

ACT 289

S.B. NO. 3334

A Bill for an Act Relating to the Income Tax.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

“§235- Credit for employment of certain new employees. (a) Section 51 (with respect to targeted jobs credit) of the Internal Revenue Code shall be operative for the purposes of this chapter as provided in this section.

(b) There shall be allowed to each taxpayer subject to the tax imposed by this chapter, a targeted jobs credit which shall be deductible from the taxpayer’s net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(c) The amount of the credit determined under this section for the taxable year shall be equal to twenty per cent of the qualified first-year wages for that year. The amount of the qualified first-year wages which may be taken into account with respect to any individual shall not exceed \$6,000 per year.

(d) For purposes of this section:

“Qualified wages” means the wages paid or incurred by the employer during the taxable year to an individual who is a vocational rehabilitation referral.

“Qualified first-year wages” means, with respect to any individual, qualified wages attributable to service rendered during the taxable year beginning with the day the individual begins work for the employer and ending on the last day of the taxable year.

“Vocational rehabilitation referral” means any individual who is certified by the department of human services vocational and rehabilitation and services to the blind division in consultation with the Hawaii state employment service of the department of labor and industrial relations as:

- (1) Having a physical or mental disability which, for such individual, constitutes or results in a substantial handicap to employment; and
- (2) Having been referred to the employer upon completion of (or while receiving) rehabilitative services as specified in section 51(d)(2)(B).

(e) The definitions and special rules in section 51(c), (d)(2), (13), (14), (15), and (16), (f), (h), (i), (j), and (k) of the Internal Revenue Code shall be operative for this section. Penalties and interest shall apply in accordance with section 235-104.

(f) The credit allowed under this section shall be claimed against net income tax liability for the taxable year. A tax credit under this section which exceeds the taxpayer’s income tax liability may be used as a credit against the taxpayer’s income tax liability in subsequent years until exhausted.

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

(h) No deduction shall be allowed for that portion of the wages or salaries paid or incurred for the taxable year that is equal to the amount of the credit determined under this section.

(i) The director of taxation may adopt any rules under chapter 91 and forms necessary to carry out this section.”

SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

“(b) The following Internal Revenue Code subchapters, parts of subchapters, sections, subsections, and parts of subsections shall not be operative for the purposes of this chapter, unless otherwise provided:

- (1) Subchapter A (sections 1 to 59A) (with respect to determination of tax liability), except section 42 (with respect to the low-income housing credit) [and], except sections 47 and 48, as amended, as of December 31, 1984 (with respect to certain depreciable tangible personal property)[.], and except section 51 (with respect to the targeted jobs credit). For treatment, see sections 235-110.7 [and], 235-110.8[.], and 235- .
- (2) Section 78 (with respect to dividends received from certain foreign corporations by domestic corporations choosing foreign tax credit).
- (3) Section 86 (with respect to social security and tier I railroad retirement benefits).
- (4) Section 103 (with respect to interest on state and local bonds). For treatment, see section 235-7(b).
- (5) Section 120 (with respect to amounts received under qualified group legal services plans). For treatment, see sections 235-2.4 and 235-7(a)(9) to (11).
- (6) Section 122 (with respect to certain reduced uniformed services retirement pay). For treatment, see section 235-7(a)(3).
- (7) Section 135 (with respect to income from United States saving bonds used to pay higher education tuition and fees). For treatment, see section 235-7(a)(1).
- (8) Subchapter B (sections 141 to 150) (with respect to tax exemption requirements for state and local bonds).
- (9) Section 151 (with respect to allowance of deductions for personal exemptions). For treatment, see section 235-54.
- (10) Section 196 (with respect to deduction for certain unused investment credits).
- (11) Subchapter B, part VIII (sections 241 to 250) (with respect to special deductions for corporations), except sections 248 (with respect to organizational expenditures) and 249 (with respect to limitation on deduction of bond premium on repurchase). For treatment, see section 235-7(c).
- (12) Section 269A (with respect to personal service corporations formed or availed of to avoid or evade income tax).
- (13) Section 280C (with respect to certain expenses for which credits are allowable).
- (14) Section 280D (with respect to portion of chapter 45 taxes for which credit or refund is allowable under section 6429).

- (15) Section 291 (with respect to special rules relating to corporate preference items).
- (16) Section 367 (with respect to foreign corporations).
- (17) Section 501(c)(12), (15), (16) (with respect to exempt organizations).
- (18) Section 515 (with respect to taxes of foreign countries and possessions of the United States).
- (19) Section 521 (with respect to exemption of farmers cooperatives from tax). For treatment, see section 421-23.
- (20) Subchapter G (sections 531 to 565) (with respect to corporations used to avoid income tax on shareholders).
- (21) Subchapter H (sections 581 to 597) (with respect to banking institutions). For treatment, see chapter 241.
- (22) Section 642(a), (b), and (d) (with respect to special rules for credits and deductions).
- (23) Section 668 (with respect to interest charge on accumulation distributions from foreign trusts).
- (24) Subchapter L (sections 801 to 847) (with respect to insurance companies). For treatment, see sections 431:7-202 and 431:7-204.
- (25) Section 853 (with respect to foreign tax credit allowed to shareholders). For treatment, see section 235-55.
- (26) Subchapter N (sections 861 to 999) (with respect to tax based on income from sources within or without the United States), except part IV (sections 991 to 997) (with respect to domestic international sales corporations). For treatment, see sections 235-4, 235-5, and 235-7(b).
- (27) Section 1055 (with respect to redeemable ground rents).
- (28) Section 1057 (with respect to election to treat transfer to foreign trust, etc., as taxable exchange).
- (29) Subchapter Q (sections 1311 to 1351) (with respect to readjustment of tax between years and special limitations).
- (30) Subchapter T (sections 1381 to 1388) (with respect to cooperatives and their patrons). For treatment, see chapter 421.”

SECTION 3. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 4. This Act, upon its approval, shall apply to taxable years beginning after December 31, 1989.

(Approved June 25, 1990.)

Note

- 1. Edited pursuant to HRS §23G-16.5.