
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 235-55 (relating to a tax credit for resident
4 taxpayers);
- 5 (3) Section 235-55.6 (relating to a tax credit for
6 household and dependent care services);
- 7 (4) Section 235-55.7 (relating to a tax credit for low-
8 income household renters);
- 9 (5) Section 235-55.85 (relating to the refundable
10 food/excise tax credit);
- 11 (6) Section 239-6.5 (relating to a tax credit for lifeline
12 telephone service subsidy);
- 13 (7) Any credit against any tax required by the
14 Constitution or laws of the United States; and
- 15 (8) The tax credit under section 235-12.5 for a renewable
16 energy technology system installed in a single-family
17 residential property. For this paragraph, the tax
18 credit for a renewable energy technology system
19 installed in a multi-family residential property or
20 commercial property shall be deemed a "business
21 credit".



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

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

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

19 (e) In determining the priority for credit claims made
20 pursuant to this section, credits generated during taxable years
21 beginning on or after January 1, 2011, and ending before January
22 1, 2016, shall be claimed first, and credits generated in



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

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

12 SECTION 3. New statutory material is underscored.

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

14

INTRODUCED BY: Calvin K. Y. Any
JAN 21 2011

Report Title:

Income Tax; Tax Credit Ceiling

Description:

Reduces certain allowable tax credits for taxable years beginning on or after 1/1/11, and ending before 1/1/16. Imposes a temporary tax ceiling for certain tax credits.

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