

HB-180

Submitted on: 1/25/2019 12:56:22 PM

Testimony for LAB on 1/29/2019 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Desiree Watson	Individual	Support	No

Comments:

Aloha Friends,

I have read the bill HB180 and have one question. What is the definition of "Elderly"? What age does the person have to be to qualify as "elderly"

Thank you!

TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Credit for Hiring Elderly Individual

BILL NUMBER: HB 180; SB 162

INTRODUCED BY: SB by KOUCHI by request; HB by SAIKI by request (Hawaii State Association of Counties Package)

EXECUTIVE SUMMARY: Provides a taxpayer who hires an elderly individual a nonrefundable tax credit for the 6-month period after the individual is initially hired by the taxpayer. The adoption of this credit would provide tax relief to taxpayers regardless of their need for tax relief. It also would shift the burden of paying for government to the rest of us.

SYNOPSIS: Adds a new section to HRS chapter 235 to allow employers to claim an income tax credit for the hiring of an elderly individual equal to 50% of the qualified wages for the first six months after the individual is hired.

Tax credits that exceed the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. In no taxable year shall the total amount of tax credits claimed under this section exceed \$ _____ per taxpayer.

Payments between related parties are excluded, as are wages paid by any former employer.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information to validate a claim for the credit, and adopt rules pursuant to HRS chapter 91. Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

Defines an elderly individual as a person at least 67 years old.

Defines "wages" as wages, commissions, fees, salaries, bonuses, and every and all other kinds of remuneration for, or compensation attributable to, services performed by an employee for the employee's employer, including the cash value of all remuneration paid in any medium other than cash and the cost-of-living allowances and other payments included in gross income by section 235-7(b), but excluding income excluded from gross income by section 235-7 or other provisions of the Income Tax Law. For example, employer funded pensions don't count.

A job does not count as qualified employment if the individual in question has worked for the same employer at any time in the past.

EFFECTIVE DATE: Applies to taxable years beginning after December 31, 2018.

STAFF COMMENTS: This measure is proposed as an incentive to entice employers to hire an individual who is elderly, but the tax system is a poor means of achieving such social goals. Providing such credits against the state income tax merely reduces state revenues, and if the size of government does not go down, then the tax burden shifts to other taxpayers who are not able to claim the credit.

The measure is like the existing income tax credit for the hiring of vocational rehabilitation referrals. If it is the intent of the legislature to encourage the hiring of individuals with a disability, it would be preferable to amend HRS-235-55.91 to include these individuals rather than to adopt a new credit which may have loopholes and technical issues.

Digested 1/25/2019

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To: The Honorable Aaron Ling Johanson, Chair
and Members of the House Committee on Labor & Public Employment

Date: Tuesday, January 29, 2019
Time: 9:00 A.M.
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 180, Relating to Taxation

The Department of Taxation (Department) provides the following comments regarding H.B. 180 for your consideration.

H.B. 180 creates a nonrefundable income tax credit for businesses that hire individuals 67 years of age or older, and is claimed against the taxpayer's net income tax liability for the year in which it is claimed, with any excess carried forward until used. The measure is effective upon approval and applies to taxable years beginning after December 31, 2018.

First, the Department notes the wages allowed as the base of this credit are also allowed as a deduction as an expense to the employer. Thus, the employer would be provided a double tax benefit-claiming both an expense deduction and a tax credit for the same costs. The Department adding the following provision to the definition of "qualified wages":

Qualified wages shall not include amounts for which another credit is claimed or a deduction is taken.

Second, the Department notes that the credit as currently written may be prone for abuse. While the measure attempts to prevent abuse by preventing the hiring of persons related to the taxpayer, it does not prevent the employers from hiring each other's employees 67 years of age or older to qualify for the credit.

Third, the Department notes that "wages" is defined to include "the cash value of all remuneration paid in any medium other than cash and the cost-of living allowances and other payments". This may lead to taxpayer confusion and compliance issues. The Department recommends that the credit be based solely on cash wages paid.

Finally, the Department notes that there is no continuing requirement that the person remain in the employ of the taxpayer. After six months, the taxpayer could simply terminate employment yet retain all of the credit. The Department strongly believes that there should be a minimum amount of time for which the employee must be retained, beyond the period in which the credit is calculated.

Thank you for the opportunity to provide comments.

HB-180

Submitted on: 1/28/2019 8:55:29 AM

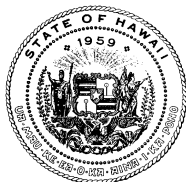
Testimony for LAB on 1/29/2019 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Oahu County Committee on Legislative Priorities, Democratic Party of Hawai'i	Support	No

Comments:

LATE

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Testimony COMMENTING on HB 180
Relating to Taxation

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
REP. AARON JOHANSON, CHAIR
REP. STACELYNN ELI, VICE CHAIR

Testimony of Caroline Cadirao
PSM Manager, Executive Office on Aging
Attached Agency to the Department of Health

Hearing Date: January 29, 2019
9:00 A.M.

Room Number: CONF. ROOM 309

- 1 **EOA's Position:** The Executive Office on Aging, an attached agency to the Department of
- 2 Health, is providing comments on HB 180 Relating to Taxation.
- 3 **Fiscal Implications:** EOA defers to the Department on Taxation regarding the fiscal
- 4 implications of this measure.
- 5 **Purpose and Justification:** The purpose of this bill is to amend HRS Chapter 235 Income Tax
- 6 Law adding a new section to provide an income tax credit for a taxpayer who hires an elderly
- 7 individual who is 67 years or older. In November 2013, EOA published a white paper on
- 8 "Hawaii's 2020 Vision: The State of Active Aging". This white paper discussed the paradigm
- 9 shift calling for changing the view of aging from a sick care perspective to aging as an asset. It
- 10 presents several models related to promoting individual well-being in later life, or "active aging".
- 11 One of these models by the Sloan Center on Aging and Work refers to the need to "engage as we
- 12 age" (James, J., et al, the Sloan Center on Aging & Work at Boston College, Issue Brief 24,

1 February 2010). The “Engage As We Age” model proposes a new vision of aging well that
2 includes activities to engage individuals in paid employment, volunteering, caregiving and
3 education or lifelong learning. With respect to “paid employment”, the Engage as We Age model
4 notes that research shows approximately two-thirds of adults ages 65-79 years old are healthy
5 enough to participate in the workforce and are capable of being productive members of society
6 (Crafova, I, McGonagle, K, & Stafford, F. (2007) Function and well-being in the third age:
7 1986-2001).

8 Additionally, one of the recommendations of “Hawaii’s 2020 Vision: The State of Active Aging”
9 white paper is to: *Create Hawai’i as an age-friendly employment environment that attracts and*
10 *retains older workers and create positive initiatives for intergenerational workplaces.*

11 HB 180 Relating to Taxation will incentivize paid employment for older persons and promote
12 “active aging”.

13

14 Thank you for the opportunity to provide comments.