
A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1 SECTION 1. The legislature finds that job growth in the
2 Kapolei region is a community and state concern that affects
3 employers and employees alike as households continue to outgrow
4 the number of employment opportunities in the region.

5 The legislature further finds that the state enterprise
6 zone program is restrictive and the participation has been
7 relatively low, particularly in the Leeward enterprise zone.

8 The purpose of this Act is to establish a Kapolei jobs
9 initiative to increase the number of jobs in Kapolei by creating
10 incentives for businesses to establish themselves or relocate to
11 the Kapolei region.

12 SECTION 2. The Hawaii Revised Statutes is amended by
13 adding a new chapter to be appropriately designated and to read
14 as follows:

15 **"CHAPTER**

16 **KAPOLEI JOBS INITIATIVE**

17 § -1 **Definitions.** As used in this chapter:



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) By December 31, 2020, establishes or relocates itself
19 within the designated geographic area;
20 (2) Has a minimum net gain of ten full-time employees;



1 (3) Is participating in the state enterprise zone program
2 pursuant to chapter 209E; and

3 (4) Has an establishment that remains in the designated
4 geographic area for the duration of the program.

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

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

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

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



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

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

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

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

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

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



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



1 maximum of \$ _____ of tax credits in the aggregate for all
2 eligible taxpayers may be used in any one taxable year.

3 (c) Any qualified business having taxable income from an
4 establishment's business activity, both within and without the
5 designated geographic area pursuant to section _____ -1, shall
6 allocate and apportion its taxable income attributable to the
7 conduct of business. Tax credits provided for in this section
8 shall only apply to taxable income of a qualified business
9 attributable to the conduct of business within the geographic
10 area pursuant to section _____ -1.

11 (d) If the tax credit under this section exceeds the
12 taxpayer's net income tax liability, the excess of credit may be
13 used as a tax credit against the taxpayer's net income tax
14 liability in subsequent years until exhausted.

15 All claims for a tax credit under this section, including
16 amended claims, shall be filed on or before the end of the
17 twelfth month following the close of the taxable year for which
18 the tax credit may be claimed. Failure to comply with the
19 foregoing provision shall constitute a waiver of the right to
20 claim the tax credit.



1 (e) In the case of a partnership, S corporation, estate,
2 or trust, the tax credit allowable is for the qualified costs
3 incurred by the entity for the taxable year. The cost upon
4 which the tax credit is computed shall be determined at the
5 entity level. Distribution and share of the tax credit shall be
6 determined pursuant to section 704(b) (with respect to partner's
7 distributive share) of the Internal Revenue Code.

8 (f) The director of taxation shall prepare any forms that
9 may be necessary to claim a credit under this section. The
10 director may also require the taxpayer to furnish information to
11 ascertain the validity of the claim for the tax credit made
12 under this section and may adopt rules necessary to effectuate
13 the purposes of this section pursuant to chapter 91.

14 (g) For the purposes of this section, "net income tax
15 liability" means net income tax liability reduced by all other
16 credits allowed under this chapter and chapter ."

17 SECTION 4. New statutory material is underscored.

18 SECTION 5. This Act shall take effect on February 19,
19 2022, shall apply to taxable years beginning after December 31,
20 2016, and shall be repealed on December 31, 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 HD2)

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