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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. Income inequality is rapidly growing in the  
2 United States and Hawaii. On average, the poorest Hawaii  
3 taxpayers pay thirteen cents on every dollar in income taxes.  
4 Those earning more than \$400,000 per year pay closer to eight  
5 cents on every dollar. In Hawaii, low-income families feel the  
6 repercussions of this inequality more strongly than almost  
7 anywhere else. Hawaii's low-income tax payers pay higher taxes  
8 than similarly situated individuals in all but three other  
9 states. This effect is especially felt by low-income families  
10 with children who by comparison face the second-highest  
11 effective tax burden in the nation.

12           The purpose of this Act is to reduce income inequality in  
13 Hawaii and reduce the tax burden on working families living at  
14 or below the poverty line by:

15           (1) Increasing the income tax credit amounts for the  
16                refundable food/excise tax credit and the low-income  
17                household renters tax credit; and



1           (2) Rebalancing this increase in income tax credits for  
2           low-income households by extending the elevated tax  
3           brackets for high-income earners for an additional  
4           five years.

5           SECTION 2. Section 235-55.7, Hawaii Revised Statutes, is  
6 amended by amending subsection (c) to read as follows:

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

16           SECTION 3. Section 235-55.85, Hawaii Revised Statutes, is  
17 amended by amending subsection (b) to read as follows:

18           "(b) Each resident individual taxpayer may claim a  
19 refundable food/excise tax credit multiplied by the number of  
20 qualified exemptions to which the taxpayer is entitled in  
21 accordance with the table below; provided that a husband and



1 wife filing separate tax returns for a taxable year for which a  
 2 joint return could have been filed by them shall claim only the  
 3 tax credit to which they would have been entitled had a joint  
 4 return been filed.

5	Adjusted gross income	Credit per exemption
6	Under \$5,000	[\$85] \$ _____
7	\$5,000 under \$10,000	[75] _____
8	\$10,000 under \$15,000	[65] _____
9	\$15,000 under \$20,000	[55] _____
10	\$20,000 under \$30,000	[45] _____
11	\$30,000 under \$40,000	[35] _____
12	\$40,000 under \$50,000	[25] _____
13	\$50,000 and over	0"

14 SECTION 4. Section 6 of Act 60, Session Laws of Hawaii  
 15 2009, as amended by section 4 of Act 97, Session Laws of Hawaii  
 16 2011, is amended to read as follows:

17 "SECTION 6. This Act shall take effect upon approval;  
 18 provided that:



- 1           (1) Section 2 shall apply to taxable years beginning after
- 2                   December 31, 2008;
- 3           (2) Sections 1 and 3 shall apply to taxable years
- 4                   beginning after December 31, 2012; and
- 5           (3) On December 31, [~~2015~~] 2020, section 2 shall be
- 6                   repealed and section 235-51(a), (b), and (c), Hawaii
- 7                   Revised Statutes, shall be reenacted in the form in
- 8                   which it read on the day before the effective date of
- 9                   this Act."

10           SECTION 5. The tax review commission shall, in its

11 systematic review of the State's tax structure:

- 12           (1) Explore best options to reduce income inequality in
- 13                   Hawaii without negatively affecting state revenues;
- 14                   and
- 15           (2) Communicate any findings and recommendations to the
- 16                   legislature in the tax review commission's submitted
- 17                   evaluation of state revenue and tax policy.

18           SECTION 6. Statutory material to be repealed is bracketed

19 and stricken. New statutory material is underscored.



1 SECTION 7. This Act shall take effect upon its approval;  
 2 provided that sections 2 and 3 shall apply to taxable years  
 3 beginning after December 31, 2014.

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INTRODUCED BY: *[Signature]*  
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# H.B. NO. 886

**Report Title:**

Income Tax; Refundable Food/Excise Tax Credit; Low-income Household Renters Credit; Taxation

**Description:**

Extends the high-earner income tax brackets established pursuant to Act 60, Session Laws of Hawaii 2009 by an additional two years. Raises the income tax credits provided to low-income households by the refundable food/excise tax credit and low-income household renters credit to unspecified amounts.

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

