
A BILL FOR AN ACT

RELATING TO MANUFACTURING.

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

1 SECTION 1. The legislature finds that there is a
2 great need for Hawaii to develop and support manufacturing
3 in the State. Hawaii imports over ninety per cent of the
4 products consumed each year. At the same time, there is a
5 great demand outside the State for products that are made
6 in Hawaii.

7 The purpose of this Act is to promote manufacturing in
8 Hawaii by establishing a temporary income tax credit for
9 taxpayers who incur expenses for manufacturing products in
10 Hawaii.

11 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately
13 designated and to read as follows:

14 "§235- Manufacturing tax credit. (a) There shall
15 be allowed to each taxpayer subject to the tax imposed by
16 this chapter, a manufacturing income tax credit, which
17 shall be deductible from the taxpayer's net income tax



1 liability, if any, imposed by this chapter for the taxable
2 year in which the credit is properly claimed.

3 (b) The amount of the tax credit allowed under
4 subsection (a) shall be _____ per cent of the qualified
5 manufacturing costs incurred during the taxable year;
6 provided that:

7 (1) The total credit claimed per taxpayer shall not
8 exceed \$ _____ ;

9 (2) The qualified manufacturing costs qualify for a
10 deduction under section 167 (with respect to
11 depreciation) of the Internal Revenue Code, as
12 amended; and

13 (3) The qualified manufacturing costs do not include
14 any costs related to the production of
15 electricity.

16 In the case of a partnership, S corporation, estate,
17 or trust, the tax credit allowable is for qualified
18 manufacturing costs incurred by the entity for the taxable
19 year. The cost upon which the tax credit is calculated
20 shall be determined at the entity level. Distribution and
21 share of credit shall be determined by rule.



1 If a deduction is taken under section 179 (with
2 respect to election to expense certain depreciable business
3 assets) of the Internal Revenue Code of 1986, as amended,
4 no tax credit shall be allowed for those costs for which
5 the deduction is taken.

6 The basis for eligible property for depreciation or
7 accelerated cost recovery system purposes for state income
8 taxes shall be reduced by the amount of the credit
9 allowable and claimed.

10 (c) If the tax credit under this section exceeds the
11 taxpayer's net income tax liability, the excess of the tax
12 credit over liability may be used as a credit against the
13 taxpayer's net income tax liability in subsequent years
14 until exhausted. Every claim, including amended claims,
15 for a tax credit under this section shall be filed on or
16 before the end of the twelfth month following the close of
17 the taxable year for which the credit may be claimed.
18 Failure to comply with the foregoing provision shall
19 constitute a waiver of the right to claim the credit.

20 (d) The director of taxation:

21 (1) Shall prepare any forms that may be necessary to
22 claim a credit under this section;



1 (2) May require the taxpayer to furnish additional
2 information to ascertain the validity of the
3 claim for credit made under this section; and

4 (3) May adopt rules pursuant to chapter 91 to
5 effectuate this section.

6 (e) The department of business, economic development,
7 and tourism shall, for each taxpayer claiming a credit
8 under this section:

9 (1) Maintain records of the total amount of qualified
10 manufacturing costs claimed;

11 (2) Obtain information on self-verified qualified
12 manufacturing costs claimed;

13 (3) Total all qualified manufacturing costs claimed;
14 and

15 (4) Certify the total amount of the tax credit for
16 each taxable year.

17 Upon each certification, the department of business,
18 economic development, and tourism shall issue a certificate
19 to the taxpayer verifying the qualified manufacturing costs
20 and the credit amount certified for each taxable year.

21 The taxpayer shall file the certificate with the
22 taxpayer's tax return with the department of taxation.



1 Notwithstanding the department of business, economic
2 development, and tourism's certification authority under
3 this section, the director of taxation may audit and adjust
4 the certification to conform to the facts.

5 (f) As used in this section:

6 "Net income tax liability" means income tax liability
7 reduced by all other credits allowed under this chapter.

8 "Qualified manufacturing costs" means expenditures
9 for:

- 10 (1) Costs incurred to purchase equipment to be used
11 by the taxpayer in manufacturing tangible
12 personal property in the State and that is placed
13 in service within one year after the date of
14 purchase; provided that the credit under this
15 section has not been previously claimed by any
16 taxpayer in this State on such equipment; and
- 17 (2) Reasonable and necessary costs incurred to train
18 employees to manufacture tangible personal
19 property in the State; provided that tangible
20 personal property shall not include professional
21 and personal services."

22 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its
2 approval and shall apply to taxable years beginning after
3 December 31, 2015; provided that this Act shall be repealed
4 on January 1, 2023.



Report Title:

Manufacturing; Income Tax Credit

Description:

Establishes an income tax credit for taxpayers who incur certain expenses for manufacturing products in Hawaii. Applies to taxable years beginning after December 31, 2015. Sunsets January 1, 2023. (SB1001 HD1)

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

