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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§235- Credits against income; claim limitation. (a)  
5 Notwithstanding any law to the contrary providing for a credit  
6 that may be claimed against a taxpayer's net income tax  
7 liability under this chapter, or chapter 239, 241, or 431, for  
8 taxable years beginning on or after January 1, 2009, and ending  
9 before January 1, 2011, no claim for business credit, including  
10 carryover business credit from prior taxable years, shall exceed  
11 fifty per cent of a taxpayer's tax liability for the taxable  
12 year in which the credit is claimed.

13           (b) For purposes of this section, "business credit" means  
14 all tax credits allowable under chapter 235, chapter 239,  
15 chapter 241, or chapter 431, except for the following tax  
16 credits:



- 1        (1) Section 235-15 (relating to a tax credit for child
- 2                    passenger restraint systems);
- 3        (2) Section 235-17 (relating to a tax credit for motion
- 4                    picture, digital media, and film production);
- 5        (3) Section 235-55 (relating to a tax credit for resident
- 6                    taxpayers);
- 7        (4) Section 235-55.6 (relating to a tax credit for
- 8                    household and dependent care services);
- 9        (5) Section 235-55.7 (relating to a tax credit for low-
- 10                   income household renters);
- 11        (6) Section 235-55.85 (relating the refundable food/excise
- 12                   tax credit);
- 13        (7) Section 235-110.3 (relating to a tax credit for
- 14                   ethanol investment);
- 15        (8) Section 235-110.6 (relating to a tax credit for
- 16                   commercial fishers' fuel);
- 17        (9) Section 235-110.8 (relating to a credit for capital
- 18                   goods excise taxes);
- 19        (10) Section 235-110.91 (relating to a credit for research
- 20                   activities);
- 21        (11) Section 239-6.5 (relating to the tax credit for
- 22                   lifeline telephone services); and



1       (12) Any credit against any tax required by the  
2               Constitution or the laws of the United States.

3       (c) Any business credit generated between January 1, 2009,  
4 and December 31, 2010, shall be subject to the credit claim  
5 limitation provided in subsection (a) and shall not result in a  
6 credit carryover in subsequent taxable years.

7       (d) Any business credit generated and applicable to a  
8 taxable year beginning before January 1, 2009, which resulted in  
9 a credit carryover, shall be subject to the credit claim  
10 limitation provided in subsection (a); provided that  
11 notwithstanding any provision creating a waiver of a tax credit  
12 by failing to make a claim within a specified period of time for  
13 any business tax credit, any business tax credit carryover  
14 generated and applicable to a taxable year beginning before  
15 January 1, 2009, may be used against a tax liability in taxable  
16 years beginning on or after January 1, 2011, until exhausted.

17       (e) In ordering credit claims pursuant to this section,  
18 credits generated during taxable years beginning on or after  
19 January 1, 2009, and ending before January 1, 2011, shall be  
20 claimed first, and credits generated in taxable years beginning  
21 prior to January 1, 2009, shall be claimed thereafter; provided  
22 that, with regard to any business tax credit properly claimed



1 for a taxable year beginning before January 1, 2009, the  
2 specified period of time established to exhaust that business  
3 tax credit shall be tolled until such time that business tax  
4 credits accrued for the period beginning January 1, 2009, and  
5 ending January 1, 2011, have been exhausted.

6 (f) This section shall apply to taxable years beginning on  
7 or after January 1, 2009, and shall not apply to taxable years  
8 beginning on or after January 1, 2011."

9 SECTION 2. New statutory material is underscored.

10 SECTION 3. This Act shall take effect on July 1, 2009.

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INTRODUCED BY: Calvin K.Y. Song  
JAN 28 2009



**Report Title:**

Department of Taxation; Income Tax; Two Year Credit Ceiling

**Description:**

Reduces tax credits allowable under chapters 235, 239, 241, and 431, HRS, for taxable years beginning on or after January 1, 2009 and ending before January 1, 2011. Imposes a tax credit ceiling.

