

**DEPARTMENT OF TAXATION
RESEARCH DIVISION • REVENUE IMPACTS ANALYSIS**

**S.B.2153, RELATING TO INCOME TAX CREDIT
January 24, 2008**

PROPOSAL: This bill provides a mandatory tax credit to taxpayers pursuant to article VII, section 6, of the Hawaii State Constitution. Each resident individual taxpayer may claim a one-time general income tax credit. The refundable credit is a graduated credit that depends on the taxpayer's federal AGI and filing status (joint, head-of-household, or single/married filing separately). The bill will take effect upon its approval and will apply to the taxable year beginning after December 31, 2007.

REVENUE IMPACT: Assuming that the credit is on "per return" basis and that dependents are not eligible to claim the credit, the revenue loss is estimated to be \$26.0 million for FY 2009. This also assumes that the qualifying widows have the same tax credit schedule as the joint filers.

METHODOLOGY: Residents, including dependents, filed a total of 554,563 Hawaii income tax returns for the 2005 tax year.

DISCUSSION: The bill is identical to SB148 CD1 that was passed in 2007. However, it still needs clarification that the credit is on "per return" basis, that dependents are not eligible to claim the credit, and that qualifying widows have the same tax credit schedule as the joint filers.