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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. The purpose of this Act is to limit the amount  
2 of income tax credits that a taxpayer may claim.

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

6 "§235- Credits against income; claim limitation. (a)  
7 Notwithstanding any law to the contrary, and as otherwise  
8 provided in this section, any tax credit that may be claimed  
9 against a taxpayer's net income tax liability under this  
10 chapter, or chapter 239, 241, or 431, for taxable years  
11 beginning on or after January 1, 2011, and ending before January  
12 1, 2016, no claim for business credit, including carryover  
13 business credit from prior taxable years, shall exceed eighty  
14 per cent of a taxpayer's tax liability for the taxable year in  
15 which the credit is claimed.

16 (b) As used in this section, "business credit" means all  
17 tax credits allowable under this chapter, chapter 239, 241, or  
18 431, except for the following tax 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 to the refundable  
12                   food/excise tax credit);
- 13       (7) Section 239-6.5 (relating to a tax credit for lifeline  
14                   telephone service subsidy);
- 15       (8) Any credit against any tax required by the  
16                   Constitution or laws of the United States; and
- 17       (9) The tax credit under section 235-12.5 for a renewable  
18                   energy technology system installed in a single-family  
19                   residential property. For this paragraph, the tax  
20                   credit for a renewable energy technology system  
21                   installed in a multi-family residential property or



1           commercial property shall be deemed a "business  
2           credit".

3           (c) Any business credit generated from January 1, 2011, to  
4           December 31, 2015, shall be subject to the credit claim  
5           limitation provided in subsection (a).

6           Any such business credit that is unclaimed during that  
7           period because of the credit claim limitation of subsection (a)  
8           may be used against a taxpayer's tax liability in the taxable  
9           years beginning on or after January 1, 2016, until exhausted.

10          (d) Any business credit generated and applicable to a  
11          taxable year beginning before January 1, 2011, that resulted in  
12          a credit carryover, shall be subject to the limitation on credit  
13          claims provided in subsection (a); provided that,  
14          notwithstanding any provision creating a waiver of a tax credit  
15          by failing to make a claim within a specified period of time for  
16          any business tax credit, any business tax credit carryover  
17          generated and applicable to a taxable year beginning before  
18          January 1, 2011, may be used against a taxpayer's tax liability  
19          in the taxable years beginning on or after January 1, 2016,  
20          until exhausted.

21          (e) In determining the priority for credit claims made  
22          pursuant to this section, credits generated during taxable years



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1 beginning on or after January 1, 2011, and ending before January  
 2 1, 2016, shall be claimed first, and credits generated in  
 3 taxable years beginning prior to January 1, 2011, shall be  
 4 claimed thereafter; provided that, with regard to any business  
 5 tax credit properly claimed for a taxable year beginning before  
 6 January 1, 2011, the specified period of time established to  
 7 exhaust that business tax credit shall be tolled until such time  
 8 that business tax credits accrued for the period beginning  
 9 January 1, 2011, and ending before January 1, 2016, have been  
 10 exhausted.

11 (f) This section shall apply to taxable years beginning on  
 12 or after January 1, 2011, and shall not apply to taxable years  
 13 beginning on or after January 1, 2016."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on July 1, 2011.

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INTRODUCED BY:

*Calvin K. Amy*  
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 JAN 21 2011



**Report Title:**

Income Tax; Tax Credit Ceiling

**Description:**

Reduces certain allowable tax credits for taxable years beginning on or after 01/01/11, and ending before 01/01/16. Imposes a temporary tax ceiling for certain tax credits.

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