

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 13, 2026

To: The Honorable Brandon J.C. Elefante, Chair,
The Honorable Rachele Lamosao, Vice Chair, and
Members of the Senate Committee on Labor and Technology

Date: Friday, February 13, 2026
Time: 3:00 p.m.
Place: Conference Room 225, State Capitol

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

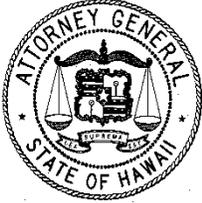
Re: S.B. 3046 RELATING TO INCOME TAX CREDIT

The **DLIR supports the intent** of SB3046, **offers comments**, and defers to the Department of Taxation (DOTAX) on the implementation of the tax credits. The department emphasizes that apprenticeships and internships are proven models that increase job awareness and promote 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 approves Program Standards that comply with state and federal rules governing Registered Apprenticeship and administers the Hele Imua program. By providing a tax credit for qualified apprenticeship and internship programs, this measure will incentivize employers to expand these proven workforce development models.

The department recommends that, if the measure provides rulemaking authority, DoTAX adopt rules since the amendments apply to HRS Chapter 235, Income Tax Law. It is also unclear how DLIR would verify whether the intern was participating in a structured internship or work-based learning program without any criteria established in the measure. Finally, the measure does not include an appropriation or staffing for DLIR to assume these additional responsibilities, which would place an administrative burden on the department.

Thank you for the opportunity to provide testimony.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

S.B. NO. 3046, RELATING TO INCOME TAX CREDIT.

BEFORE THE:

SENATE COMMITTEE ON LABOR AND TECHNOLOGY

DATE: Friday, February 13, 2026 **TIME:** 3:00 p.m.

LOCATION: State Capitol, Room 225

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Lane Kaiwi Opulauoho, Deputy Attorney General

Chair Elefante and Members of the Committee:

The Department of the Attorney General provides the following comments.

The purpose of this bill is to establish a workforce builder tax credit to incentivize private-sector employers to provide paid internships and apprenticeships, increase employer participation in work-based learning programs, and strengthen Hawaii's workforce pipeline through employer-led, industry-aligned pathways. Section 2 of this bill amends chapter 235 of the Hawaii Revised Statutes (HRS) to add a new section titled "Workforce builder tax credit". The total amount of the tax credit shall be based on the number of qualified interns and/or qualified apprentices employed by an eligible taxpayer during the taxable year. See *generally* section 2, page 3, lines 8-20. The Department of Labor and Industrial Relations, in coordination with the Department of Taxation, shall adopt rules pursuant to chapter 91, HRS, "necessary to carry out the purposes" of the bill. See subsection (g) of the new section, page 4, line 20, to page 5, line 2. Under subsection (h) of the new section, the definitions of "qualified apprentice" and "qualified intern" provide a requirement that the apprentice and intern must, respectively, be a **"resident** of the State." See section 2, page 5, lines 8 and 13 (emphasis added).

This bill could be subject to challenge under the Privileges and Immunities Clause of the United States Constitution. "The Privileges and Immunities Clause, U.S. Const., Art. IV, § 2, provides that the Citizens of each State shall be entitled to all

Privileges and Immunities of Citizens in the several states." *Lunding v. New York Tax Appeals Tribunal*, 522 U.S. 287, 290 (1998) (internal brackets and quotation marks omitted). "One right thereby secured is the right of a citizen of any State to 'remove to and carry on business in another without being subjected in property or person to taxes more onerous than the citizens of the latter State are subjected to.'" *Id.* at 296 (quoting *Shaffer v. Carter*, 252 U.S. 37, 56 (1920)). The Clause requires "substantial equality of treatment" for resident and nonresident taxpayers; "[w]here nonresidents are subject to different treatment, there must be 'reasonable grounds for . . . diversity of treatment.'" *Id.* at 297-98 (quoting *Travis v. Yale & Towne Mfg. Co.*, 252 U.S. 60, 79 (1920)). Thus, "the Privileges and Immunities Clause bars 'discrimination against citizens of other States where there is no substantial reason for the discrimination beyond the mere fact that they are citizens of other states.'" *Id.* at 298 (quoting *Toomer v. Witsell*, 334 U.S. 385, 396 (1948)).

Here, it is questionable whether there is a "substantial reason" or "reasonable grounds" for treating residents and nonresident taxpayers differently with respect to the subject workforce builder tax credit. We therefore recommend deleting "Is a resident of the State" from the definitions of "Qualified apprentice" and "Qualified intern," see section 2, page 5, lines 8 and 13, or alternatively that a more substantial justification be provided for the residency requirement in section 1 of the bill.

Thank you for the opportunity to comment on this bill.



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Labor and Technology
February 13, 2026 at 3:00 p.m.

By

Debora Halbert
Vice President for Academic Strategy
University of Hawai'i System

SB 3046 – RELATING TO INCOME TAX CREDIT.

Chair Elefante, Vice Chair Lamosao, and Members of the Committee:

The University of Hawai'i (UH) supports SB 3046 – Relating to Income Tax Credit, which establishes a Workforce Builder Tax Credit to incentivize private-sector employers to provide paid internships and registered apprenticeships. Expanding paid, structured work-based learning opportunities is critical to strengthening Hawai'i's workforce pipeline, improving student career readiness, and aligning postsecondary education with industry demand. By reducing cost barriers for employers—particularly small and medium-sized businesses—this measure encourages broader participation in internships and apprenticeship programs that provide meaningful, compensated experiences connected to educational and credential pathways.

Paid internships are the only work-based learning intervention that national research has shown to be effective at reducing graduates' underemployment. Registered apprenticeship programs are similarly well established “earn and learn” pathways through education into full-time employment. Both of these work-based learning opportunities are, however, in relatively short supply. UH is fully aware that increasing the numbers of college graduates who successfully find college-level jobs after graduation, and effectively reducing persistent workforce shortages in both foundational (e.g. education, healthcare) and emerging (e.g. creative media, aerospace engineering) industries, will require a much larger pool of work-based learning opportunities for our entire student body. Incentivizing our state's small- and medium-sized businesses in the creation and expansion of paid internships and registered apprenticeships is an important addition to existing efforts by a variety of state agencies and non-profit partners. This bill complements existing workforce investments and reinforces a shared commitment to developing locally trained talent by expanding the supply side of the work-based learning opportunity equation.

The UH appreciates the Legislature's leadership in advancing policies that strengthen economic competitiveness while expanding opportunities for students and residents across the State.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Workforce Builder Tax Credit

BILL NUMBER: SB 3046

INTRODUCED BY: KANUHA

EXECUTIVE SUMMARY: 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.

SYNOPSIS: Adds a new section 235____, HRS, nonrefundable workforce builder income tax credit. The amount of the tax credit shall be: (1) \$1,000 for each qualified intern or (2) \$2,000 for each qualified apprentice.

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

Tax credits in excess of the taxpayer's liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted.

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.

Requires the director of taxation to prepare any forms necessary to claim a credit and may require a taxpayer to furnish proof of claim for the credit.

The department of labor and industrial relations, in coordination with the department of taxation, shall adopt rules pursuant to HRS chapter 91.

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

"Qualified apprentice" means an individual who: (1) Is a resident of the State; and (2) Is employed by an eligible taxpayer and is registered as a participant in a state or federally recognized apprenticeship program.

"Qualified intern" means an individual who: (1) Is a resident of the State; (2) Is engaged in a paid internship or work-based learning placement with an eligible taxpayer for not less than three months during the taxable year; and (3) Is participating in a structured internship or work-based learning program connected to an educational institution, workforce training program, or industry recognized credential pathway, as determined by the department of labor and industrial relations."

Section 3 of the measure requires the department of labor and industrial relations, in coordination with the department of taxation, to submit a report of findings and recommendations to the legislature no later than 20 days prior to the convening of the 2029 regular session.

Section 4 appropriates out of general revenues the sum of \$5,000,000 or so much as may be necessary for the fiscal year 2026-2027 to be expended by the department of taxation to administer and fund the workforce builder tax credit.

EFFECTIVE DATE: Taxable years beginning after December 31, 2026.

STAFF COMMENTS: This measure provides a tax subsidy to incentivize private-sector employers to provide paid internships and apprenticeships to strengthen Hawaii's workforce pipeline. While a tax credit may provide an incentive to employers to increase work-based learning, lawmakers need to keep in mind two things.

First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when we need money to support social service programs or our state hospitals ?

In any event, a direct appropriation of a grant or subsidy program would be more accountable and transparent.

Furthermore, the Tax Credit would entail resources to implement rules to administer the allowance and monitoring of the Credit, implement changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount.

A direct appropriation may be a far less costly method to accomplish the same thing.

As a technical consideration, a credit claim cannot be filed prior to certification by the department of labor and industrial relations, consequently there may be a substantial time lag from certification to reduction of the taxpayer's tax liability. This time lag may be problematic for the department of taxation to monitor the \$5,000,000 credit cap. Perhaps the department that certifies the credit would be better equipped, on a real time basis, to monitor the \$5,000,000 cap.

Digested: 2/11/2026

**Testimony to the Senate Committee on Labor and Technology
Senator Brandon J.C. Elefante, Chair
Senator Lamosao, Vice Chair**

**Friday, February 13, 2026, at 3:00 PM
Conference Room 225 & Videoconference**

RE: SB3046 Relating to Income Tax Credit

Aloha e Chair Elefante, Vice Chair Lamosao, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 3046 (SB3046), which establishes a nonrefundable Workforce Builder Tax Credit for employers who employ qualified interns and apprentices

SB3046 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 private apprenticeships and internships offers an attractive opportunity to capture Hawaii's young workforce early. State funded private sector internships serve a vital role in offering Hawaii's youth opportunities to gain valuable work experience while preparing them for successful. SB3046 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.

For these reasons we respectfully ask to pass Senate Bill 3046. 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.



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Executive Officers

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Lauren Zirbel, HFIA, *President and Executive Director*
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Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, Odom, *Advisor*
Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Advisor*
Maile Miyashiro, C&S Wholesale, *Immediate Past Chair*

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

DATE: February 13, 2026

TIME: 3pm

RE: SB3046 Relating to Income Tax Credit

Position: Support

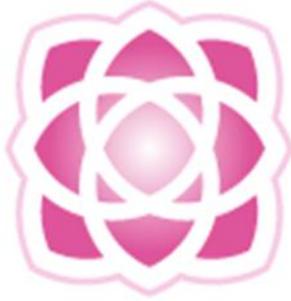
The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure to establish a workforce builder tax credit to incentivize private-sector employers to provide paid internships and apprenticeships, increase employer participation in work-based learning, programs, and strengthen Hawaii's workforce pipeline through employer-led, industry-aligned pathways.

Like many essential industries around our state, the food industry is currently reporting severe workforce shortages. As the measure notes the costs associated with recruiting, training, and supervising interns and apprentices are a significant barrier to expanding work-based learning opportunities.

Work place based learning can be a valuable tool in filling the gaps in our essential workforce today, and in making sure that our Hawaii workforce has all the skills and experience they need for the Hawaii jobs of tomorrow.

We urge the committee to pass this measure and we thank you for the opportunity to testify.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON LABOR & TECHNOLOGY
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
FRIDAY, FEBRUARY 13, 2026 AT 3:00 P.M.**

To The Honorable Senator Bradon J.C. Elefante, Chair
The Honorable Senator Rachele Lamosao, Vice Chair
Members of the Committee on Labor & Technology

SUPPORT SB3046 RELATING TO INCOME TAX CREDIT

As an organization committed to fostering economic growth, diversification, and long-term prosperity for Hawai'i's communities, the Maui Chamber of Commerce supports SB3046, which establishes a nonrefundable Workforce Builder Tax Credit for employers who hire qualified interns and apprentices, directly addresses key barriers to economic resilience and long-term prosperity.

By incentivizing employers to invest in workforce development, this measure aligns with our commitment to fostering a skilled labor force and supporting pathways to stable, high-quality employment. Research and best practices indicate that tax credits for internship and apprenticeship programs can encourage businesses to provide hands-on learning experiences, which are essential for building local talent pipelines and reducing reliance on external labor. This approach not only benefits individual workers but also strengthens the broader economy by enhancing productivity and supporting innovation across sectors.

We respectfully recommend that implementation guidance be developed in consultation with employers of varying sizes and industries across the state to maximize accessibility and impact. Additionally, ensuring clear definitions of "qualified interns and apprentices" will help prevent administrative confusion and support equitable participation. We appreciate the Legislature's attention to workforce development and urge continued collaboration with stakeholders to ensure the program's long-term success.

Mahalo for the opportunity to share our support of SB3046.

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 of
Joy Barua

Before:

The Senate Committee on Labor & Technology
The Honorable Senator Brandon J.C. Elefante, Chair
The Honorable Senator Rachele Lamosao, Vice Chair

Friday, February 13, 2026
3:00 p.m.
Conference Room 225 & via Videoconference

RE: SB3046 Relating to Workforce Builder Tax Credit

Aloha e Chair Elefante, Vice Chair Lamosao, and Members of the Committee:

My name is Joy Barua, and I am writing in **SUPPORT of Senate Bill 3046 (SB3046)**, which establishes the Workforce Builder Tax Credit to incentivize private-sector employers to provide paid internships and apprenticeships, expand work-based learning opportunities, and strengthen Hawaii's locally trained workforce.

Under the 2030 Blueprint for Hawaii: An Economic Action Plan, SB3046 advances Economic Action priorities by strengthening employer-led career pathways and improving workforce readiness. Hawaii's labor force has been under sustained pressure. According to recent reports from the University of Hawaii Economic Research Organization (UHERO), the state's labor force participation and population levels remain below pre-pandemic benchmarks, reflecting outmigration, demographic aging, and slower workforce recovery compared to many mainland states. Employers across sectors continue to report difficulty recruiting and retaining qualified workers, underscoring the need for proactive workforce pipeline strategies.

Expanding structured, paid work-based learning opportunities is one of the most effective ways to rebuild and retain local talent. Paid internships and apprenticeships reduce barriers for students and emerging workers while allowing employers to train individuals to meet specific workforce needs. However, the upfront costs of supervision, training, and wages can limit employer participation—particularly among small and mid-sized businesses. By establishing a targeted tax credit, SB3046 helps offset these costs and incentivizes broader employer engagement in work-based learning.

Strengthening employer participation in internships and apprenticeships supports job creation, income mobility, and long-term economic competitiveness. At a time when Hawaii's workforce base is shrinking and competition for talent is increasing, SB3046 represents a strategic investment in local human capital and future economic resilience.

For these reasons, I respectfully request your support. Thank you for the opportunity to testify.

Mahalo,



Joy Barua
(808) 295-0190