exceeded in a given taxable year and may apply the credit for the same apprentice for up to two consecutive taxable years.

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 credit exceeds the taxpayer's income tax liability in a given taxable year, a taxpayer may carry forward any excess of the credit until it is exhausted.

The bill has a defective effective date of July 1, 3000, and applies to taxable years beginning after December 31, 2025, with a sunset date of December 31, 2036.

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 (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.

Third, 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.

Fourth, DOTAX notes that the term "apprentice" is undefined and recommends amending the bill to provide clarifying language on what constitutes an "apprentice" for the purposes of the credit.

Lastly, 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.

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

March 4, 2026

To: The Honorable Chris Todd, Chair,
The Honorable Jenna Takenouchi, Vice Chair, and
Members of the House Committee on Finance

Date: Wednesday, March 4, 2026
Time: 10:00 a.m.
Place: Conference Room 308, State Capitol

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

Re: H.B. 1851 H.D.2 RELATING TO TAXATION

The **DLIR supports the intent** of HB1851 HD2 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.

Thank you for the opportunity to provide testimony on this matter.

**Testimony to the House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair**

**Wednesday, March 4, 2026, at 10:00AM
Conference Room 308 & Videoconference**

RE: HB1851 HD2 Relating to Taxation

Aloha e Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports House Bill 1851 House Draft 2 (HB1851 HD2), which establishes an apprenticeship program income tax credit for certain qualified costs incurred by a qualified apprenticeship program.

HB1851 HD2 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Economic Action. This bill contributes towards the development of a competitive workforce, entry-level workforce pathways, and a business environment where employers are incentivized to seek out young professionals

One of the most pressing issues facing Hawaii is outward migration. With the unemployment rate at 2.2% as of December 2025 and having lost almost 22,500 from the state population since 2020, it is clear that Hawaii's workforce and economic future are leaving the state. With high cost of living, a struggling economy at the state and national level, and local wages being outpaced by inflation, our residents are having to make tough decisions around the financial feasibility of a life in Hawaii.

Incentivizing apprenticeships offers an attractive opportunity to capture Hawaii's young workforce early. State supported apprenticeships serve a vital role in offering Hawaii's youth opportunities to gain valuable work experience while preparing them for successful. HB1851 HD2 helps lower the barriers for the private sector to provide Hawaii's young professionals with the experience to kick off their career and root them in Hawaii. Rooting them in Hawaii means significant return on investment, by way of their contributions in the way of taxes and workforce participation.

We respectfully ask to pass House Bill 1851 House Draft 2. Thank you for the opportunity to testify.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030

Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

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 HD2

INTRODUCED BY: ECD

EXECUTIVE SUMMARY: Establishes an apprenticeship program income tax credit for certain qualified costs incurred by a qualified apprenticeship program. Sunsets 12/31/2036 . Effective 7/1/3000. (HD2)

SYNOPSIS: Adds a new section to chapter 235, HRS, to allow the apprenticeship program income tax credit. The credit is the lesser of \$4,800 or 50% of the qualified costs incurred under a qualified apprenticeship program, subject to a per-program limit of \$___ and an aggregate annual limit of \$1,500,000 statewide

The taxpayer may apply the credit for the same apprentice for up to two consecutive taxable years.

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 the wages paid to each apprentice.

EFFECTIVE DATE: July 1, 3000, applies to taxable years beginning after December 31, 2025. Sunsets on December 31, 2036..

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 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.

The bill includes unspecified credit amounts and otherwise contains blanks for important information. The bill cannot be scored for revenue gain/loss in its current form, and cannot be vetted properly unless numbers are inserted. The Labor Committee report recommends certain values to be inserted in the blanks, as well as a proposed sunset date.

We note that the Rules of the House and of the Senate specify that proceedings are to follow Mason’s Manual of Legislative Procedure published by the National Conference of State Legislatures. Mason’s Manual specifies, in section 416-8 of its 2020 edition, that “When proposals containing blanks are introduced, these must be filled before other motions to amend are entertained.”

We also note that the bill conditions the credit on “compliance with all applicable federal, state, and county statutes, ordinances, rules, and regulations.” This is a standard that is virtually impossible for any taxpayer to comply with and impossible to enforce fairly. We recommend that it be deleted or modified.

Digested: 3/2/2026



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

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Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Advisor*
Maile Miyashiro, C&S Wholesale, *Immediate Past Chair*

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

DATE: March 4, 2026
TIME: 10am

RE: HB1851 HD2 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.

HFIA is in support of this measure. 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.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
WEDNESDAY, MARCH 4, 2026 AT 10:00 A.M.**

To The Honorable Representative Chris Todd, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
Members of the Committee on Finance

SUPPORT HB1851 HD2 RELATING TO TAXATION

The Maui Chamber of Commerce supports HB1851 HD2, which establishes an income tax credit for qualified costs incurred by apprenticeship programs, directly addresses the need to build a robust pipeline of skilled workers and encourages investment in training and human capital.

Expanding apprenticeship opportunities aligns with our goals of fostering economic growth and resilience, particularly as Maui and other communities continue to recover from recent economic shocks. By incentivizing businesses to participate in apprenticeship programs, this measure can help address ongoing workforce shortages, reduce barriers to entry for local residents seeking high-quality jobs, and promote the development of new industries beyond tourism. Such efforts are essential to creating a more diversified and sustainable economy for Hawai'i.

We also note that supporting apprenticeship programs can yield long-term benefits by increasing productivity, enhancing job stability, and fostering innovation. These outcomes contribute to a more competitive business environment, attract new investment, and support the broader goal of economic diversification. Encouraging businesses to invest in workforce training is a proven strategy to improve local capacity and ensure that economic recovery efforts are inclusive and far-reaching, as well as a step toward improving the state's business climate.

We respectfully recommend that the Legislature consider clarifying the definition of "qualified costs" to ensure the credit is accessible to a wide range of apprenticeship programs across different sectors. We support this bill as a meaningful step toward strengthening Hawai'i's workforce and economy.

Mahalo for the opportunity to share our support of HB1851 HD2.

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.



**Testimony to the House Committee on Finance
Wednesday, February 4, 2026; 10:00 a.m.
State Capitol, Conference Room 308
Via Videoconference**

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

Chair Todd, Vice Chair Takenouchi, 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, House Draft 2, 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, and be repealed on December 31, 2036,.

This bill would take effect on July 1, 3000.

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 House Bill No. 1851, House Draft 2
Wednesday, March 4, 2026; 10:00 a.m.
Page 2

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@hawaiiipca.net.



March 2, 2026

Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair
House Committee on Finance
Hawaii State Legislature

Support for HB1851 HD2

Dear Chair Todd, Vice Chair Takenouchi and Members of the House Committee on Finance,

On behalf of the Kohala Coast Resort Association (KCRA) thank you for providing us with the opportunity to provide our **SUPPORT of HB1851 HD2.**

With the State of Hawaii projected to see a 33% drop in the number of high school graduates during the next 15 years, we believe there needs to be strong investment in workforce development partnerships and support the development of an apprenticeship program income tax credit.

Kohala Coast Resort Association has been participating in efforts led by Hawaii County's Department of Research and Development, with the ClimbHI / LEI program, with the academies at Honokaa and Kealakehe High Schools, and with Hawaii Community College's Palamanui Campus and Ko Education Center to create stronger internship programs for Hawaii Island students, and those entering and returning to the workforce.

Finding solutions will require additional investment and partnership and we respectfully urge your committee to pass HB1851 HD2.

Sincerely,

A handwritten signature in black ink that reads "Stephanie P. Donoho". The signature is written in a cursive, flowing style.

Stephanie Donoho, Administrative Director, Kohala Coast Resort Association

Craig Anderson, Mauna Kea Resort – President
Charlie Parker, Four Seasons Hualalai – Vice President
Mark Goldrup, Waikoloa Beach Marriott – Secretary
Pete Alles, Auberge Resorts Collection – Treasurer
Pat Fitzgerald, Hualalai Investors – Board of Directors
Daniel Scott, Rosewood Kona Village – Board of Directors
Samantha Jones, Fairmont Orchid – Board of Directors
Scott Head, Waikoloa Land Company – Board of Directors
Nick Kuhns, Hilton Waikoloa Village – Board of Directors
Rob Gunthner, Hilton Grand Vacations – Board of Directors