
A BILL FOR AN ACT

RELATING TO INCOME TAX CREDIT.

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

1 SECTION 1. The legislature finds that article VII, section
2 6, of the Constitution of the State of Hawaii requires the
3 legislature to provide a tax refund or tax credit when certain
4 factors are met. The legislature finds that these factors have
5 been met for the second year in a row and that the legislature
6 is constitutionally required to provide a tax credit or tax
7 refund to taxpayers.

8 The purpose of this Act is to provide for an income tax
9 credit of \$, multiplied by the number of the
10 taxpayer's qualified exemptions to every resident, individual
11 taxpayer of the State to satisfy constitutionally mandated
12 requirements.

13 SECTION 2. (a) There shall be allowed each resident
14 individual taxpayer, who files an individual income tax return
15 for the taxable year 2007, and who is not claimed or is not
16 otherwise eligible to be claimed as a dependent by another
17 taxpayer for federal or Hawaii state individual income tax



1 purposes, a general income tax credit of \$, that shall
2 be deducted from income tax liability computed under chapter
3 235, Hawaii Revised Statutes; provided that a resident
4 individual who has no income or no income taxable under chapter
5 235, Hawaii Revised Statutes, and who is not claimed or is not
6 otherwise eligible to be claimed as a dependent by a taxpayer
7 for federal or Hawaii state individual income tax purposes may
8 claim this credit.

9 Each resident individual taxpayer may claim the general
10 income tax credit multiplied by the number of qualified
11 exemptions to which the taxpayer is entitled.

12 Each person for whom the general income tax credit is
13 claimed shall have been a resident of the State, as defined in
14 section 235-1, Hawaii Revised Statutes, for at least nine months
15 regardless of whether the qualified resident was physically in
16 the State for nine months.

17 Multiple exemptions shall not be granted for the general
18 income tax credit because of age or deficiencies in vision,
19 hearing, or other disability.

20 The general income tax credit shall not be available to:



- 1 (1) Any person who has been convicted of a felony and who
2 has been committed to prison and has been physically
3 confined for the full taxable year;
- 4 (2) Any person who would otherwise be eligible to be
5 claimed as a dependent but who has been committed to a
6 youth correctional facility and has resided at the
7 facility for the full taxable year; or
- 8 (3) Any misdemeanor who has been committed to jail and
9 has been physically confined for the full taxable
10 year.

11 The tax credit claimed by a resident taxpayer pursuant to
12 this Act shall be deductible from the resident taxpayer's
13 individual income tax liability for the taxable year 2007. If
14 the tax credit claimed by a resident taxpayer exceeds the amount
15 of income tax payment due from the resident taxpayer, the excess
16 of credits over payments due shall be refunded to the resident
17 taxpayer; provided that a tax credit properly claimed by a
18 resident individual who has no income tax liability shall be
19 paid to the resident individual.

20 All claims for tax credits under this Act, including any
21 amended claims, shall be filed on or before the end of the
22 twelfth month following the close of the taxable year for which



1 the credits may be claimed. Failure to comply with this filing
2 requirement shall constitute a waiver of the right to claim the
3 credit.

4 (b) This section implements the provisions of article VII,
5 section 6, of the Constitution of the State of Hawaii, enacted
6 by the 1978 constitutional convention, which reads as follows:

7 **"DISPOSITION OF EXCESS REVENUES**

8 **Section 6.** Whenever the state general fund balance at the
9 close of each of two successive fiscal years exceeds five
10 percent of general fund revenues for each of the two fiscal
11 years, the legislature in the next regular session shall provide
12 for a tax refund or tax credit to the taxpayers of the State, as
13 provided by law."

14 SECTION 3. This Act shall take effect upon its approval and
15 shall apply to the taxable year beginning after December 31,
16 2006.



Report Title:

Mandatory Tax Credit; Constitution

Description:

Provides a mandatory tax credit to taxpayers pursuant to article VII, section 6 of the Constitution of the State of Hawaii.
(SD2)

