

JAN 24 2007

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 general excise tax
2 and sales tax on food are regressive taxes that
3 disproportionately affect the poor because those with the lowest
4 incomes often spend the largest proportion of their income on
5 food. The average expenditure for food consumed at home is
6 approximately \$2,335 per person per year, based on the State of
7 Hawaii Data Book for 2004. Creating an exemption for certain
8 food items decreases revenues because those who can afford
9 certain food items and visitors will no longer be paying taxes
10 on these items. Furthermore, exempting certain food items does
11 little to change the regressive nature of the tax and does not
12 truly assist low-income residents. For example, foods used as
13 the bases for the exemption are often available to low-income
14 residents through the WIC program. It is estimated that forty
15 per cent of the children born in Hawaii are WIC program
16 participants. Furthermore, many of the foods slated for
17 exemption may not be considered staple foods in many local



1 communities. For instance, rice would not be included in a WIC-
2 program-based exemption.

3 The legislature finds that the more appropriate way to
4 address this issue is to create a food tax credit for low-income
5 residents. A food tax credit for residents earning less than
6 \$30,000 will provide tax relief to almost fifty per cent of the
7 population, while still allowing residents to retain their local
8 diet.

9 The purpose of this Act is to create a food tax credit for
10 the benefit of low-income residents.

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

14 "§235- Food tax credit. (a) Each resident individual
15 taxpayer, who files an individual income tax return for a
16 taxable year, and who is not claimed or is not otherwise
17 eligible to be claimed as a dependent by another taxpayer for
18 federal or Hawaii state individual income tax purposes, may
19 claim a food tax credit, as provided in subsection (b), against
20 the resident taxpayer's individual income tax liability for the
21 taxable year for which the individual income tax return is being
22 filed; provided that a resident individual who has no income or



1 no income taxable under this chapter and who is not claimed or
2 otherwise eligible to be claimed as a dependent by a taxpayer
3 for federal or Hawaii state individual income tax purposes may
4 claim this credit.

5 (b) Each resident taxpayer with an adjusted gross income
6 of less than \$30,000, may claim a tax credit of \$100, multiplied
7 by the number of qualified exemptions to which the taxpayer is
8 entitled; provided that no additional tax credit shall be
9 claimed because of age; provided further that a husband and wife
10 filing separate tax returns for a taxable year for which a joint
11 return could have been filed by them shall claim only the tax
12 credit to which they would have been entitled.

13 (c) For purposes of this section, a qualified exemption is
14 defined to include those exemptions permitted under this
15 chapter; provided that a person for whom the exemption is
16 claimed has physically resided within the State for more than
17 nine months during the taxable year; and provided further that
18 multiple exemptions shall not be granted because of deficiencies
19 in vision or hearing, or other disability. For purposes of
20 claiming the credit only, a minor child receiving support from
21 the department of human services of the State, social security



1 survivor's benefits, and the like, may be considered a dependent
2 and a qualified exemption of the parent or guardian.

3 (d) The tax credit under this section shall not be
4 available to:

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 would otherwise be eligible to be
9 claimed as a dependent but who has been committed to a
10 youth correctional facility and has resided at the
11 facility for the full taxable year; or

12 (3) Any misdemeanor who has been committed to jail and
13 has been physically confined for the full taxable
14 year.

15 (e) The tax credit claimed by a resident taxpayer pursuant
16 to this section shall be deductible from the resident taxpayer's
17 individual income tax liability, if any, for the tax year in
18 which they are properly claimed. If the tax credit claimed by a
19 resident taxpayer exceeds the amount of income tax payment due
20 from the resident taxpayer, the excess of credits over payments
21 due shall be refunded to the resident taxpayer; provided that a
22 tax credit properly claimed by a resident individual who has no



1 income tax liability shall be paid to the resident individual;
 2 and provided further that no refunds or payment on account of
 3 the tax credit allowed by this section shall be made for amounts
 4 less than \$1.

5 (f) All claims for a tax credit under this section,
 6 including any amended claims, must be filed on or before the end
 7 of the twelfth month following the close of the taxable year for
 8 which the credits may be claimed. Failure to comply with this
 9 provision shall constitute a waiver of the right to claim the
 10 credit.

11 (g) The director of taxation shall prepare any forms that
 12 may be necessary to claim a tax credit under this section. The
 13 director may also require the taxpayer to provide reasonable
 14 information to ascertain the validity of the claim for credit
 15 made under this section and may adopt rules necessary to
 16 effectuate the purposes of this section pursuant to chapter 91."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act, upon its approval, shall apply to
 19 taxable years beginning after December 31, 2006.

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Report Title:

Taxation

Description:

Establishes a \$100 food tax credit to residents earning less than \$30,000 per year to provide tax relief to almost 50% of the State's population, while still allowing residents to retain their local diet.

