A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. The purpose of this Act is to raise the dependent care tax credit to offset the high costs of caring for dependents.

SECTION 2. Section 235-55.6, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (a) to read:

"(a) Allowance of credit.

(1) In general. For each resident taxpayer, who files an individual income tax return for a taxable year, and who is not claimed or is not otherwise eligible to be claimed as a dependent by another taxpayer for federal or Hawaii state individual income tax purposes, who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1)), there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the applicable
percentage of the employment-related expenses (as defined in subsection (b)(2)) paid by the individual during the taxable year. If the tax credit claimed by a resident taxpayer exceeds the amount of income tax payment due from the resident taxpayer, the excess of the credit over payments due shall be refunded to the resident taxpayer; provided that tax credit properly claimed by a resident individual who has no income tax liability shall be paid to the resident individual; and provided further that no refunds or payment on account of the tax credit allowed by this section shall be made for amounts less than $1.

(2) Applicable percentage. For purposes of paragraph (1), the taxpayer's applicable percentage shall be determined as follows:

<table>
<thead>
<tr>
<th>Adjusted gross income</th>
<th>Applicable percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $25,000</td>
<td>[25%] ___%</td>
</tr>
<tr>
<td>Over $25,000 but not over $30,000</td>
<td>[24%] ___%</td>
</tr>
<tr>
<td>Over $30,000 but not over $35,000</td>
<td>[23%] ___%</td>
</tr>
</tbody>
</table>
Over $35,000 but not over $40,000
[22%] ___%

Over $40,000 but not over $45,000
[21%] ___%

Over $45,000 but not over $50,000
[20%] ___%

Over $50,000
[15%..] ___%.

2. By amending subsection (c) to read:

"(c) Dollar limit on amount creditable. The amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed:

(1) [$2,400] $_________ if there is one qualifying individual with respect to the taxpayer for such taxable year, or

(2) [$4,800] $_________ if there are two or more qualifying individuals with respect to the taxpayer for such taxable year.

The amount determined under paragraph (1) or (2) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 (with respect to dependent
care assistance programs) of the Internal Revenue Code for the taxable year."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2019.

INTRODUCED BY:

JAN 17 2020

HB HMS 2020-0131
Report Title:
Income Tax Credit; Expenses for Household and Dependent Care Services Necessary for Gainful Employment

Description:
Amends the income tax credit for expenses for household and dependent care services necessary for gainful employment by changing the taxpayer's applicable percentage of employment-related expenses that constitutes the tax credit and cap amount.

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