



1 "Designated geographic area" means the regions represented  
2 by the zip codes of 96706, 96707, and 96709.

3 "Establishment" means a single physical location where  
4 business is conducted; provided that a business may include one  
5 or more establishments.

6 "Full-time employee" means any employee, including a leased  
7 employee and an employee under a joint employment arrangement,  
8 for whom the employer is legally required to provide employee  
9 fringe benefits.

10 **§ -2 Eligibility; qualified business defined. (a)**

11 There is established within the department of business, economic  
12 development, and tourism, the Kapolei jobs initiative program.  
13 Any qualified business is eligible to participate in the Kapolei  
14 jobs initiative and is eligible for the incentives available  
15 pursuant to this chapter.

16 (b) For purpose of this chapter, a "qualified business"  
17 means a business that:

18 (1) Establishes or relocates itself within the designated  
19 geographic area;

20 (2) Has a minimum net gain of ten full-time employees; and



1           (3) Is not participating in the state enterprise zone  
2           program pursuant to chapter 209E.

3           § -3 Kapolei jobs initiative income tax credit. (a)  
4 Each qualified business may apply for and receive, in addition  
5 to any other incentive offered pursuant to this chapter, the  
6 Kapolei jobs initiative income tax credit as provided under  
7 section 235- .

8           (b) Each qualified business shall submit annually to the  
9 department of taxation an approved form supplied by the  
10 department that provides the information necessary for the  
11 department to determine if it may certify the applicability of  
12 the tax credits provided in section 235- .

13           (c) The form referred to in subsection (b) shall be prima  
14 facie evidence of the eligibility of a business for the purposes  
15 of this section.

16           § -4 Adoption of rules. The department of business,  
17 economic development, and tourism may adopt rules, pursuant to  
18 chapter 91, to effectuate the purposes of this chapter."

19           SECTION 3. Chapter 235, Hawaii Revised Statutes, is  
20 amended by adding a new section to be appropriately designated  
21 and to read as follows:



1       "§235- Kapolei jobs initiative tax credit. (a) There  
2 shall be allowed to each qualified business, as defined in  
3 section -2, subject to the tax imposed by this chapter, a  
4 Kapolei jobs initiative tax credit, which shall be deductible  
5 from the taxpayer's net income tax liability, if any, imposed by  
6 this chapter for the taxable year in which the credit is  
7 properly claimed.

8       (b) The amount of the tax credit shall:

9       (1) Be equal to eighty per cent of any tax imposed by this  
10 chapter for the first tax year and eight per cent less  
11 for each of the subsequent ten years for any tax due;

12 and

13 (2) Include the amount of unemployment insurance accrued  
14 or paid by an employer under chapter 383 as follows:

15 (A) For the first year, eighty per cent of the amount  
16 accrued or paid;

17 (B) For the second year, seventy-two per cent of the  
18 amount accrued or paid;

19 (C) For the third year, sixty-four per cent of the  
20 amount accrued or paid;



- 1           (D) For the fourth year, fifty-six per cent of the
- 2           amount accrued or paid;
- 3           (E) For the fifth year, forty-eight per cent of the
- 4           amount accrued or paid;
- 5           (F) For the sixth year, forty per cent of the amount
- 6           accrued or paid;
- 7           (G) For the seventh year, thirty-two per cent of the
- 8           amount accrued or paid;
- 9           (H) For the eighth year, twenty-four per cent of the
- 10           amount accrued or paid;
- 11           (I) For the ninth year, sixteen per cent of the
- 12           amount accrued or paid; and
- 13           (J) For the tenth year, eight per cent of the amount
- 14           accrued or paid;
- 15 provided that a qualified business shall be allowed to carry
- 16 over tax credits provided under this section in a loss year
- 17 until the next income year; provided further that tax credits
- 18 may be carried over for a maximum of ten consecutive years. A
- 19 maximum of \$                    of tax credits in the aggregate for all
- 20 eligible taxpayers may be used in any one taxable year.

1       (c) If the tax credit under this section exceeds the  
2 taxpayer's net income tax liability, the excess of credit may be  
3 used as a tax credit against the taxpayer's net income tax  
4 liability in subsequent years until exhausted.

5       All claims for a tax credit under this section, including  
6 amended claims, shall be filed on or before the end of the  
7 twelfth month following the close of the taxable year for which  
8 the tax credit may be claimed. Failure to comply with the  
9 foregoing provision shall constitute a waiver of the right to  
10 claim the tax credit.

11       (d) In the case of a partnership, S corporation, estate,  
12 or trust, the tax credit allowable is for the qualified costs  
13 incurred by the entity for the taxable year. The cost upon  
14 which the tax credit is computed shall be determined at the  
15 entity level. Distribution and share of the tax credit shall be  
16 determined pursuant to section 704(b) (with respect to partner's  
17 distributive share) of the Internal Revenue Code.

18       (e) The director of taxation shall prepare any forms that  
19 may be necessary to claim a credit under this section. The  
20 director may also require the taxpayer to furnish information to  
21 ascertain the validity of the claim for the tax credit made



1 under this section and may adopt rules necessary to effectuate  
2 the purposes of this section pursuant to chapter 91.

3 (f) For the purposes of this section, "net income tax  
4 liability" means net income tax liability reduced by all other  
5 credits allowed under this chapter and chapter ."

6 SECTION 4. New statutory material is underscored.

7 SECTION 5. This Act shall take effect on February 19,  
8 2022, and shall apply to taxable years beginning after December  
9 31, 2016, and shall be repealed on June 30, 2027.



**Report Title:**

Kapolei Jobs Initiative; Qualified Business; Income Tax Credit;  
Unemployment Tax Credit

**Description:**

Establishes a Kapolei Jobs Initiative Program that offers tax incentives to increase the number of businesses willing to establish or relocate themselves in the Kapolei region. (HB2486 HD1)

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