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# 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 matter of community and state concern that  
3 affects employers and employees alike as households continue to  
4 outgrow the number of employment opportunities in the region.  
5 According to estimates from the department of planning and  
6 permitting of the city and county of Honolulu and Permitting and  
7 Plash Econ Pacific LLC, in 2015, there were 34,341 households in  
8 the Kapolei region with a population of approximately 107,234.  
9 These numbers are expected to increase to 56,344 households and  
10 a population of 164,556 by 2035. This expansion in the number  
11 of households and the concomitant increase in population will  
12 create additional needs within the Kapolei region, including  
13 increased needs for goods and professional services. Without  
14 additional job growth and business opportunities for the people  
15 living in West Oahu, this population growth will result in  
16 increased traffic congestion for residents of West Oahu as many  
17 will need to continue commuting to downtown Honolulu.



1 The legislature further finds that the state enterprise  
2 zone program is restrictive and participation has been  
3 relatively low, particularly in the Leeward enterprise zone.

4 The purpose of this Act is to establish a five year Kapolei  
5 jobs initiative pilot program to increase the number of jobs in  
6 Kapolei by creating incentives for businesses to establish  
7 themselves or open a new location in the Kapolei region.

8 SECTION 2. The Hawaii Revised Statutes is amended by  
9 adding a new chapter to be appropriately designated and to read  
10 as follows:

11 "CHAPTER

12 KAPOLEI JOBS INITIATIVE

13 § -1 Definitions. As used in this chapter:

14 "Designated geographic area" means the regions represented  
15 by the zip codes of 96706 and 96707.

16 "Establishment" means a single physical location where  
17 business is conducted; provided that a business may include one  
18 or more establishments.

19 "Full-time employee" means any employee, including a leased  
20 employee and an employee under a joint employment arrangement,



1 for whom the employer is legally required to provide employee  
2 fringe benefits.

3 "Qualified business" means a business that:

- 4 (1) Establishes a new location within the designated  
5 geographic area or is already in existence in the  
6 designated geographic area and opens an additional  
7 location within the designated geographic area  
8 resulting in the net gain of at least one additional  
9 location for the business;
- 10 (2) If opening a new location within the designated  
11 geographic area, has a minimum of ten full-time  
12 employees working at the establishment in the  
13 designated geographic area; or, if already established  
14 in the designated geographic area and expanding or  
15 building a new establishment in the same area, has a  
16 net gain of ten full-time employees;
- 17 (3) Provides gross annual salaries of \$35,000 or more to  
18 at least half of its employees at the establishment in  
19 the designated geographic area;
- 20 (4) Earns at least half of its gross annual revenue from  
21 its establishment in the designated geographic area;



- 1 (5) Is not participating in the state enterprise zone  
2 program pursuant to chapter 209E; and
- 3 (6) Excludes retail, except when greater than fifty per  
4 cent of sales are to Hawaii general excise tax  
5 licensees.

6 § -2 **Eligibility; qualified business.** There is  
7 established within the department of business, economic  
8 development, and tourism, the Kapolei jobs initiative pilot  
9 program. Any qualified business is eligible to participate in  
10 the Kapolei jobs initiative pilot program and is eligible for  
11 the incentives available pursuant to this chapter.

12 § -3 **Kapolei jobs initiative income tax credit program.**

13 (a) Each qualified business may apply for and receive, in  
14 addition to any other incentive offered pursuant to this  
15 chapter, the Kapolei jobs initiative income tax credit as  
16 provided under section 235- ; provided that no more than twenty  
17 new qualified businesses may receive the credit per calendar  
18 year; provided further that no qualified business shall receive  
19 the credit after December 31, 2023.

20 (b) Each qualified business shall submit annually to the  
21 department of taxation, attached to its tax returns, an approved



1 form supplied by the department that provides the information  
2 necessary for the department to prequalify the qualified  
3 business for the tax credit as provided in section 235-

4 (c) Submission of a completed form referred to in  
5 subsection (b) shall be prima facie evidence of the eligibility  
6 of a qualified business for the purposes of this section.

7 § -4 Adoption of rules. The department of business,  
8 economic development, and tourism may adopt rules, pursuant to  
9 chapter 91, to effectuate the purposes of this chapter."

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

13 "§235- Kapolei jobs initiative tax credit program. (a)  
14 There shall be allowed to each qualified business, as defined in  
15 section -1, subject to the tax imposed by this chapter, a  
16 Kapolei jobs initiative tax credit, which shall be deductible  
17 from the taxpayer's net income tax liability, if any, imposed by  
18 this chapter for the taxable year in which the credit is  
19 properly claimed.

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



- 1        (1) Be equal to eighty per cent of any tax imposed by this  
2        chapter for the first tax year and ten per cent less  
3        for each of the immediately succeeding four years for  
4        any tax liability; and
- 5        (2) Include the amount of unemployment insurance accrued  
6        and paid by an employer under chapter 383 as follows:
- 7        (A) For the first year, eighty per cent of the amount  
8        accrued and paid;
- 9        (B) For the second year, seventy per cent of the  
10       amount accrued and paid;
- 11       (C) For the third year, sixty per cent of the amount  
12       accrued and paid;
- 13       (D) For the fourth year, fifty per cent of the amount  
14       accrued and paid; and
- 15       (E) For the fifth year, forty per cent of the amount  
16       accrued and paid;
- 17       provided that a qualified business shall be allowed to carry  
18       over any unused tax credits in accordance with subsection (d).
- 19       (c) Any qualified business having taxable income from an  
20       establishment's business activity, both within and without the  
21       designated geographic area, as defined in section -1, shall



1 allocate and apportion its taxable income attributable to the  
2 conduct of business. Tax credits provided for in this section  
3 shall only apply to taxable income of a qualified business  
4 attributable to the conduct of business within the designated  
5 geographic area defined in section -1.

6 (d) If the tax credit under this section exceeds the  
7 taxpayer's net income tax liability, the excess of credit may be  
8 used as a tax credit against the taxpayer's net income tax  
9 liability in a subsequent taxable year; provided that no excess  
10 credit may be used after December 31, 2028.

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

17 (e) In the case of a partnership, S corporation, estate,  
18 or trust, the tax credit allowable is for the costs of a  
19 qualified business incurred to participate in the Kapolei jobs  
20 initiative for the taxable year. The cost upon which the tax  
21 credit is computed shall be determined at the entity level.



1 Distribution and share of the tax credit shall be determined  
2 pursuant to section 704(b) (with respect to partner's  
3 distributive share) of the Internal Revenue Code.

4 (f) To receive the tax credit, the qualified business  
5 shall first prequalify for the credit by registering with the  
6 department of business, economic development, and tourism during  
7 the stage of business development in the designated geographic  
8 area. Failure to comply with this provision may constitute a  
9 waiver of the right to claim the credit.

10 (g) Every qualified business claiming a tax credit under  
11 this section shall, no later than ninety days following the end  
12 of each taxable year in which business costs were expended and  
13 in which the tax credit can be claimed, submit a written, sworn  
14 statement to the department of business, economic development,  
15 and tourism identifying:

16 (1) Total expenditures incurred in the Kapolei jobs  
17 initiative and amount of expenditures applicable to  
18 the tax credit expended in the previous taxable year,  
19 if any;





- 1        (2) The amount of tax credits claimed pursuant to this  
2        section, if any, and the amount of total taxes paid,  
3        if any, in the previous taxable year;
- 4        (3) The amount of unemployment insurance accrued and paid  
5        by the qualified business in the previous taxable  
6        year;
- 7        (4) Hawaii employment and wage data, including the numbers  
8        of full-time and part-time employees retained, wages  
9        for each position, new jobs, temporary positions,  
10       external services procured by the qualified business,  
11       and payroll taxes; and
- 12       (5) Any other factors the department of business, economic  
13       development, and tourism deems relevant.

14       The above information may be reported from the department of  
15       business, economic development, and tourism to the legislature  
16       in redacted form pursuant to subsection (h) (4). The purpose of  
17       collecting the above information is to study the effectiveness  
18       of the tax credit. The department of business, economic  
19       development, and tourism may request any additional information  
20       necessary to measure the effectiveness of the tax credit.



1       (h) The department of business, economic development, and  
2 tourism shall:

3       (1) Maintain records of the names of the qualified  
4 businesses claiming the tax credits;

5       (2) Obtain and total the aggregate amounts of expenditures  
6 from all qualified businesses per taxable year;

7       (3) Provide a letter to the director of taxation  
8 specifying the amount of the tax credit per qualified  
9 business for each taxable year that a tax credit is  
10 claimed and the cumulative amount of the tax credit  
11 for all years claimed; and

12       (4) Submit a report to the legislature no later than  
13 twenty days prior to the convening of each regular  
14 session detailing the non-aggregated expenditures of  
15 qualified businesses that form the basis of the tax  
16 credit, itemized by qualified business, in a redacted  
17 format to preserve the confidentiality of the  
18 qualified businesses claiming the credit.

19       (i) The director of taxation shall prepare any forms that  
20 may be necessary to claim a credit under this section. The  
21 director may also require the taxpayer to furnish information to



1 ascertain the validity of the claim for the tax credit made  
2 under this section and may adopt rules necessary to effectuate  
3 the purposes of this section pursuant to chapter 91.

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

7 SECTION 4. New statutory material is underscored.

8 SECTION 5. This Act shall take effect on July 1, 2112, and  
9 shall apply to taxable years beginning after December 31, 2018;  
10 provided that section 3 shall be repealed on December 31, 2028.



**Report Title:**

Kapolei Jobs Initiative Pilot Program; Qualified Business;  
Income Tax Credit

**Description:**

Establishes a five-year Kapolei jobs initiative pilot program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region. Establishes a tax credit incentive. (HB2659 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

