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# 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 a one-time income  
9 tax credit to satisfy constitutionally mandated requirements.

10          SECTION 2. (a) There shall be allowed for each resident  
11 individual taxpayer for the taxable year 2008, a refundable  
12 one-time general income tax credit that shall be deducted from  
13 income tax liability computed under chapter 235, Hawaii Revised  
14 Statutes; provided that no refunds or payments on account of the  
15 tax credits allowed by this section shall be made for amounts  
16 less than \$1.



1 (b) There shall be allowed to a husband and wife who file  
2 a joint return a one-time general income tax credit in  
3 accordance with the following table:

4 If the adjusted gross income is:	The credit shall be:
5 Under \$5,000	\$160
6 \$5,000 and over but under \$10,000	150
7 \$10,000 and over but under \$15,000	140
8 \$15,000 and over but under \$20,000	130
9 \$20,000 and over but under \$30,000	120
10 \$30,000 and over but under \$40,000	110
11 \$40,000 and over but under \$50,000	100
12 \$50,000 and over but under \$60,000	90
13 \$60,000 and over	0.

14 (c) There shall be allowed to every taxpayer filing a head  
15 of household tax return a one-time general income tax credit in  
16 accordance with the following table:

17 If the adjusted gross income is:	The credit shall be:
18 Under \$5,000	\$140
19 \$5,000 and over but under \$10,000	130
20 \$10,000 and over but under \$15,000	120
21 \$15,000 and over but under \$20,000	110
22 \$20,000 and over but under \$30,000	100



1	\$30,000 and over but under \$40,000	90
2	\$40,000 and over but under \$50,000	80
3	\$50,000 and over but under \$60,000	70
4	\$60,000 and over	0.

5 (d) There shall be allowed to every:

6 (1) Unmarried individual (other than a surviving spouse,  
7 or the head of household); and

8 (2) Married individual filing a separate tax return  
9 a one-time general income tax credit in accordance with the  
10 following table:

11	If the adjusted gross income is:	The credit shall be:
12	Under \$5,000	\$65
13	\$5,000 and over but under \$10,000	55
14	\$10,000 and over but under \$15,000	45
15	\$15,000 and over but under \$20,000	35
16	\$20,000 and over but under \$30,000	25
17	\$30,000 and over	0.

18 SECTION 3. (a) Each taxpayer who claims the one-time  
19 general income tax credit shall have been a resident of the  
20 State, as defined in section 235-1, Hawaii Revised Statutes, for  
21 at least nine months regardless of whether the resident was  
22 physically in the State for nine months.



1 (b) The one-time general income tax credit shall not be  
2 available to:

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

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

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

13 (c) The tax credit claimed by a resident taxpayer pursuant  
14 to this Act shall be deductible from the taxpayer's individual  
15 income tax liability for the taxable year 2008. If the tax  
16 credit claimed by a resident taxpayer exceeds the amount of  
17 income tax payment due from the resident taxpayer, the excess of  
18 credits over payments due shall be refunded to the resident  
19 taxpayer; provided that a tax credit properly claimed by a  
20 resident individual who has no income tax liability shall be  
21 paid to the resident individual.



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

7 (e) A husband and wife who do not file a joint tax return,  
8 shall only be entitled to claim the one-time general income tax  
9 credit to the extent that they would have been entitled to the  
10 one-time general income tax credit had they filed a joint tax  
11 return.

12 (f) The tax refund paid to a resident taxpayer pursuant to  
13 this Act shall not be included in the resident taxpayer's gross  
14 income.

15 (g) For the purpose this Act, "adjusted gross income"  
16 means adjusted gross income as defined by the Internal Revenue  
17 Code.

18 SECTION 4. This Act implements the provisions of article  
19 VII, section 6, of the Constitution of the State of Hawaii,  
20 enacted by the 1978 constitutional convention, which reads as  
21 follows:

22 **"DISPOSITION OF EXCESS REVENUES**



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

7       SECTION 5. This Act shall take effect upon its approval  
 8 and shall apply to the taxable year beginning after December 31,  
 9 2007.

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INTRODUCED BY:

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**Report Title:**

Mandatory Tax Credit; Constitution

**Description:**

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

