

STAND. COM. REP. NO.

2023

Honolulu, Hawaii

FEB 02 2018

RE: S.B. No. 2696
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Public Safety, Intergovernmental, and
Military Affairs, to which was referred S.B. No. 2696 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to provide an
income tax credit for wages paid by a technology business owner to
employees who were formerly in the custody of the Department of
Public Safety.

Your Committee received testimony in support of this measure
from the Department of Public Safety. Your Committee received
testimony in opposition to this measure from one individual. Your
Committee received comments on this measure from the Department of
Taxation, Tax Foundation of Hawaii, and one individual.

Your Committee finds that the successful reintegration of
former inmates back into society is essential to maintaining the
effectiveness of the corrections system and promoting public
welfare. Upon release from incarceration, it is often difficult
for former inmates to find meaningful employment. Without
meaningful employment, former inmates are at a higher risk of
recidivism. To reduce that risk, it is important to create
incentives for businesses to hire formerly incarcerated persons.
Accordingly, this measure creates a tax credit on a technology



business owner's net income tax liability for certain wages paid to former inmates under their employ.

In addition, your Committee agrees with the suggestion of the Tax Foundation of Hawaii that, instead of creating an entirely new tax credit, section 235-55.91, Hawaii Revised Statutes, should be amended to include the tax credit proposed by this measure. Establishing this measure's tax credit through the existing tax code should help avoid unforeseen issues that often accompany the creation of new tax credits. Further, your Committee agrees with the recommendation of the Department of Public Safety that this measure should allow only those technology businesses that participate in the Work Opportunity Tax Credit program administered by the United States Department of Labor, Employment, and Training to qualify for the tax credit proposed by this measure.

Accordingly, your Committee has amended this measure by:

- (1) Incorporating the tax credit for wages of former inmates hired by a technology business into section 235-55.91, Hawaii Revised Statutes;
- (2) Clarifying the definition of a "technology business" to include only those technology businesses that also participate in the Work Opportunity Tax Credit program administered by the United States Department of Labor, Employment, and Training Administration; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Public Safety, Intergovernmental, and Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2696, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2696, S.D. 1, and be referred to your Committee on Ways and Means.



2023

Respectfully submitted on
behalf of the members of the
Committee on Public Safety,
Intergovernmental, and Military
Affairs,

Clarence K. Nishihara

CLARENCE K. NISHIHARA, Chair



