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# A BILL FOR AN ACT

RELATING TO TAXATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:  
4           "§235-   Income tax credit for hiring a person totally  
5 disabled. (a) There shall be allowed to each taxpayer subject  
6 to the tax imposed by this chapter, a credit for the hiring of a  
7 person totally disabled that shall be deductible from the  
8 taxpayer's net income tax liability, if any, imposed by this  
9 chapter for the taxable year in which the credit is properly  
10 claimed.  
11           (b) The amount of the credit shall be equal to       per  
12 cent of the qualified wages for the first six months after a  
13 person totally disabled is initially hired. A tax credit that  
14 exceeds the taxpayer's income tax liability may be used as a  
15 credit against the taxpayer's income tax liability in subsequent  
16 years until exhausted; provided that in no taxable year shall:



1        (1) The total amount of the tax credit claimed under this  
2        section exceed \$ \_\_\_\_\_ per taxpayer; and

3        (2) Any other deduction or credit claimed based on the  
4        person be used as the basis to calculate the tax  
5        credit.

6        (c) Certification of a person totally disabled for the  
7        purpose of claiming a credit under this section shall be  
8        submitted to the department of taxation on forms prescribed by  
9        the department of taxation.

10       (d) An individual shall not be treated as a person totally  
11       disabled unless, on or before the day on which the individual  
12       begins work for the employer, the employer has received  
13       certification from a qualified physician. If an individual has  
14       been certified as a person totally disabled and the  
15       certification is incorrect because it was based on false  
16       information provided by the individual, the certification shall  
17       be revoked and wages paid by the employer after the date on  
18       which notice of revocation is received by the employer shall not  
19       be treated as qualified wages; provided that the department may  
20       disqualify wages that were paid to a non-qualified employee



1 without the employer receiving notice that the certification was  
2 based on false information.

3 In any request for a certification of an individual as a  
4 person totally disabled, the employer shall certify that a good  
5 faith effort was made to determine that such individual is a  
6 person totally disabled.

7 (e) The following wages paid to a person totally disabled  
8 are ineligible to be claimed by the employer for this credit:

9 (1) No wages shall be taken into account under this  
10 section with respect to a person totally disabled who:

11 (A) Bears any of the relationships described in  
12 section 152(d)(2)(A) through (G) of the Internal  
13 Revenue Code to the taxpayer, or, if the taxpayer  
14 is a corporation, to an individual who owns,  
15 directly or indirectly, more than fifty per cent  
16 in value of the outstanding stock of the  
17 corporation (determined with the application of  
18 section 267(c) of the Internal Revenue Code);

19 (B) If the taxpayer is an estate or trust, is a  
20 grantor, beneficiary, or fiduciary of the estate  
21 or trust, or is an individual who bears any of



1           the relationships described in section  
2           152(d)(2)(A) through (G) of the Internal Revenue  
3           Code to a grantor, beneficiary, or fiduciary of  
4           the estate or trust; or  
5           (C) Is a dependent (described in section 152(d)(2)(H)  
6           of the Internal Revenue Code) of the taxpayer,  
7           or, if the taxpayer is a corporation, of an  
8           individual described in subparagraph (A), or, if  
9           the taxpayer is an estate or trust, of a grantor,  
10           beneficiary, or fiduciary of the estate or trust;  
11           and  
12           (2) No wages shall be taken into account under this  
13           section with respect to any person totally disabled  
14           if, prior to the day the individual is hired by the  
15           employer, the individual had been employed by the  
16           employer at any time.  
17           (f) In the case of a successor employer referred to in  
18           section 3306(b)(1) of the Internal Revenue Code, the  
19           determination of the amount of the tax credit allowable under  
20           this section with respect to wages paid by the successor  
21           employer shall be made in the same manner as if the wages were

1 paid by the predecessor employer referred to in the section;  
2 provided that only the current employer may claim the credit;  
3 provided further that the credit shall not be claimed multiple  
4 times for the same employee.

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

11 (h) The director of taxation:

12 (1) Shall prepare any forms necessary to claim a credit  
13 under this section;

14 (2) May require a taxpayer to furnish reasonable  
15 information to ascertain the validity of a claim for  
16 credit; and

17 (3) May adopt rules pursuant to chapter 91 to effectuate  
18 the purposes of this section.

19 (i) For purposes of this section:

20 "Qualified physician" means:



- 1        (1) A physician or osteopathic physician licensed under  
2            chapter 453;
- 3        (2) A qualified out-of-state physician who is currently  
4            licensed to practice in the state in which the  
5            physician resides; or
- 6        (3) A commissioned medical officer in the United States  
7            Army, Navy, Marine Corps, or Public Health Service,  
8            engaged in the discharge of the officer's official  
9            duty.

10        "Qualified wages" means wages attributable to work rendered  
11 by a person totally disabled for the six-month period after the  
12 individual is initially hired.

13        "Wages" means wages, commissions, fees, salaries, bonuses,  
14 and every and all other kinds of remuneration for, or  
15 compensation attributable to, services performed by an employee  
16 for the employee's employer, including the cash value of all  
17 remuneration paid in any medium other than cash and the cost-of-  
18 living allowances and other payments included in gross income by  
19 section 235-7(b), but excluding income excluded from gross  
20 income by section 235-7 or other provisions of this chapter."

21        SECTION 2. New statutory material is underscored.



1 SECTION 3. This Act shall take effect on July 1, 2030, and  
2 shall apply to taxable years beginning after December 31, 2017.



**Report Title:**

Persons Totally Disabled; Employment; Income Tax Credit

**Description:**

Provides a taxpayer who hires a person totally disabled a nonrefundable tax credit for the six-month period after the individual is initially hired by the taxpayer. (HB1870 HD2)

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