

JAN 20 2017

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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

PART I

SECTION 1. Section 235-55.7, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) Each taxpayer [~~with an adjusted gross income of less than \$30,000~~] who has paid more than \$1,000 in rent during the taxable year for which the credit is claimed may claim a tax credit [~~of \$50~~] calculated according to this subsection, multiplied by the number of qualified exemptions to which the taxpayer is entitled; provided that each taxpayer sixty-five years of age or over may claim double the tax credit; and provided that a resident individual who has no income or no income taxable under this chapter may also claim the tax credit as set forth in this section. The tax credit shall be calculated as follows:

- (1) Taxpayer filing a single return or a married person filing separately:



1	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
2	<u>Not over \$20,000</u>	<u>\$150</u>
3	<u>Over \$20,000 but not over \$30,000</u>	<u>\$100</u>
4	<u>Over \$30,000 but not over \$40,000</u>	<u>\$50</u>
5	(2) <u>Taxpayer filing as a head of household:</u>	
6	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
7	<u>Not over \$25,000</u>	<u>\$150</u>
8	<u>Over \$25,000 but not over \$37,500</u>	<u>\$100</u>
9	<u>Over \$37,500 but not over \$50,000</u>	<u>\$50</u>
10	(3) <u>Taxpayer filing a joint return under section 235-93 or</u>	
11	<u>a surviving spouse:</u>	
12	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
13	<u>Not over \$30,000</u>	<u>\$150</u>
14	<u>Over \$30,000 but not over \$45,000</u>	<u>\$100</u>
15	<u>Over \$45,000 but not over \$60,000</u>	<u>\$50."</u>

16 PART II

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

20 "§235- Earned income tax credit. (a) Each individual  
 21 taxpayer who:



1       (1) Files an individual income tax return for a taxable  
2       year; and  
3       (2) Is not claimed or is not eligible to be claimed as a  
4       dependent by another taxpayer for income tax purposes,  
5       may claim a refundable earned income tax credit. The tax  
6       credit, for the appropriate taxable year, shall be twenty per  
7       cent of the federal earned income tax credit allowed under  
8       section 32 of the Internal Revenue Code and reported as such on  
9       the individual's federal income tax return. If the tax credit  
10       claimed by a taxpayer exceeds the amount of income tax payment  
11       due from the taxpayer, the excess of credit over payment due  
12       shall be refunded to the taxpayer; provided that a tax credit  
13       properly claimed by an individual who has no income tax  
14       liability shall be paid to the individual; and provided further  
15       that no refund or payment on account of the tax credit allowed  
16       by this section shall be made for an amount less than \$1.  
17       (b) For a part-year resident, the tax credit shall equal  
18       the amount of the tax credit calculated in subsection (a)  
19       multiplied by the ratio of adjusted gross income attributed to  
20       this State to the entire adjusted gross income computed without  
21       regard to source in the State pursuant to section 235-5.



1        (c) To claim the tax credit allowed under this section, an  
2 individual taxpayer shall use the same filing status on the  
3 taxpayer's Hawaii income tax return as used on the taxpayer's  
4 federal income tax return for the taxable year.

5        (d) Any claim, including any amended claim, for tax  
6 credits under this section shall be filed on or before the end  
7 of the twelfth month following the close of the taxable year for  
8 which the tax credit may be claimed. Failure to comply with  
9 this subsection shall constitute a waiver of the right to claim  
10 the tax credit.

11        (e) No credit shall be allowed under this section for any  
12 taxable year in the disallowance period. For purposes of this  
13 subsection, the disallowance period is:

14        (1) The period of ten taxable years after the most recent  
15 taxable year for which there was a final determination  
16 that the taxpayer's claim of credit under this section  
17 was due to fraud; and

18        (2) The period of two taxable years after the most recent  
19 taxable year for which there was a final determination  
20 that the taxpayer's claim of credit under this section  
21 was due to the reckless or intentional disregard of



1 rules and regulations to qualify for the tax credit,  
2 but not due to fraud.

3 (f) Any person who is a tax return preparer, as defined  
4 under section 231-36.5(h), shall be subject to regulations  
5 referred to in section 231-36.5. Any tax return preparer who  
6 fails to comply with due diligence requirements under the  
7 regulations with respect to determining eligibility for, or the  
8 amount of, the credit allowable by section 32 of the Internal  
9 Revenue Code shall pay a penalty of \$100 for each failure.

10 (g) The director of taxation:

11 (1) Shall prepare any forms necessary to claim a tax  
12 credit under this section;

13 (2) May require proof of the claim for the tax credit;

14 (3) Shall alert eligible taxpayers of the tax credit using  
15 appropriate and available means;

16 (4) Shall prepare an annual public report to the  
17 legislature and the governor containing the:

18 (A) Number of credits granted for the prior calendar  
19 year;

20 (B) Total amount of the credits granted; and



1           (C) Average value of the credits granted to taxpayers  
 2           whose earned income falls within various income  
 3           ranges; and

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

PART III

7           SECTION 3. Section 235-51, Hawaii Revised Statutes, is  
 8 amended by amending subsections (a), (b), and (c) to read as  
 9 follows:

10           "(a) There is hereby imposed on the taxable income of (1)  
 11 every taxpayer who files a joint return under section 235-93;  
 12 and (2) every surviving spouse a tax determined in accordance  
 13 with the following table:

14           In the case of any taxable year beginning after  
 15 December 31, 2001:

If the taxable income is:	The tax shall be:
Not over \$4,000	1.40% of taxable income
Over \$4,000 but not over \$8,000	\$56.00 plus 3.20% of excess over \$4,000
Over \$8,000 but	\$184.00 plus 5.50% of
not over \$16,000	excess over \$8,000



1	Over \$16,000 but	\$624.00 plus 6.40% of
2	not over \$24,000	excess over \$16,000
3	Over \$24,000 but	\$1,136.00 plus 6.80% of
4	not over \$32,000	excess over \$24,000
5	Over \$32,000 but	\$1,680.00 plus 7.20% of
6	not over \$40,000	excess over \$32,000
7	Over \$40,000 but	\$2,256.00 plus 7.60% of
8	not over \$60,000	excess over \$40,000
9	Over \$60,000 but	\$3,776.00 plus 7.90% of
10	not over \$80,000	excess over \$60,000
11	Over \$80,000	\$5,356.00 plus 8.25% of
12		excess over \$80,000.

13 In the case of any taxable year beginning after  
 14 December 31, 2006:

15	If the taxable income is:	The tax shall be:
16	Not over \$4,800	1.40% of taxable income
17	Over \$4,800 but	\$67.00 plus 3.20% of
18	not over \$9,600	excess over \$4,800
19	Over \$9,600 but	\$221.00 plus 5.50% of
20	not over \$19,200	excess over \$9,600
21	Over \$19,200 but	\$749.00 plus 6.40% of



1	not over \$28,800	excess over \$19,200
2	Over \$28,800 but	\$1,363.00 plus 6.80% of
3	not over \$38,400	excess over \$28,800
4	Over \$38,400 but	\$2,016.00 plus 7.20% of
5	not over \$48,000	excess over \$38,400
6	Over \$48,000 but	\$2,707.00 plus 7.60% of
7	not over \$72,000	excess over \$48,000
8	Over \$72,000 but	\$4,531.00 plus 7.90% of
9	not over \$96,000	excess over \$72,000
10	Over \$96,000	\$6,427.00 plus 8.25% of
11		excess over \$96,000.

12 In the case of any taxable year beginning after December  
13 31, 2008:

14	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
15	<u>Not over \$4,800</u>	<u>1.40% of taxable income</u>
16	<u>Over \$4,800 but</u>	<u>\$67.00 plus 3.20% of</u>
17	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
18	<u>Over \$9,600 but</u>	<u>\$221.00 plus 5.50% of</u>
19	<u>not over \$19,200</u>	<u>excess over \$9,600</u>
20	<u>Over \$19,200 but</u>	<u>\$749.00 plus 6.40% of</u>
21	<u>not over \$28,800</u>	<u>excess over \$19,200</u>





1	<u>Over \$28,800 but</u>	<u>\$1,363.00 plus 6.80% of</u>
2	<u>not over \$38,400</u>	<u>excess over \$28,800</u>
3	<u>Over \$38,400 but</u>	<u>\$2,016.00 plus 7.20% of</u>
4	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
5	<u>Over \$48,000 but</u>	<u>\$2,707.00 plus 7.60% of</u>
6	<u>not over \$72,000</u>	<u>excess over \$48,000</u>
7	<u>Over \$72,000 but</u>	<u>\$4,531.00 plus 7.90% of</u>
8	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
9	<u>Over \$96,000 but</u>	<u>\$6,427.00 plus 8.25% of</u>
10	<u>not over \$300,000</u>	<u>excess over \$96,000</u>
11	<u>Over \$300,000 but</u>	<u>\$23,257.00 plus 9.00% of</u>
12	<u>not over \$350,000</u>	<u>excess over \$300,000</u>
13	<u>Over \$350,000 but</u>	<u>\$27,757.00 plus 10.00% of</u>
14	<u>not over \$400,000</u>	<u>excess over \$350,000</u>
15	<u>Over \$400,000</u>	<u>\$32,757.00 plus 11.00% of</u>
16		<u>excess over \$400,000.</u>

17 (b) There is hereby imposed on the taxable income of every  
 18 head of a household a tax determined in accordance with the  
 19 following table:

20 In the case of any taxable year beginning after  
 21 December 31, 2001:



1	If the taxable income is:	The tax shall be:
2	Not over \$3,000	1.40% of taxable income
3	Over \$3,000 but	\$42.00 plus 3.20% of
4	not over \$6,000	excess over \$3,000
5	Over \$6,000 but	\$138.00 plus 5.50% of
6	not over \$12,000	excess over \$6,000
7	Over \$12,000 but	\$468.00 plus 6.40% of
8	not over \$18,000	excess over \$12,000
9	Over \$18,000	\$852.00 plus 6.80% of
10	but not over \$24,000	excess over \$18,000
11	Over \$24,000 but	\$1,260.00 plus 7.20% of
12	not over \$30,000	excess over \$24,000
13	Over \$30,000 but	\$1,692.00 plus 7.60% of
14	not over \$45,000	excess over \$30,000
15	Over \$45,000 but	\$2,832.00 plus 7.90% of
16	not over \$60,000	excess over \$45,000
17	Over \$60,000	\$4,017.00 plus 8.25% of
18		excess over \$60,000.

19 In the case of any taxable year beginning after  
 20 December 31, 2006:



1	If the taxable income is:	The tax shall be:
2	Not over \$3,600	1.40% of taxable income
3	Over \$3,600 but	\$50.00 plus 3.20% of
4	not over \$7,200	excess over \$3,600
5	Over \$7,200 but	\$166.00 plus 5.50% of
6	not over \$14,400	excess over \$7,200
7	Over \$14,400 but	\$562.00 plus 6.40% of
8	not over \$21,600	excess over \$14,400
9	Over \$21,600 but	\$1,022.00 plus 6.80% of
10	not over \$28,800	excess over \$21,600
11	Over \$28,800 but	\$1,512.00 plus 7.20% of
12	not over \$36,000	excess over \$28,800
13	Over \$36,000 but	\$2,030.00 plus 7.60% of
14	not over \$54,000	excess over \$36,000
15	Over \$54,000 but	\$3,398.00 plus 7.90% of
16	not over \$72,000	excess over \$54,000
17	Over \$72,000	\$4,820.00 plus 8.25% of
18		excess over \$72,000.

19 In the case of any taxable year beginning after  
 20 December 31, 2008:



1	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
2	<u>Not over \$3,600</u>	<u>1.40% of taxable income</u>
3	<u>Over \$3,600 but</u>	<u>\$50.00 plus 3.20% of</u>
4	<u>not over \$7,200</u>	<u>excess over \$3,600</u>
5	<u>Over \$7,200 but</u>	<u>\$166.00 plus 5.50% of</u>
6	<u>not over \$14,400</u>	<u>excess over \$7,200</u>
7	<u>Over \$14,400 but</u>	<u>\$562.00 plus 6.40% of</u>
8	<u>not over \$21,600</u>	<u>excess over \$14,400</u>
9	<u>Over \$21,600 but</u>	<u>\$1,022.00 plus 6.80% of</u>
10	<u>not over \$28,800</u>	<u>excess over \$21,600</u>
11	<u>Over \$28,800 but</u>	<u>\$1,512.00 plus 7.20% of</u>
12	<u>not over \$36,000</u>	<u>excess over \$28,800</u>
13	<u>Over \$36,000 but</u>	<u>\$2,030.00 plus 7.60% of</u>
14	<u>not over \$54,000</u>	<u>excess over \$36,000</u>
15	<u>Over \$54,000 but</u>	<u>\$3,398.00 plus 7.90% of</u>
16	<u>not over \$72,000</u>	<u>excess over \$54,000</u>
17	<u>Over \$72,000 but</u>	<u>\$4,820.00 plus 8.25% of</u>
18	<u>not over \$225,000</u>	<u>excess over \$72,000</u>
19	<u>Over \$225,000 but</u>	<u>\$17,443.00 plus 9.00% of</u>
20	<u>not over \$262,500</u>	<u>excess over \$225,000</u>



1	<u>Over \$262,500 but</u>	<u>\$20,818.00 plus 10.00% of</u>
2	<u>not over \$300,000</u>	<u>excess over \$262,500</u>
3	<u>Over \$300,000</u>	<u>\$24,568.00 plus 11.00% of</u>
4		<u>excess over \$300,000.</u>

5 (c) There is hereby imposed on the taxable income of (1)  
6 every unmarried individual (other than a surviving spouse, or  
7 the head of a household) and (2) on the taxable income of every  
8 married individual who does not make a single return jointly  
9 with the individual's spouse under section 235-93 a tax  
10 determined in accordance with the following table:

11 In the case of any taxable year beginning after  
12 December 31, 2001:

13	If the taxable income is:	The tax shall be:
14	Not over \$2,000	1.40% of taxable income
15	Over \$2,000 but	\$28.00 plus 3.20% of
16	not over \$4,000	excess over \$2,000
17	Over \$4,000 but	\$92.00 plus 5.50% of
18	not over \$8,000	excess over \$4,000
19	Over \$8,000 but	\$312.00 plus 6.40% of
20	not over \$12,000	excess over \$8,000



1	Over \$12,000 but	\$568.00 plus 6.80% of
2	not over \$16,000	excess over \$12,000
3	Over \$16,000 but	\$840.00 plus 7.20% of
4	not over \$20,000	excess over \$16,000
5	Over \$20,000 but	\$1,128.00 plus 7.60% of
6	not over \$30,000	excess over \$20,000
7	Over \$30,000 but	\$1,888.00 plus 7.90% of
8	not over \$40,000	excess over \$30,000
9	Over \$40,000	\$2,678.00 plus 8.25% of
10		excess over \$40,000.

11 In the case of any taxable year beginning after

12 December 31, 2006:

13	If the taxable income is:	The tax shall be:
14	Not over \$2,400	1.40% of taxable income
15	Over \$2,400 but	\$34.00 plus 3.20% of
16	not over \$4,800	excess over \$2,400
17	Over \$4,800 but	\$110.00 plus 5.50% of
18	not over \$9,600	excess over \$4,800
19	Over \$9,600 but	\$374.00 plus 6.40% of
20	not over \$14,400	excess over \$9,600



1	Over \$14,400 but	\$682.00 plus 6.80% of
2	not over \$19,200	excess over \$14,400
3	Over \$19,200 but	\$1,008.00 plus 7.20% of
4	not over \$24,000	excess over \$19,200
5	Over \$24,000 but	\$1,354.00 plus 7.60% of
6	not over \$36,000	excess over \$24,000
7	Over \$36,000 but	\$2,266.00 plus 7.90% of
8	not over \$48,000	excess over \$36,000
9	Over \$48,000	\$3,214.00 plus 8.25% of
10		excess over \$48,000.

11 In the case of any taxable year beginning after  
 12 December 31, 2008:

13	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
14	<u>Not over \$2,400</u>	<u>1.40% of taxable income</u>
15	<u>Over \$2,400 but</u>	<u>\$34.00 plus 3.20% of</u>
16	<u>not over \$4,800</u>	<u>excess over \$2,400</u>
17	<u>Over \$4,800 but</u>	<u>\$110.00 plus 5.50% of</u>
18	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
19	<u>Over \$9,600 but</u>	<u>\$374.00 plus 6.40% of</u>
20	<u>not over \$14,400</u>	<u>excess over \$9,600</u>



1	<u>Over \$14,400 but</u>	<u>\$682.00 plus 6.80% of</u>
2	<u>not over \$19,200</u>	<u>excess over \$14,400</u>
3	<u>Over \$19,200 but</u>	<u>\$1,008.00 plus 7.20% of</u>
4	<u>not over \$24,000</u>	<u>excess over \$19,200</u>
5	<u>Over \$24,000 but</u>	<u>\$1,354.00 plus 7.60% of</u>
6	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
7	<u>Over \$36,000 but</u>	<u>\$2,266.00 plus 7.90% of</u>
8	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
9	<u>Over \$48,000 but</u>	<u>\$3,214.00 plus 8.25% of</u>
10	<u>not over \$150,000</u>	<u>excess over \$48,000</u>
11	<u>Over \$150,000 but</u>	<u>\$11,629.00 plus 9.00% of</u>
12	<u>not over \$175,000</u>	<u>excess over \$150,000</u>
13	<u>Over \$175,000 but</u>	<u>\$13,879.00 plus 10.00% of</u>
14	<u>not over \$200,000</u>	<u>excess over \$175,000</u>
15	<u>Over \$200,000</u>	<u>\$16,379.00 plus 11.00% of</u>
16		<u>excess over \$200,000."</u>

17 PART IV

18 SECTION 4. Act 223, Session Laws of Hawaii 2015, is  
 19 amended by amending section 4 to read as follows:

20 "SECTION 4. This Act, upon its approval, shall apply to  
 21 taxable years beginning after December 31, 2015 [~~provided that~~





1 ~~this Act shall be repealed on December 31, 2017, and section~~  
2 ~~235-55.85, Hawaii Revised Statutes, shall be reenacted in the~~  
3 ~~form in which it read on the day prior to the effective date of~~  
4 ~~this Act]."~~

5 PART V

6 SECTION 5. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8 SECTION 6. This Act, upon its approval, shall apply to  
9 taxable years beginning after December 31, 2016.

10

INTRODUCED BY:



Karl Rhoads

Will Eyo



# S.B. NO. 648

**Report Title:**

Income Tax Credit; Low-Income Household Renters; Earned Income Tax Credit; Income Tax Rates; Refundable Food Excise Tax Credit

**Description:**

Expands the low income-household renters' income tax credit based on adjusted gross income and filing status. Establishes a state earned income tax credit. Restores the income tax rates for high income brackets that were repealed on 12/31/15. Removes the sunset for the refundable food/excise tax credit.

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

