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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. Section 235, Hawai'i Revised Statutes, is amended by
2 adding a new section to be appropriately designated and to read as follows:

3 “§235- Income tax credit for hiring an individual with a
4 disability. (a) There shall be allowed to each taxpayer subject to the tax
5 imposed by this chapter, a credit for the hiring of an individual with a
6 disability that shall be deductible from the taxpayer's net income tax liability,
7 if any, imposed by this chapter for the taxable year in which the credit is
8 properly claimed.

9 (b) The amount of the credit shall be equal to fifty per cent of the
10 qualified wages for the first six months after an individual with a disability is
11 initially hired. A tax credit that exceeds the taxpayer's income tax liability
12 may be used as a credit against the taxpayer's income tax liability in
13 subsequent years until exhausted; provided that in no taxable year shall the
14 total amount of the tax credit claimed under this section exceed \$ per
15 taxpayer.

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1 (c) Certification of an individual with a disability for the purpose of
2 claiming a credit under this section shall be submitted to the department of
3 taxation on forms prescribed by the department of taxation.

4 (d) An individual shall not be treated as an individual with a
5 disability unless, on or before the day on which the individual begins work for
6 the employer, the employer has received certification from a qualified
7 physician. If an individual has been certified as an individual with a
8 disability and the certification is incorrect because it was based on false
9 information provided by the individual, the certification shall be revoked and
10 wages paid by the employer after the date on which notice of revocation is
11 received by the employer shall not be treated as qualified wages.

12 In any request for a certification of an individual as an individual with
13 a disability, the employer shall certify that a good faith effort was made to
14 determine that such individual is an individual with a disability.

15 (e) The following wages paid to an individual with a disability are
16 ineligible to be claimed by the employer for this credit:

17 (1) No wages shall be taken into account under this section
18 with respect to an individual with a disability who:

19 a. Bears any of the relationships described in section
20 152(d)(2)(A) through (G) of the Internal Revenue Code
21 to the taxpayer, or, if the taxpayer is a corporation, to

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1 an individual who owns, directly or indirectly, more
2 than fifty per cent in value of the outstanding stock of
3 the corporation (determined with the application of
4 section 267(c) of this Internal Revenue Code);

5 b. If the taxpayer is an estate or trust, is a grantor,
6 beneficiary, or fiduciary of the estate or trust, or is an
7 individual who bears any of the relationships
8 described in section 152(d)(2)(A) through (G) of the
9 Internal Revenue Code to a grantor, beneficiary or
10 fiduciary of the estate or trust; or

11 c. Is a dependent (described in section 152(d)(2)(H) of the
12 Internal Revenue Code) of the taxpayer, or, if the
13 taxpayer is an estate or trust, of a grantor, beneficiary,
14 or fiduciary of the estate or trust; and

15 (2) No wages shall be taken into account under this section
16 with respect to any individual with a disability if, prior to the day the
17 individual is hired by the employer, the individual had been employed
18 by the employer at any time.

19 (f) In the case of a successor employer referred to in section
20 3306(b)(1) of the Internal Revenue Code, the determination of the amount of
21 the tax credit allowable under this section with respect to wages paid by the

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1 successor employer shall be made in the same manner as if the wages were
2 paid by the predecessor employer referred to in the section.

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

8 (h) The director of taxation:

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

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

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

15 (i) For purposes of this section:

16 “Individual with a disability” means an individual having a
17 physical or intellectual impairment that substantially limits one or
18 more major life activities, having a record of that impairment, or being
19 regarded as having that impairment; provided that the disabling
20 impairment is certified by a qualified physician.

21 “Qualified physician” means:

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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 physician resides;
5 or

6 (3) A commissioned medical officer in the United
7 States Army, Navy, Marine Corps, or Public Health Service,
8 engaged in the discharge of one’s official duty.

9 “Qualified wages” means wages attributable to work rendered
10 by an individual with a disability for the six-month period after the
11 individual is initially hired.

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

20 SECTION 2. New statutory material is underscored.

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1 SECTION 3. This Act, upon its approval, shall apply to taxable years
2 beginning after December 31, 2018.

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INTRODUCED BY:

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Report Title:

Individual with a Disability; Employment; Income Tax Credit

Description:

Provides a taxpayer who hires an individual with a disability a nonrefundable tax credit for the six-month period after the individual is initially hired by the taxpayer.

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