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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. Section 235-55.85, Hawaii Revised Statutes, is  
2 amended to read as follows:  
3           "§235-55.85 [~~Refundable food/excise~~] Low-income tax  
4 **credit.** (a) Each resident individual taxpayer, who files an  
5 individual income tax return for a taxable year, and who is not  
6 claimed or is not otherwise eligible to be claimed as a  
7 dependent by another taxpayer for federal or Hawaii state  
8 individual income tax purposes, may claim a [~~refundable~~  
9 ~~food/excise~~] low-income tax credit against the resident  
10 taxpayer's individual income tax liability for the taxable year  
11 for which the individual income tax return is being filed[~~+~~  
12 ~~provided that a resident individual who has no income or no~~  
13 ~~income taxable under this chapter and who is not claimed or is~~  
14 ~~not otherwise eligible to be claimed as a dependent by a~~  
15 ~~taxpayer for federal or Hawaii state individual income tax~~  
16 ~~purposes may claim this credit].~~  
17           (b) Each resident individual taxpayer may claim a  
18 [~~refundable food/excise~~] low-income tax credit multiplied by the



1 number of qualified exemptions to which the taxpayer is entitled  
 2 in accordance with the table below; provided that a husband and  
 3 wife filing separate tax returns for a taxable year for which a  
 4 joint return could have been filed by them shall claim only the  
 5 tax credit to which they would have been entitled had a joint  
 6 return been filed.

7	<del>[Adjusted gross income</del>	<del>Credit per exemption</del>
8	<del>Under \$5,000</del>	<del>\$85</del>
9	<del>\$5,000 under \$10,000</del>	<del>75</del>
10	<del>\$10,000 under \$15,000</del>	<del>65</del>
11	<del>\$15,000 under \$20,000</del>	<del>55</del>
12	<del>\$20,000 under \$30,000</del>	<del>45</del>
13	<del>\$30,000 under \$40,000</del>	<del>35</del>
14	<del>\$40,000 under \$50,000</del>	<del>25</del>
15	<del>\$50,000 and over</del>	<del>0]</del>

16 (1) For a taxpayer filing a single return:

17	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
18	<u>Under \$15,000</u>	<u>\$300</u>
19	<u>\$15,000 under \$25,000</u>	<u>150</u>
20	<u>\$25,000 and over</u>	<u>0</u>

21 (2) For all other taxpayers:



	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
1		
2	<u>Under \$15,000</u>	<u>\$300</u>
3	<u>\$15,000 under \$25,000</u>	<u>150</u>
4	<u>25,000 under 50,000</u>	<u>100</u>
5	<u>\$50,000 and over</u>	<u>0</u>

6 (c) For the purposes of this section, a qualified  
7 exemption is defined to include those exemptions permitted under  
8 this chapter; provided that no additional exemption may be  
9 claimed by a taxpayer who is sixty-five years of age or older;  
10 provided that a person for whom exemption is claimed has  
11 physically resided in the State for more than nine months during  
12 the taxable year; and provided further that multiple exemptions  
13 shall not be granted because of deficiencies in vision or  
14 hearing, or other disability. For purposes of claiming this  
15 credit only, a minor child receiving support from the department  
16 of human services of the State, social security survivor's  
17 benefits, and the like, may be considered a dependent and a  
18 qualified exemption of the parent or guardian.

19 (d) The tax credit under this section shall not be  
20 available to:



- 1           (1) Any person who has been convicted of a felony and who
- 2                   has been committed to prison and has been physically
- 3                   confined for the full taxable year;
- 4           (2) Any person who would otherwise be eligible to be
- 5                   claimed as a dependent but who has been committed to a
- 6                   youth correctional facility and has resided at the
- 7                   facility for the full taxable year; or
- 8           (3) Any misdemeanant who has been committed to jail and
- 9                   has been physically confined for the full taxable
- 10                  year.
- 11           (e) The tax credits claimed by a resident taxpayer
- 12                  pursuant to this section shall be deductible from the resident
- 13                  taxpayer's individual income tax liability, if any, for the tax
- 14                  year in which they are properly claimed. ~~[If the tax credits~~
- 15                  ~~claimed by a resident taxpayer exceed the amount of income tax~~
- 16                  ~~payment due from the resident taxpayer, the excess of credits~~
- 17                  ~~over payments due shall be refunded to the resident taxpayer;~~
- 18                  ~~provided that tax credits properly claimed by a resident~~
- 19                  ~~individual who has no income tax liability shall be paid to the~~
- 20                  ~~resident individual; and provided further that no refunds or~~
- 21                  ~~payment on account of the tax credits allowed by this section~~
- 22                  ~~shall be made for amounts less than \$1.~~



1       ~~(f) All claims for tax credits under this section,~~  
2       ~~including any amended claims, shall be filed on or before the~~  
3       ~~end of the twelfth month following the close of the taxable year~~  
4       ~~for which the credits may be claimed. Failure to comply with~~  
5       ~~the foregoing provision shall constitute a waiver of the right~~  
6       ~~to claim the credit.]~~

7       (f) The tax credit under this section is nonrefundable.  
8       If the tax credit under this section exceeds the taxpayer's  
9       income tax liability, the excess of the credit over liability  
10      may not be used be used as a credit against the taxpayer's  
11      income tax liability in subsequent years.

12      (g) For the purposes of this section, "adjusted gross  
13      income" means adjusted gross income as defined by the Internal  
14      Revenue Code[-] or as defined by section 235-1, whichever is  
15      greater."

16      SECTION 2. Statutory material to be repealed is bracketed  
17      and stricken. New statutory material is underscored.

18      SECTION 3. This Act shall take effect on July 1, 2030, and  
19      shall apply to taxable years beginning after December 31, 2012.



**Report Title:**

Reduction of Tax Liability; Low Income Taxpayers

**Description:**

Reduces the tax liability for low-income taxpayers by creating a tax credit that will reduce a taxpayer's income tax to a minimum amount if the taxpayer's federal and Hawaii adjusted gross income falls below certain thresholds. Effective July 1, 2030.  
(SB98 HD1)

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