

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

**TITLE: S.B. 2495, 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 shall be granted a general income tax credit, which shall be deducted from income tax liability. The credit amount is blank. The credit shall be claimed on the 2008 tax return. The bill will take effect upon its approval.

REVENUE IMPACT: The estimated annual revenue loss depends on the amount of refund per exemption. There are three (3) scenarios that we calculated as follow:

1. Provides a \$40 credit for taxpayers with federal AGI of \$100,000 and below. Provides a \$20 credit for all other taxpayers (For head of households, the threshold is at \$75,000, and for single filers, the threshold is at \$50,000). The annual revenue loss is estimated to be **\$38.1 million**.
2. Provides a \$30 credit for taxpayers with federal AGI of \$100,000 and below. Provides a \$15 credit for all other taxpayers (For head of households, the threshold is at \$75,000, and for single filers, the threshold is at \$50,000). The annual revenue loss is estimated to be **\$28.6 million**.
3. Provides a \$20 credit for taxpayers with federal AGI of \$100,000 and below. Provides a \$10 credit for all other taxpayers (For head of households, the threshold is at \$75,000, and for single filers, the threshold is at \$50,000). The annual revenue loss is estimated to be **\$19.1 million**.

METHODOLOGY: Our estimate for providing a constitutional refund to Hawaii taxpayers is based on the 2004 Hawaii Individuals Income Pattern data that was merged with Federal data to obtain the federal adjusted gross income. The number of exemptions was multiplied by the amount of the constitutional credit to obtain the revenue loss. All Hawaii residents will benefit from this bill.