

S.B. NO. 2374

JAN 25 2006

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that the residents of
2 Hawaii continue to be burdened by the high cost of living in the
3 State of Hawaii. This cost of living effects a family's ability
4 to find affordable housing, obtain reliable transportation, pay
5 for necessary health care, ensure an adequate diet for their
6 family, and cover the basic necessities of life.

7 In particular, the legislature finds it is of paramount
8 importance that those individuals and families with the lowest
9 income levels be granted proportionately higher relief from the
10 burdens of supporting state services through payment of state
11 income taxes. Additionally, the legislature believes this
12 relief should be granted at a time when the state fiscal picture
13 allows a balanced and meaningful refund targeted at those whose
14 daily work and efforts have served as the backbone for the
15 economic recovery the State has enjoyed.

16 This Act shall be known as the Tax Burden Easement Act of
17 2006. The purpose of this Act is to provide for an income tax
18 refund to each resident individual taxpayer reporting a federal

1 adjusted gross income of \$50,000 or less for persons with a
2 filing status of single or married filing separately, \$75,000 or
3 less for persons with a filing status as head of household, and
4 \$100,000 or less for persons with a filing status of married
5 filing jointly.

6 SECTION 2. (a) There shall be paid, as early as December
7 1, 2006, or as soon thereafter as practical, to each resident
8 individual taxpayer who filed an individual income tax return
9 for the taxable year 2004 reporting an adjusted gross income, as
10 defined by the Internal Revenue Code, of \$50,000 or less for
11 persons with a filing status of single or married filing
12 separately, \$75,000 or less for persons with a filing status as
13 head of household, and \$100,000 or less for persons with a
14 filing status of married filing jointly, and who is not claimed
15 or is not otherwise eligible to be claimed as a dependent by
16 another taxpayer for federal or Hawaii state individual income
17 tax purposes, a general income tax refund in the amount provided
18 in subsection (b); provided that a resident individual who has
19 no income or no income taxable under chapter 235, Hawaii Revised
20 Statutes, and who is not claimed or is not otherwise eligible to
21 be claimed as a dependent by a taxpayer for federal or Hawaii
22 state individual income tax purposes may receive this refund.

1 (b) Each resident individual taxpayer described in
2 subsection (a) shall be paid \$150 multiplied by the number of
3 qualified exemptions which the taxpayer claimed on the
4 taxpayer's 2004 net income tax return. Multiple exemptions
5 shall not be granted for this general income tax credit because
6 of age or deficiencies in vision, hearing, or other disability.

7 (c) Each person to whom the general income tax refund is
8 paid shall have been a resident of the State, as defined in
9 section 235-1, Hawaii Revised Statutes, for at least nine months
10 regardless of whether the qualified resident was physically in
11 the State for nine months.

12 (d) The general income tax refund shall not be paid to:

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

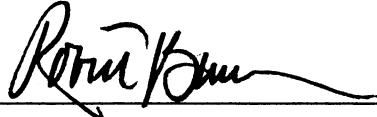
16 (2) Any person who would otherwise be eligible to be
17 claimed as a dependent but who has been committed to a
18 youth correctional facility and has resided at the
19 facility for the full taxable year; or

20 (3) Any misdemeanor who has been committed to jail and
21 has been physically confined for the full taxable
22 year.

S.B. NO. 2374

1 (e) The tax refund paid to a resident taxpayer pursuant to
2 this section shall not be included in the resident taxpayer's
3 gross income.

4 SECTION 2. This Act shall take effect upon its approval.

5
6 INTRODUCED BY:  _____

7 BY REQUEST

SB. NO. 2374

JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO TAXATION

PURPOSE: To ease the tax burden borne by low and moderate income individuals at a time when there is a budget surplus.

MEANS: Provision of a tax refund to each resident individual taxpayer with a federal adjusted gross income below a certain threshold.

JUSTIFICATION: Residents of Hawaii are burdened with a high cost of living. At a time when the State fiscal picture allows tax relief, a tax refund should be granted to those individuals and families with the lowest income levels.

This Act proposes a tax refund instead of a tax credit. A tax refund will provide taxpayers with their share of the surplus immediately, whereas a tax credit would require taxpayers to wait until filing the next income tax return in order to claim it.

Persons eligible to receive the refund would be those persons who filed a 2004 individual income tax return reporting a federal gross income of \$50,000 or less for persons with a filing status of single or married filing separately, \$75,000 or less for persons with a filing status of head of household, and \$100,000 or less for persons with a filing status of married filing jointly. The proposed refund amount would be calculated as the number of exemptions claimed in the taxpayer's 2004 income tax return multiplied by \$150. To be eligible, persons must be Hawaii residents for the previous 9 months, including Hawaii-domiciled military

personnel deployed out-of-state.
Incarcerated persons are not eligible. The
refund check would be sent as early as
December 1, 2006, or as soon thereafter as
practical.

Impact on the public: Will provide
taxpayers with an immediate cash refund of
surplus revenues that they can use to offset
increases in the cost of living.

Impact on the department and other agencies:
The Department and DAGS must process the
refund, cut the checks and mail them to
taxpayers.

GENERAL FUND: \$128.5 million.

OTHER FUNDS:

PPBS PROGRAM
DESIGNATION:

OTHER AFFECTED
AGENCIES: Budget & Finance

EFFECTIVE DATE: Upon approval.