
A BILL FOR AN ACT

RELATING TO A NET INCOME TAX CREDIT FOR FOOD, MEDICAL SERVICES,
AND NON-PRESCRIPTION DRUGS.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Excise tax credit for purchases of food,
5 medical services, and non-prescription drugs. (a) Each
6 qualifying individual may claim a refundable tax credit for
7 excise taxes paid on purchases of food, medical services, and
8 non-prescription drugs against the taxpayer's individual income
9 tax liability for the taxable year for which the individual
10 income tax return is being filed.

11 (b) The tax credit shall be:

12 (1) For taxable years beginning after December 31, 2005,
13 and before January 1, 2007, \$27 multiplied by the
14 number of qualified exemptions to which the taxpayer
15 is entitled; and



1 (2) For taxable years beginning after December 31, 2006,
2 \$55 multiplied by the number of qualified exemptions
3 to which the taxpayer is entitled;
4 provided that no additional tax credit shall be claimed because
5 of age; and provided further that a husband and wife filing
6 separate tax returns for a taxable year for which a joint return
7 could have been filed by them shall claim only the tax credit to
8 which they would have been entitled had a joint return been
9 filed.

10 (c) The tax credit claimed by a resident taxpayer pursuant
11 to this section shall be deductible from the resident taxpayer's
12 individual income tax liability, if any, for the tax year in
13 which it is properly claimed. If the tax credit claimed by a
14 resident taxpayer exceeds the amount of income tax payment due
15 from the resident taxpayer, the excess of credit over payment
16 due shall be refunded to the resident taxpayer; provided that a
17 tax credit properly claimed by a resident individual who has no
18 income tax liability shall be paid to the resident individual;
19 and provided further that no refunds or payments on account of
20 the tax credit allowed by this section shall be made for amounts
21 less than \$1.



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

7 (e) The director of taxation:

8 (1) Shall prepare such forms as may be necessary to claim
9 a tax credit under this section;

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

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

13 (4) Shall prepare an annual report to the governor and
14 legislature containing:

15 (A) The number of credits granted for the prior
16 calendar year;

17 (B) The total amount of the credits granted; and

18 (C) The average value of the credits granted to
19 taxpayers based on the different numbers of
20 qualified exemptions claimed;

21 and



1 (5) May adopt rules pursuant to chapter 91 to effectuate
2 this section.

3 (f) As used in this section:

4 "Dependent" includes a minor child receiving government
5 support such as support from the department of human services or
6 Social Security survivor's benefits.

7 "Qualified exemption" includes those exemptions permitted
8 under this chapter; provided that no additional exemption as
9 allowed under section 235-54 for a taxpayer who is sixty-five
10 years of age or older may be claimed; and provided further that
11 each dependent for whom an exemption is claimed was physically
12 present in the state for more than nine months during the
13 taxable year.

14 "Qualifying individual" means an individual resident who:

15 (1) Files an individual income tax return for a taxable
16 year with an adjusted gross income that is not more
17 than one-hundred twenty per cent of the federal
18 poverty level for federal income tax purposes; and
19 includes those individuals who have no income or no
20 income taxable under this chapter; and



1 (2) Is not claimed or is not otherwise eligible to be
2 claimed as a dependent by another taxpayer for federal
3 or Hawaii state individual income tax purposes.

4 Qualifying individual does not include:

5 (1) Any person who has been convicted of a felony and who
6 has been committed to prison and has been physically
7 confined for the full taxable year;

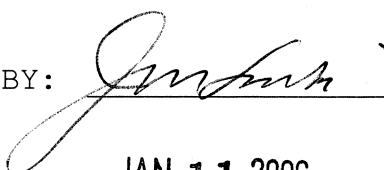
8 (2) Any person who has been committed to a youth
9 correctional facility and has resided at the facility
10 for the full taxable year; or

11 (3) Any person convicted of a misdemeanor who has been
12 committed to jail and has been physically confined for
13 the full taxable year."

14 SECTION 2. New statutory material is underscored.

15 SECTION 3. This Act shall take effect upon its approval,
16 and shall apply to taxable years beginning after December 31,
17 2005.

18

INTRODUCED BY: 
JAN 11 2006

HB 1804

Report Title:

Net Income Tax Credit

Description:

Establishes a refundable tax credit for food, medical services, and non-prescription drugs for individuals at one-hundred twenty per cent of the federal poverty level.

