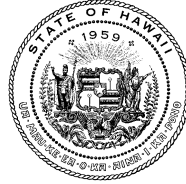


DAVID Y. IGE  
GOVERNOR

JOSH GREEN, M.D.  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
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ISAAC W. CHOY  
DIRECTOR OF TAXATION

**DEPT. COMM. NO. 166**

December 17, 2020

The Honorable Ronald D. Kouchi,  
President and Members of the Senate  
Thirty-First State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker  
and Members of the House of  
Representatives  
Thirty-First State Legislature  
State Capitol, Room 431  
Honolulu, HI 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting an electronic copy of the Report on Tax Credits Claimed by Hawaii Residents for Tax Year 2018, as required by Section 231-3.4(a)(3), Hawaii Revised Statutes.

In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at [https://tax.hawaii.gov/stats/a5\\_1annual/](https://tax.hawaii.gov/stats/a5_1annual/).

Sincerely,

A handwritten signature in black ink, reading "Isaac W. Choy".

Isaac W. Choy  
Director of Taxation

Enclosures

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# **Tax Credits**

**Claimed by Hawaii Taxpayers**

**Tax Year 2018**

**(January 1, 2018 – December 31, 2018)**

---

**Department of Taxation**

**State of Hawaii**

# STATE OF HAWAII

David Y. Ige, Governor

## DEPARTMENT OF TAXATION

Isaac W. Choy, Director

### TAX RESEARCH & PLANNING

Seth Colby, Tax Research & Planning Officer

Dongliang Wu, Research Statistician

---

# **Tax Credits**

## **Claimed by Hawaii Taxpayers**

### **Tax Year 2018**

**(January 1, 2018 – December 31, 2018)**

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**Department of Taxation  
State of Hawaii**

**September 2020**

**Prepared by Tax Research and Planning Office**

**Web Site: [tax.hawaii.gov](http://tax.hawaii.gov)**



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# 1. INTRODUCTION

This study examines tax credits that may be applied to reduce taxpayer's tax liability including Hawaii's net income taxes, the tax on insurance premiums, or the tax on public utilities. Tax credits are subtracted directly from the tax liability, so they reduce the amount of taxes dollar-for-dollar. This makes them more valuable to taxpayers than ordinary deductions, which merely reduce the amount of income against which tax is applied. Tax credits may be refundable or nonrefundable. If a tax credit is nonrefundable, it can provide a tax benefit only to the extent that the taxpayer has a tax liability.<sup>1</sup> In contrast, the taxpayer is ensured of receiving the full amount of a refundable tax credit in the year it is claimed, because if the tax credit exceeds the tax liability, the taxpayer receives a check from the government for the difference.

The study reports the value of tax credits that were deducted from tax liability, or that were refunded to taxpayers in tax year 2018. The study does not include the value of tax credits that were claimed in tax year 2018 if the tax credits were denied or carried over to a future year.

The tax returns examined for this study were those filed for tax year 2018 and processed by March 31, 2020. The tax year is the same as the calendar year for most taxpayers, but for taxpayers that have a fiscal year that differs from the calendar year, tax year 2018 is the fiscal year ending in calendar year 2018.

Hawaii's first tax credit was established in 1957 to avoid double taxation of income. Since then, numerous tax credits have been enacted. Most of them are designed to promote social welfare or to encourage certain industries or economic activities. The total number of tax credits reached a high in tax year 2008, when 21 tax credits were active. In tax year 2018, the number hit the 2008 peak with 21 active tax credits.<sup>2</sup> There were also 6 expired tax credits for which excess credits from prior years could be carried over into tax year 2018.<sup>3</sup>

The Department of Taxation (Department) has prepared studies on tax credits for tax years 1965, 1970, 1977 through 2005, and 2011 through 2018 (the present study).<sup>4</sup> The studies on tax credits produced for tax years before 1986 included only tax credits claimed by individuals. The studies for tax years after 1986 were expanded to include

---

<sup>1</sup> For most nonrefundable tax credits, the unused credits can be carried forward to future years, so the full value of the tax credit is usually realized eventually.

<sup>2</sup> The study does not include the tax credit from a regulated investment company or the credit for taxes withheld on the sale of Hawaii real property. These are not proper tax credits, but are instead deductions from income tax that account for Hawaii income taxes already paid, similar to the deduction for taxes that were withheld on wages.

<sup>3</sup> The count of expired tax credits does not include the renewable energy technologies tax credit for systems installed prior to July 1, 2009.

<sup>4</sup> Work on the studies was discontinued in 2009 due to cutbacks in personnel caused by the Great Recession. The study on tax credits for tax year 2011 was the first one produced since December 2007, when the study for tax year 2005 was published.



tax credits claimed by businesses, by fiduciaries (trusts and estates), and by exempt organizations as well as the lifeline telephone service tax credit. The present study examines the following active and expired tax credits:

## **Active Tax Credits**

### *Tax Credits to Promote Social Welfare*

- Refundable Food/Excise Tax Credit
- Tax Credit for Low-Income Household Renters
- Tax Credit for Child and Dependent Care Expenses
- Tax Credit for Child Passenger Restraint Systems
- Tax Credit for Employment of Vocational Rehabilitation Referrals
- Low-Income Housing Tax Credit
- Tax Credit for School Repair and Maintenance
- Earned Income Tax Credit
- Lifeline Telephone Service Tax Credit

### *Tax Credits to Encourage Certain Industries or Economic Activities*

- Fuel Tax Credit for Commercial Fishers
- Motion Picture, Digital Media, and Film Production Income Tax Credit
- Renewable Energy Technologies Tax Credit
- Enterprise Zone Tax Credit
- Important Agricultural Land Qualified Agricultural Cost Tax Credit
- Tax Credit for Research Activities
- Capital Infrastructure Tax Credit
- Cesspool Upgrade, Conversion or Connection Income Tax Credit
- Renewable Fuels Production Tax Credit
- Organic Foods Production Tax Credit

### *Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*

- Capital Goods Excise Tax Credit
- Income Tax Paid to Another State or Foreign Country

## **Expired Tax Credits**

### *Tax Credits to Promote Social Welfare*

- Individual Development Account Contribution Tax Credit

### *Tax Credits to Encourage Certain Industries or Economic Activities*

- High Technology Business Investment Tax Credit
- Energy Conservation Tax Credit
- Hotel Construction and Remodeling Tax Credit
- Technology Infrastructure Renovation Tax Credit
- Residential Construction and Remodeling Tax Credit

## 2. DATA SOURCE AND METHODOLOGY

The primary data source for the study is the GenTax program of the Department's Tax System Modernization (TSM) project. The data are from individual income tax returns (Forms N-11 and N-15), corporate income tax returns (Form N-30), fiduciary (estates and trusts) income tax returns (Form N-40) and exempt organization income tax returns (Form N-70NP). In addition, data from franchise tax returns (Form F-1) that are filed by banks and other financial corporations including building and loan associations, financial services and loan companies, and small investment companies are utilized. The data include all tax returns that were filed for tax year 2018 and processed by March 31, 2020 with a query run on GenTax in April 2020. Some tax credits are reported directly on the tax returns, but most of them are reported on Schedules CR, "Schedule of Tax Credits." The tax credits reported on Schedules CR are summed and only the total is reported on the income tax returns. Therefore, the data on tax credits were obtained from tax returns in conjunction with Schedules CR, wherever applicable. The data on tax credits are before any adjustments by subsequent audits but they include the automatic adjustments the Department made when processing the tax returns.

Data on the lifeline telephone tax credit were obtained from the Public Utilities Commission and data on tax credits claimed by insurance companies were provided by the Insurance Division of the Department of Commerce and Consumer Affairs, which administers the tax on insurance premiums. The tax forms used for the study and their instructions are available on the Department's website at *tax.hawaii.gov*. The forms and instructions may also be obtained at any district tax office.

To prevent readers from identifying, directly or indirectly, a particular taxpayer, the Department of Taxation does not disclose tabulations containing: data for 5 or less returns at the state level, 10 or less returns at the county level, or individual returns that represent a large percentage of the tabulation. Additional tabulations may be suppressed in statistical tables that would allow the reader to infer the quantities of the tabulations which were originally suppressed.

The data for the study come from 775,870 tax returns that were filed for tax year 2018. Table 1 shows the total number of each type of tax return examined for the study.

**Table 1**  
**Number of Tax Returns by Type of Taxpayer**  
**for Tax Year 2018**

<b>Type of Taxpayer</b>	<b>Tax Form</b>	<b>Number of Returns</b>
Individual - Resident	Form N-11	637,012
Individual - Nonresident / Part-Year Resident	Form N-15	102,073
Nonfinancial Corporation	Form N-30	17,972
Financial Corporation	Form F-1	258
Fiduciary	Form N-40	16,721
Exempt Organization	Form N-70NP	784
Insurance Underwriter*	Form 314	1,050
<b>TOTAL</b>		<b>775,870</b>

\* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs.

Table 2 shows the breakdowns by income class and by taxation district for the individual income tax returns included in the study (Forms N-11 and N-15).<sup>5</sup> The State has four taxation districts: District 1 is the City and County of Honolulu (Oahu), District 2 consists of Maui and Kalawao Counties (Maui), District 3 is Hawaii County and District 4 is Kauai County. The table also shows the number of individual income tax returns by six income classes. For residents (who file Form N-11), the income class is determined by the Hawaii Adjusted Gross Income (Hawaii AGI). For part-year residents and nonresidents (who file Form N-15), the income class is determined by total AGI, which is the taxpayer's global adjusted gross income as it would be defined if the taxpayer had been a Hawaii resident for the full tax year.

<sup>5</sup> District breakdowns for tax returns from businesses should be interpreted with caution because the location is determined by the taxpayer's mailing address. Many businesses with operations throughout the State are headquartered on Oahu and use an Oahu mailing address. Moreover, nonresident businesses with out-of-State addresses are attributed to Oahu. Therefore, county breakdowns for business tax returns are not shown.

**Table 2**  
**Total Number of Individual Income Tax Returns for Tax Year 2018**  
**by Income Class and by Tax District**

<b>By Income Class*</b>			
<b>Hawaii AGI*</b>	<b>Forms N – 11</b>	<b>Forms N - 15</b>	<b>All Individual Returns</b>
Less than \$10,000	132,729	15,562	148,291
\$10,000 to \$29,999	146,391	18,003	164,394
\$30,000 to \$59,999	160,719	16,617	177,336
\$60,000 to \$99,999	96,299	13,387	109,686
\$100,000 to \$199,999	77,338	15,997	93,335
\$200,000 or more	23,536	22,507	46,043
<b>Total</b>	<b>637,012</b>	<b>102,073</b>	<b>739,085</b>

<b>By Tax District**</b>			
<b>Tax District</b>	<b>Forms N – 11</b>	<b>Forms N - 15</b>	<b>All Individual Returns</b>
Oahu (District 1)	445,970	96,437	542,407
Maui (District 2)	75,546	2,293	77,839
Hawaii (District 3)	82,460	2,399	84,859
Kauai (District 4)	33,036	944	33,980
<b>Total</b>	<b>637,012</b>	<b>102,073</b>	<b>739,085</b>

\* For Form N-15, the income is the taxpayer's global adjusted gross income as defined for Hawaii income tax purposes.

\*\* Forms N-15 for non-residents that have an out-of-state address are allocated to Oahu.

### **3. OVERVIEW AND SUMMARY OF RESULTS**

In tax year 2018, a total of \$341.9 million was claimed in tax credits. Figure 1 shows the breakdown by type of taxpayer for tax credits claimed in tax year 2018.

The largest dollar value of tax credits was claimed against individual income tax liabilities. Such claims added up to \$165.1 million, or 48.3% of the total claims for tax credits. Claims against income tax liabilities of nonfinancial corporations were the second largest category, amounting to \$127.2 million, or 37.2% of the total claims for tax credits.

**Figure 1**  
**Distribution of Tax Credit Amounts by**  
**Taxpayer Type in Tax Year 2018**

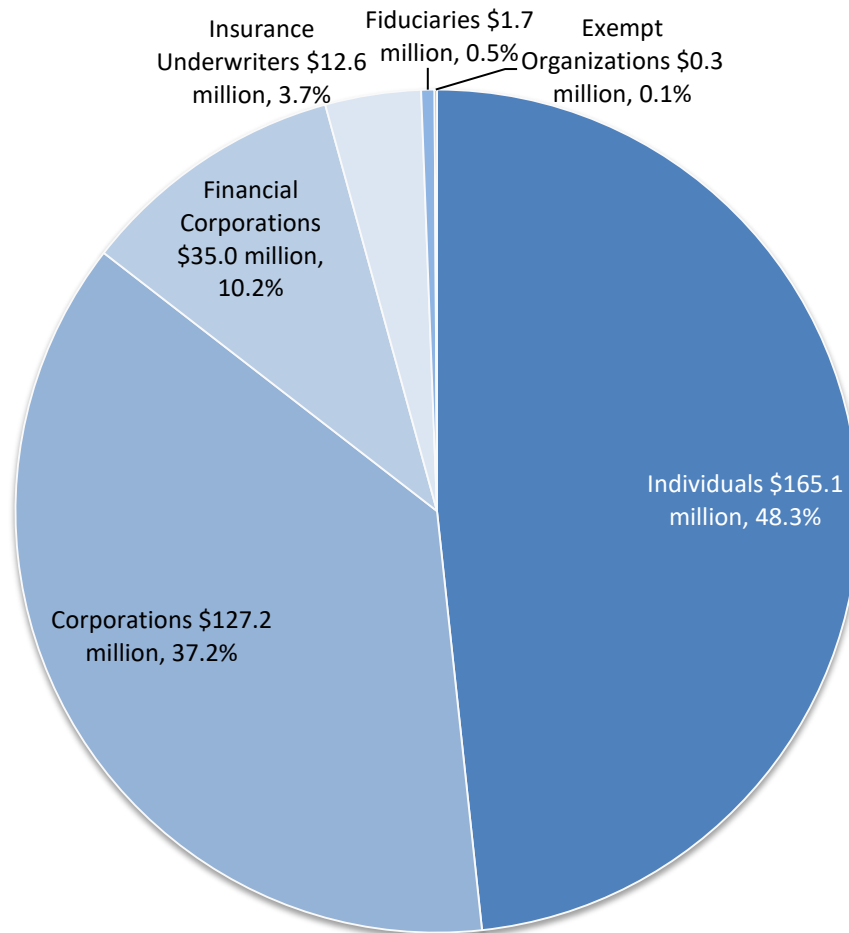


Figure 2 shows the amount of tax credits as a proportion of total tax liability by taxpayer type in tax year 2018.<sup>6</sup> Financial corporations had the largest percentage of tax credits against their tax liability with 97.2% of their tax liability written off by tax credit claims.<sup>7</sup> The second largest percentage reduction of tax liability was by nonfinancial corporations with 60.2% of their tax liability reduced by tax credit claims. Individual taxpayers had the smallest percentage tax reduction due to tax credits (6.75% of their tax liability) although they claimed the largest amount of tax credits. This is because individual taxpayers had

<sup>6</sup> The total tax liability for insurance underwriters also include surplus lines tax, foreign risk retention group tax and workers compensation special compensation fund levy.

<sup>7</sup> Financial corporations had claims in only four tax credit categories: low-income housing tax credit, renewable energy technologies tax credit, capital goods excise tax credit, and high technology business investment tax credit. The first and last are related to their investment activities whereas the other two are popular tax credits claimed by corporations relevant to business operations.

the largest tax liability before tax credits of \$2.4 billion, whereas financial corporations only had \$0.04 billion tax liability before tax credits in tax year 2018.

**Figure 2**  
**Amount of Tax Credits as a Proportion of Total Tax Liability by Taxpayer Type in Tax Year 2018**

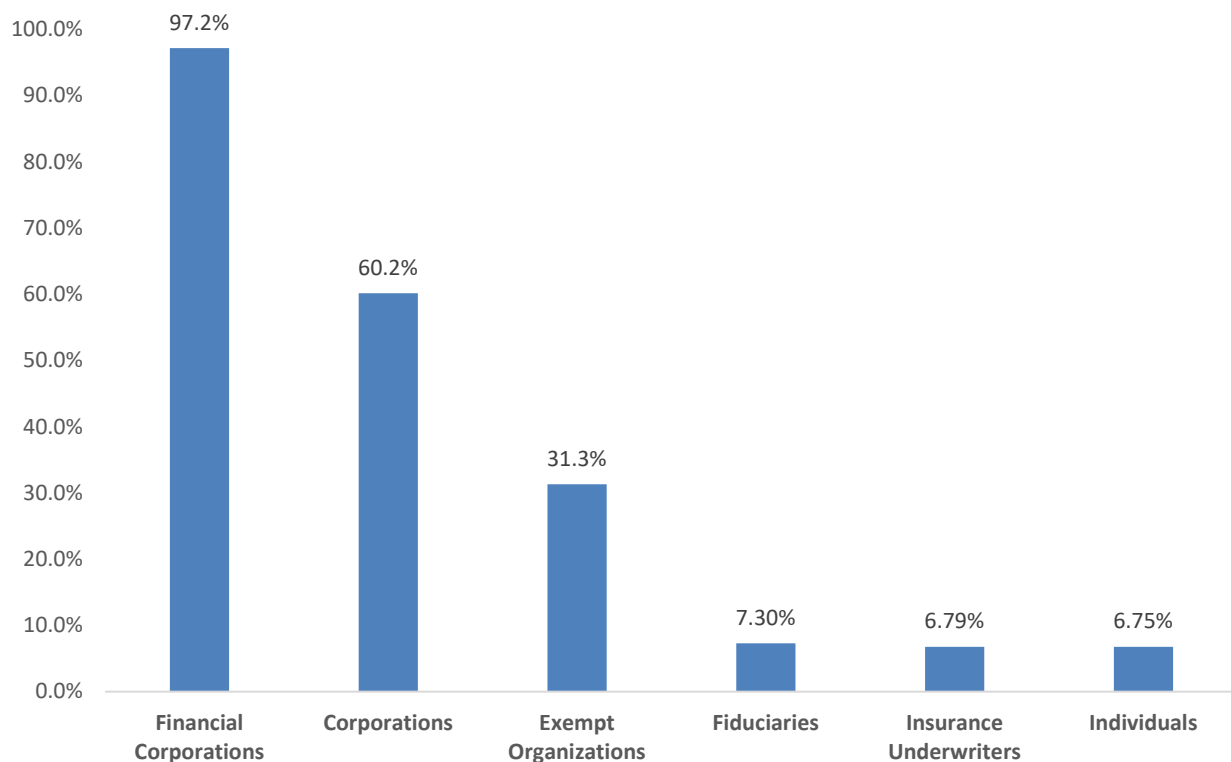
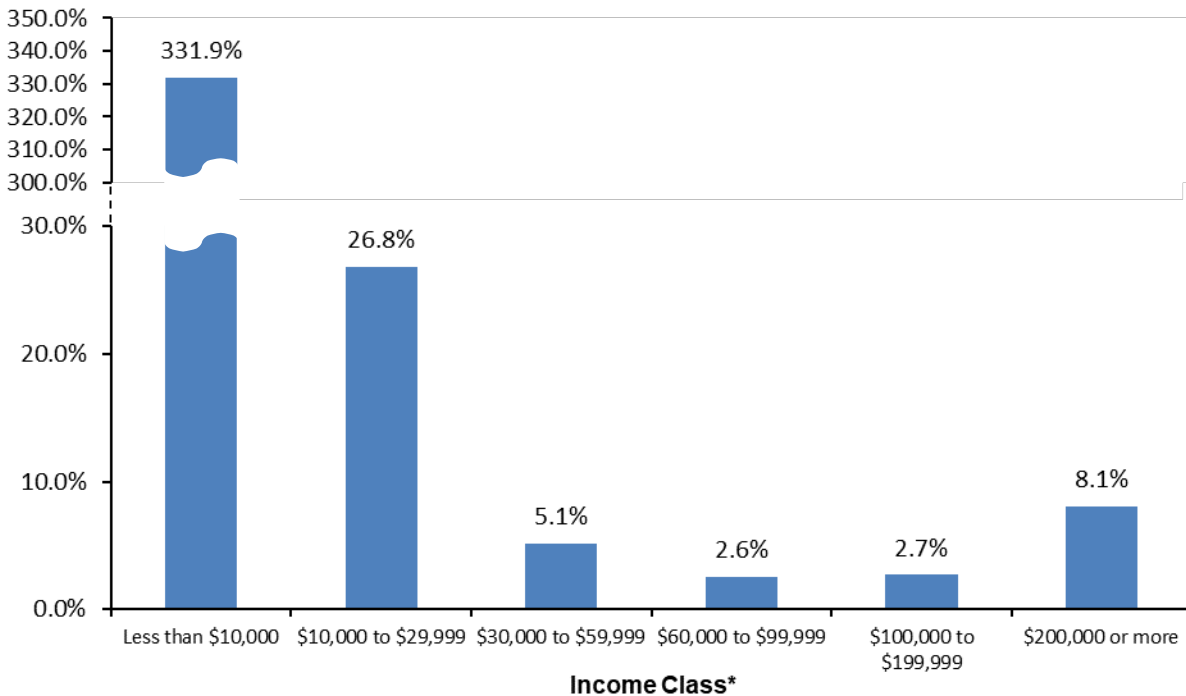


Figure 3 shows the amount of tax credits claimed by individuals as a proportion of their total tax liability by income class in tax year 2018. The amount of tax credits claimed by individual taxpayers with Hawaii AGI of less than \$10,000 was 331.9% of their aggregate tax liability before tax credits. Among the income groups with amounts of tax credits less than their tax liability, taxpayers with Hawaii AGI of \$10,000 to \$29,999 claimed the largest percentage (26.8%) of tax credits against their tax liability, while taxpayers with Hawaii AGI of \$60,000 to \$99,999 claimed the smallest (2.6%).

**Figure 3 Amount of Tax Credits Claimed by Individuals as a Proportion of Their Total Tax Liability by Income Class in Tax Year 2018**



\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

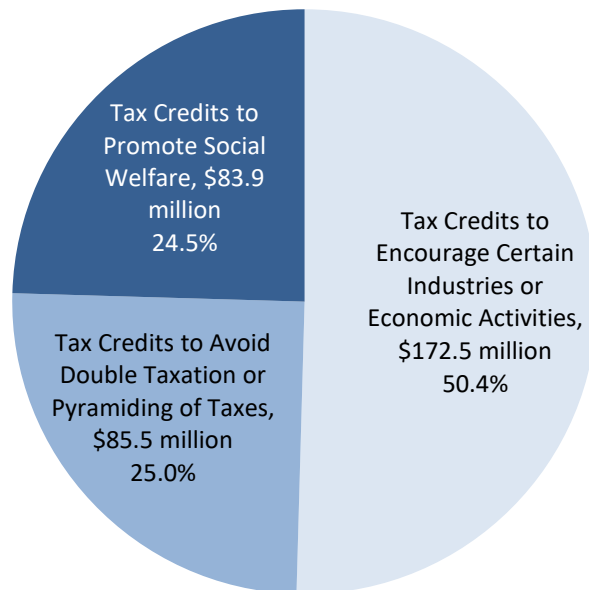
Table 3, on the next page, presents the number and proportion of taxpayers who claimed tax credits by taxpayer type. The resident individual taxpayers were the largest group with 43.3% of them claiming tax credits while exempt organizations were the smallest with only 1.3% of them making tax credit claims. In second and third place, 8.3% of nonresident or part-year resident and 7.0% of financial corporations made tax credit claims in tax year 2018, respectively.

**Table 3**  
**Number and Proportion of Taxpayers Claiming Tax Credits**  
**by Taxpayer Type for Tax Year 2018**

Type of Taxpayer	Number of Taxpayers	# of Taxpayers with Claims	% of Taxpayers with Claims
Individual - Resident	637,012	275,615	43.3%
Individual - Nonresident / Part-Year Resident	102,073	8,444	8.3%
Nonfinancial Corporation	17,972	998	5.6%
Financial Corporation	258	18	7.0%
Fiduciary	16,721	366	2.2%
Exempt Organization	784	10	1.3%

Figure 4 summarizes the amount of tax credits by purpose of the tax credit in tax year 2018. The largest amount claimed was for encouraging certain industries or economic activities (\$172.5 million or 50.4% of total credits claimed) followed by tax credits to avoid double taxation or pyramiding of taxes (\$85.5 million, or 25.0%) and tax credits to promote social welfare (\$83.9 million, or 24.5%).

**Figure 4**  
**Amount of Tax Credits by Purpose of the Tax Credit in Tax Year 2018**





**Table 4**  
**Distribution of Tax Credits in Tax Year 2018**

	Amount (in \$1,000)	% of Total
<b>Total, All Tax Credits</b>	\$341,928	100.0
<b>Active Tax Credits</b>		
<b>Tax Credits to Promote Social Welfare</b>		
Refundable Food Excise Tax Credit (Food/Excise)	\$28,413	8.3
Tax Credit for Low-Income Household Renters	\$2,132	0.6
Tax Credit for Child and Dependent Care Expenses	\$9,043	2.6
Tax Credit for Child Passenger Restraint Systems	\$61	0.0
Tax Credit for Employment of Vocational Rehabilitation Referrals	<i>d</i>	<i>d</i>
Low-Income Housing Tax Credit	\$28,643	8.4
Tax Credit for School Repair and Maintenance	<i>d</i>	<i>d</i>
Earned Income Tax Credit	\$15,583*	4.6
Lifeline Telephone Service Tax Credit	\$34	0.0
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>		
Fuel Tax Credit for Commercial Fishers	\$372	0.1
Motion Picture, Digital Media, and Film Production Income Tax Credit	\$80,228	23.5
Renewable Energy Technologies Income Tax Credit	\$70,497	20.6
Enterprise Zone Tax Credit	\$1,127	0.3
Important Agricultural Land Qualified Agricultural Cost Tax Credit	<i>d</i>	<i>d</i>
Tax Credit for Research Activities	\$2,373	0.7
Capital Infrastructure Tax Credit	\$1,907	0.6
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$219	0.1
Renewable Fuels Production Tax Credit	\$330	0.1
Organic Foods Production Tax Credit	\$14	0.0
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>		
Capital Goods Excise Tax Credit	\$34,080	10.0
Income Tax Paid to Another State or Foreign Country	\$51,460	15.0
<b>Expired Tax Credits</b>		
<b>Tax Credits to Promote Social Welfare</b>		
Individual Development Account Contribution Tax Credit	-	-
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>		
High Technology Business Investment Tax Credit	\$12,344	3.6
Energy Conservation Tax Credit*	**	**
Hotel Construction and Remodeling Tax Credit	<i>d</i>	<i>d</i>
Technology Infrastructure Renovation Tax Credit	<i>d</i>	<i>d</i>
Residential Construction and Remodeling Tax Credit	\$206	0.1

\* The data for the earned income tax credit in the 2018 tax credit report was extracted at a later date than the data from the 2018 Earned Income Tax Credit Report. The different dates of data extraction account for the difference in the numbers between the two reports.

\*\* Data for the energy conservation tax credit are included with the renewable energy technologies tax credit.

"d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

Table 4, on the previous page, shows a summary distribution of tax credits claimed by type of tax credit. Detailed descriptions of the various tax credits will be in the next section. As can be observed in Table 4, the largest tax credit by dollar value was the motion picture, digital media, and film production income tax credit, which amounted to \$80.2 million, or 23.5% of the total tax credits claimed in tax year 2018. The second largest tax credit was renewable energy technologies tax credit, which, along with a small amount of carryovers of the energy conservation tax credit, amounted to \$70.5 million, or 20.6% of the total.

Table 5, on the next page, breaks down the amount of each tax credit claimed by individuals and financial/nonfinancial corporations. For individuals, the largest tax credit by dollar value was the tax credit for income tax paid to another state or foreign country for \$50.3 million, renewable energy technologies tax credit for \$34.2 million, and refundable food/excise tax credit for \$28.4 million. For nonfinancial corporations, motion picture, digital media, and film production income tax credit was at the top of the list with undisclosed amount due to data suppression followed by renewable energy technologies tax credit for \$24.0 million, and capital goods excise tax credit for \$22.0 million. Financial corporations had claims in only four tax credit categories: low-income housing tax credit, renewable energy technologies tax credit, capital goods excise tax credit, and high technology business investment tax credit totaling to \$35.0 million.

The tables in Appendix A show further details on the tax credits claimed. Appendix Table A-1 shows the amount of each tax credit claimed by type of taxpayer (individuals, nonfinancial corporations, financial corporations, fiduciaries, exempt organizations, and insurance underwriters) and in effect, incorporates and expands on the information provided in Table 5. For estates and trusts filing fiduciary income tax returns, the largest tax credit amount was for the tax credit for income tax paid to another state or foreign country with more than \$1 million (data suppressed). For exempt organizations, the total tax credit amount was only \$318 thousand. Insurance underwriters had claims in only two tax credit categories: Low-income housing tax credit for \$9.1 million followed by high technology business investment tax credit for \$3.5 million. Appendix Table A-2 shows the number of tax returns with claims for each type of tax credit by taxpayer type. For individuals, the tax credits most frequently claimed were the refundable food/excise tax credit (claimed on 239,218 individual income tax returns, or 32.4% of these returns), the earned income tax credit (claimed on 57,134 individual income tax returns, or 7.7% of these returns), and the tax credit for child and dependent care expenses (claimed on 23,683 individual income tax returns, or 3.2% of these returns). For nonfinancial and financial corporations, the most frequently claimed tax credit was capital goods excise tax credit. The capital goods excise tax credit was claimed on 910 nonfinancial corporation income tax returns (or 5.1% of these returns) and 15 financial corporation income tax returns (or 5.8% of these returns).

**Table 5**  
**Dollar Amounts of Tax Credits Claimed**  
**by Type of Credit and Type of Taxpayer in Tax Year 2018 (in \$1,000)**

Type of Credit	Individuals	Corporations	Fin. Corps.
<b>Active Tax Credits</b>			
<b>Tax Credits to Promote Social Welfare</b>			
Refundable Food Excise Tax Credit (Food/Excise)	\$28,413	na	na
Tax Credit for Low-Income Household Renters	\$2,132	na	na
Tax Credit for Child and Dependent Care Expenses	\$9,043	na	na
Tax Credit for Child Passenger Restraint Systems	\$61	na	na
Tax Credit for Employment of Vocational Rehabilitation Referrals	d	-	-
Low-Income Housing Tax Credit	\$280	d	d
Tax Credit for School Repair and Maintenance	d	-	-
Earned Income Tax Credit	\$15,583*	na	na
Lifeline Telephone Service Tax Credit	na	na	na
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>			
Fuel Tax Credit for Commercial Fishers	d	d	-
Motion Picture, Digital Media, and Film Production Income Tax Credit	d	d	-
Renewable Energy Technologies Income Tax Credit	\$34,210	\$23,969	d
Enterprise Zone Tax Credit	\$1,004	d	-
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	-
Tax Credit for Research Activities	\$379	d	-
Capital Infrastructure Tax Credit	d	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$219	-	-
Renewable Fuels Production Tax Credit	\$330	-	-
Organic Foods Production Tax Credit	\$14	-	-
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>			
Capital Goods Excise Tax Credit	\$8,490	\$22,021	\$3,008
Income Tax Paid to Another State or Foreign Country	\$50,325	na	na
<b>Expired Tax Credits</b>			
<b>Tax Credits to Promote Social Welfare</b>			
Individual Development Account Contribution Tax Credit	-	-	-
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>			
High Technology Business Investment Tax Credit	\$5,713	\$2,098	d
Energy Conservation Tax Credit*	**	**	**
Hotel Construction and Remodeling Tax Credit	d	d	-
Technology Infrastructure Renovation Tax Credit	d	d	-
Residential Construction and Remodeling Tax Credit	d	d	-
<b>GRAND TOTAL</b>	<b>\$165,117</b>	<b>\$127,174</b>	<b>\$34,996</b>
<b>AGGREGATE TAX LIABILITY BEFORE TAX CREDITS</b>	<b>\$2,446,019</b>	<b>\$211,372</b>	<b>\$36,008</b>

\* The data for the Earned Income Tax Credit in the 2018 Tax Credit Report was extracted at a later date than the data from the 2018 Earned Income Tax Credit Report. The different dates of data extraction account for the difference in the numbers between the two reports.

\*\* Data for the energy conservation tax credit are included with the renewable energy technologies tax credit.

Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

For fiduciaries, the most frequently claimed tax credit was income tax paid to another state or foreign country, the number is also suppressed due to the reason mentioned above. For insurance underwriters, low-income housing tax credit was the most frequently claimed (on 14 insurance underwriter income tax returns, or 1.3% of these returns).

Appendix Table A-3 shows the dollar amounts of the claims for each tax credit made by individuals, broken down by tax district for tax year 2018. Of the \$165.1 million in tax credits claimed by individuals for the tax year, \$113.3 million (68.6%) was claimed by individuals in Oahu,<sup>8</sup> \$22.2 million (13.4%) was claimed by individuals in Maui, \$19.1 million (11.5%) was claimed by individuals in Hawaii, and \$10.5 million (6.4%) was claimed by individuals in Kauai. Appendix Table A-4 shows the number of individual income tax returns with claims for each tax credit by tax district.

Appendix Tables A-5 and A-6 show the dollar amounts and number of claims made by individuals, respectively, for each tax credit in tax year 2018, broken down by income class as determined by Hawaii AGI.<sup>9</sup> Individual taxpayers with Hawaii AGI less than \$10,000 claimed a total of \$15.7 million in tax credits for the tax year, which was more than triple their aggregate tax liability before tax credits of \$4.7 million. The largest tax credits claimed by this income group (with Hawaii AGI less than \$10,000) were the refundable food/excise tax credit (\$11.3 million, or 71.9% of their total tax credits) and the renewable energy technologies tax credit (\$2.7 million, or 17.4% of their total tax credits). Taxpayers with Hawaii AGI of \$200,000 or more accounted for the largest dollar value of tax credits (\$79.3 million) and also for the largest aggregate tax liability before tax credits (\$980.4 million). The largest tax credits claimed by this income group (with Hawaii AGI of \$200,000 or more) were the tax credit for income taxes paid to another state or foreign country (\$43.5 million, or 54.8% of their total tax credits), the renewable energy technologies tax credit (\$16.6 million, or 20.9% of their total tax credits), and the capital goods excise tax credit (\$6.6 million, or 8.3% of their total tax credits). The largest tax credit claimed by taxpayers with Hawaii AGI of \$10,000 to \$29,999 was the refundable food/excise tax credit, amounted to \$12.3 million, or 48.0% of the group's total tax credits. The largest tax credit claimed by taxpayers with Hawaii AGI of \$30,000 to \$59,999 was the new earned income tax credit, amounted to \$7.1 million, or 41.5% of the group's total tax credits. Finally, the largest tax credit claimed by taxpayers with Hawaii AGI of \$60,000 to \$99,999, and taxpayers with Hawaii AGI of \$100,000 to \$199,999 was the renewable energy technologies tax credit. For the \$60,000 to \$99,999 income group, the renewable energy technologies tax credit

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<sup>8</sup> The total for Oahu includes tax credits claimed on Form N-15 by nonresidents who had an out-of-state address.

<sup>9</sup> The Hawaii AGI of part-year residents and nonresidents who filed Form N-15 is measured as their total AGI, which includes income not subject to Hawaii income tax, and it is the global income of the taxpayer measured in the same way that global income of residents is measured.

amounted to \$3.8 million, or 36.5% of the group's total tax credits; and for the \$100,000 to \$199,999 income group, this tax credit amounted to \$7.8 million, or 46.2% of the group's total tax credits.

Appendix B provides a history of Hawaii's tax credits. The chart in Appendix Table B-1 shows the tax credits that were in existence in each year since 1965. Appendix Table B-2 provides an outline showing the historical development of the tax credits and the year in which each tax credit was enacted.

## **4. DESCRIPTIONS AND ANALYSES OF THE TAX CREDITS**

This section describes the tax credits available for tax year 2018, including expired tax credits for which unused credits could be carried forward and applied against tax liabilities in tax year 2018. It also compares the amount of each tax credit that was claimed in tax year 2018 to the previous two years. Appendix Table A-7 shows the dollar amounts and number of claims made for each tax credit in tax years 2016, 2017 and 2018.

### **4.1. ACTIVE TAX CREDITS**

#### ***4.1.1. Tax Credits to Promote Social Welfare***

##### **1. Refundable Food/Excise Tax Credit (HRS §235-55.85)**

The refundable food/excise tax credit was introduced for tax year 2008 by Act 211, Session Laws of Hawaii (SLH) 2007, to replace the low-income refundable tax credit. Later, Act 223, SLH 2015 amended this tax credit for taxable years 2016 to 2017 to increase the tax credit amount and remove the residency requirement which were in turn made permanent by Act 107, SLH 2017. To claim the tax credit, the taxpayer must have a federal adjusted gross income (adjusted gross income as defined by the Internal Revenue Code) of less than \$50,000 if filing status is Married Filing Jointly, Married Filing Separately, Head of Household, or Qualifying Widower, and less than \$30,000 if filing status is Single.

The tax credit is computed by multiplying an allowable tax credit amount by the number of qualified exemptions. The qualified exemptions are personal exemptions permitted under Hawaii law, excluding the additional exemptions for being age 65 or older or for having a disability. A person for whom the tax credit is claimed must have been present in Hawaii for more than nine months of the taxable year and cannot have been confined in jail, prison or a youth correctional facility for the entire taxable year. Married persons filing separate tax returns can claim only the tax credit to which they would have been

entitled had they filed a joint return. The allowable amount of the tax credit per qualified exemption is based on the taxpayer's income, but parents or guardians of minor children who cannot be claimed as dependents because they receive more than half their support from public agencies (such as the State Department of Human Services) are eligible for the maximum amount of the tax credit (\$110) regardless of their income.

The allowable amounts for tax year 2018 are shown below:

**If filing status is Married Filing Jointly, Married Filing Separately, Head of Household, or Qualifying Widower:**

<u>Federal Adjusted Gross Income</u>	<u>Tax Credit per Qualified Exemption</u>
Under \$5,000	\$110
\$5,000 and over but under \$10,000	\$100
\$10,000 and over but under \$15,000	\$85
\$15,000 and over but under \$20,000	\$70
\$20,000 and over but under \$30,000	\$55
\$30,000 and over but under \$40,000	\$45
\$40,000 and over but under \$50,000	\$35
\$50,000 and over	\$0

**If filing status is Single:**

<u>Federal Adjusted Gross Income</u>	<u>Tax Credit per Qualified Exemption</u>
Under \$5,000	\$110
\$5,000 and over but under \$10,000	\$100
\$10,000 and over but under \$15,000	\$85
\$15,000 and over but under \$20,000	\$70
\$20,000 and over but under \$30,000	\$55
\$30,000 and over	\$0

The refundable food/excise tax credit was the most commonly claimed tax credit in tax year 2018. The tax credit appeared on 239,218 individual income tax returns, or 32.4% of the total number of such returns filed for the tax year (739,085 returns). Claims for the tax credit totaled \$28.4 million for tax year 2018, down from \$29.9 million claimed for tax year 2017 and \$30.8 million for tax year 2016 (Table A-7).

**2. Tax Credit for Low-Income Household Renters (HRS §235-55.7)**

Taxpayers who rented residential real property during the taxable year may qualify for the refundable tax credit for low-income household renters. To claim the tax credit, the

taxpayer must be a Hawaii resident with Hawaii AGI of less than \$30,000 who is not claimed or eligible to be claimed as a dependent by another taxpayer. Furthermore, the taxpayer must have paid more than \$1,000 in annual rent for real property in Hawaii that was the taxpayer's residence (or the residence of the taxpayer's immediate family) and that was not wholly or partially exempt from the real property tax. Married persons filing separate tax returns must combine their Hawaii AGI to determine their eligibility for the tax credit. If a rental unit is shared with another person, the individual's portion of the rent is used to determine eligibility.

The tax credit is computed by multiplying \$50 by the number of personal exemptions permitted under Hawaii law, including the additional exemption for being age 65 or older. A person for whom the tax credit is claimed must have physically resided in Hawaii for more than nine months of the taxable year.

The \$30,000 income limitation has not been changed since 1989, when it was raised from \$20,000. The amount of the tax credit per exemption was raised from \$20 to \$50 in 1981, but has remained unchanged since then, despite substantial rises in the cost of housing.

The renter's tax credit was claimed on 21,081 individual income tax returns for tax year 2018. It was the fourth most commonly claimed tax credit. The amount claimed for tax year 2018 totaled \$2.1 million, down from \$2.5 million claimed for tax year 2017 and \$2.7 million for tax year 2016 (Table A-7).

### 3. Tax Credit for Child and Dependent Care Expenses (HRS §235-55.6)

A resident taxpayer who is gainfully employed and who pays for the care of a child under 13 years of age or for a spouse or dependent incapable of self care qualifies for the child and dependent care tax credit. The tax credit can be taken for care expenses up to \$2,400 for one qualified individual and up to \$4,800 for two or more qualified individuals. Allowable expenses may not exceed the taxpayer's earned income. For joint tax returns, the amount may not exceed the income of the spouse with the lower earned income.

The tax credit is refundable and the amount ranges from 15% to 25% of qualified care expenses, with the rate declining as Hawaii AGI increases. The credit was amended by Act 235, SLH 2016 to change the percentages and adjusted gross income ranges for calculating the credit for taxable years beginning after December 31, 2015.

For tax year 2018, the dependent care tax credit was the third most commonly claimed tax credit and was reported on 23,683 individual income tax returns. The amount claimed for tax year 2018 totaled \$9.0 million, down from \$9.9 million claimed for tax year 2017 and \$10.1 million for tax year 2016 (Table A-7).

The tax credit for child and dependent care expenses schedule for tax year 2018 is shown below:

<u>Hawaii Adjusted Gross Income</u>	<u>Percent of Allowable Expenses</u>
Under \$25,001	25%
\$25,001 - \$30,000	24%
\$30,001 - \$35,000	23%
\$35,001 - \$40,000	22%
\$40,001 - \$45,000	21%
\$45,001 - \$50,000	20%
\$50,001 and over	15%

#### 4. Tax Credit for Child Passenger Restraint Systems (HRS §235-15)

An individual taxpayer who buys a new child passenger restraint system that complies with the federal motor vehicle safety standards in effect at the time of purchase may claim a tax credit of \$25 for the tax year, regardless of the cost of the restraint system or the number of restraint systems bought during the year. The tax credit, which is refundable, was enacted in 1982 to encourage people to buy child restraint systems, but the systems became mandatory in the following year. For tax year 2018, the tax credit was claimed on 2,460 individual income tax returns and the total amount claimed was \$61,000, down from \$65,000 claimed for tax year 2017 and \$70,000 for tax year 2016 (Table A-7).

#### 5. Tax Credit for Employment of Vocational Rehabilitation Referrals (HRS §235-55.91)

A taxpayer who employs an individual who is certified by the Vocational Rehabilitation and Services for the Blind Division of the Department of Human Services, in consultation with the Hawaii State Employment Service of the Department of Labor and Industrial Relations, as having a physical or mental disability that results in a substantial handicap to employment, or who has been referred upon completion of certain rehabilitation plans, may qualify for a tax credit. The tax credit is equal to 20% of the qualifying first-year wages for the taxable year, up to \$6,000, and is nonrefundable. Data on the tax credit have been suppressed to prevent potential disclosure of confidential taxpayer information.



#### 6. Low-Income Housing Tax Credit (HRS §235-110.8 and §241-4.7, §431:7-208)

Owners of residential buildings who provide low-income housing may claim the low-income housing tax credit. This nonrefundable tax credit is equal to a percentage of the "applicable percentage" of qualified basis, where the applicable percentage is calculated as provided under section 42 of the Internal Revenue Code. The percentage is 30% for buildings placed in service prior to July 1, 2005, and 50% for buildings placed in service after June 30, 2005. Act 158, SLH 2011 allows the taxpayer to elect to receive a low-income housing loan in lieu of the tax credit after July 1, 2011. The tax credit was claimed on 29 tax returns for tax year 2018 and the total amount claimed was \$28.6 million, up from claims of \$24.1 million for tax year 2017 and \$23.5 million for tax year 2016 (Table A-7).

#### 7. Tax Credit for School Repair and Maintenance (HRS §235-110.2)

Act 309, SLH 2001, allows licensed contractors to claim a 10% nonrefundable tax credit, up to \$4,000, on the fair-market value of repair and maintenance services provided at no cost to public schools. Data on the tax credit have been suppressed to prevent potential disclosure of confidential taxpayer information.

#### 8. Earned Income Tax Credit (HRS §235-55.75)

Act 107, SLH 2017, establishes a state nonrefundable earned income tax credit (EITC) equal to 20 percent of the federal EITC allowed and properly claimed under section 32, IRC, and reported on the taxpayer's federal income tax return. The state EITC applies to taxable years beginning after December 31, 2017, but shall not apply to taxable years beginning after December 31, 2022. For tax year 2018, the new earned income tax credit was the second most commonly claimed tax credit and was reported on 57,134 individual income tax returns. The amount claimed for tax year 2018 totaled \$15.6 million (Table A-7).<sup>10</sup>

#### 9. Lifeline Telephone Service Tax Credit (HRS §239-6.5)

Lifeline telephone service is available to elderly and disabled residential telephone subscribers who have an annual income less than \$10,000. The Public Utilities Commission determines and certifies the lifeline service costs. The telephone public utility may claim a nonrefundable tax credit equal to the sum of foregone revenues and the administrative costs of providing the telephone service to the eligible individuals.

The tax credit was claimed on behalf of 1,315 subscribers as of the end of calendar year 2018 and the amount claimed by the public utility for tax year 2018 was \$34,000,

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<sup>10</sup> The data for the Earned Income Tax Credit in the 2018 Tax Credit Report was extracted at a later date than the data from the 2018 Earned Income Tax Credit Report. The different dates of data extraction account for the difference in the numbers between the two reports.

down from \$43,000 claimed for tax year 2017 and \$48,000 for tax year 2016 (Table A-7).

#### ***4.1.2. Tax Credits to Encourage Certain Industries or Economic Activities***

##### **10. Fuel Tax Credit for Commercial Fishers (HRS §235-110.6)**

The principal operator of a commercial fishing vessel may claim a refundable tax credit for certain fuel taxes paid during the taxable year. The amount of the tax credit is equal to the fuel taxes imposed under section 243-4(a), HRS. The tax credit was claimed on 121 tax returns for tax year 2018 and the total amount claimed was \$372,000, up from \$354,000 claimed for tax year 2017 but down slightly from \$373,000 for tax year 2016 (Table A-7).

##### **11. Motion Picture, Digital Media, and Film Production Income Tax Credit (HRS §235-17)**

Taxpayers may claim a refundable tax credit equal to 20% of the qualified production costs incurred in the City and County of Honolulu and 25% of the qualified production costs incurred in the Kauai, Maui, or Hawaii counties before January 1, 2026. The total amount of the tax credit allowed for a single qualified production is capped at \$15 million. Effective January 1, 2019, Act 143, SLH 2017 caps the total credit to \$35 million per year which is a rolling cap that allows claims for a tax credit that exceed the \$35 million cap in one year to be claimed in the subsequent year, under that year's cap, except for the final, seventh year of the tax credit in the year 2026. Note that there was no aggregate cap for tax year 2018. The tax credit was claimed on 25 tax returns for tax year 2018 and the total amount claimed was \$80.2 million, up from \$61.7 million claimed for tax year 2017 and \$31.9 million for tax year 2016 (Table A-7). The tax credit was the largest in terms of the amount claimed for tax year 2018.

##### **12. Renewable Energy Technologies Tax Credit (HRS §235-12.5 and §241-4.6)**

Taxpayers who installed a renewable energy technology system (solar thermal energy system, wind powered energy system, or photovoltaic energy system) and placed it in service after June 30, 2003, may claim the renewable energy technologies tax credit. The tax credit applies to the actual cost of the system, including the cost of accessories and installation, but not to the cost of consumer incentive premiums that are unrelated to the operation of the system.

For systems installed and placed in service after July 1, 2006, the tax credit was 35% of the cost for solar thermal systems and photovoltaic systems, and 20% of the cost for wind powered systems. For single-family residential properties, the amount of the tax credit was capped at \$2,250 for solar thermal systems, \$5,000 for photovoltaic systems, and \$1,500 for wind powered systems. For commercial properties, the tax credit was

capped at \$500,000 for wind powered systems and for photovoltaic systems, and at \$250,000 for solar thermal systems. For multifamily residential properties, the tax credit per residential unit was capped at \$350 for solar thermal systems and photovoltaic systems, and at \$200 for wind powered systems. Act 154, SLH 2009 made the tax credit refundable for certain low income taxpayers and gave other taxpayers the option to claim the tax credit as refundable by accepting a 30% reduction in the amount of the tax credit. The Act was effective for systems installed and placed in service on or after July 1, 2009.

According to the new Administrative Rules that came into effect during tax year 2013, to gain tax credit for a system classified under "other solar energy system" such as a photovoltaic system, each system was required to have a total output capacity of at least 5 kilowatts for single-family residential properties, or 0.360 kilowatts per unit per system for multi-family residential properties, or 1,000 kilowatts for commercial properties unless an exception applies, such as only one credit being claimed or only one system does not meet the requirement.

Table 6 shows the number of returns and the amount of the tax credit claimed for the renewable energy technologies tax credit, and also for carryovers of the energy conservation tax credit that expired on June 30, 2003.

The first part of the table shows carryovers of tax credits for the renewable energy systems that were installed and placed in service prior to July 1, 2009, along with carryovers of the energy conservation tax credit and carryovers of the renewable energy technologies tax credit for which the date of installation could not be determined. Carryovers of these tax credits were reported on 291 tax returns for tax year 2018 and the amounts claimed totaled \$0.7 million, down from \$1.8 million claimed for tax year 2017 and \$2.0 million claimed for tax year 2016.

The second and third parts of Table 6 show the renewable energy tax credit for systems that were installed on or after July 1, 2009, by type of system, by type of taxpayer, and by whether the claim was for a refundable or nonrefundable tax credit. Because unused tax credits can be carried over, and extensions of existing systems made in later years are also eligible for the tax credit, the number of returns claiming the credit in a year may be larger than the number of new systems installed that year. The tax credit for systems installed and placed in service on or after July 1, 2009 was claimed on 7,177 returns for tax year 2018 and the amounts claimed totaled \$69.8 million, down from \$81.3 million claimed for tax year 2017 and \$83.8 million for tax year 2016.

Claims for all systems, including carryovers of the energy conservation tax credit, totaled \$70.5 million for tax year 2018, down from the \$83.1 million claimed for these tax credits in tax year 2017 and \$85.8 million for tax year 2016 (Table A-7). This was the second largest tax credit in terms of the amount claimed in tax year 2018 whereas it was the largest in the previous two years.

**Table 6**  
**Claims for the Renewable Energy Technologies Income Tax Credit and the**  
**Energy Conservation Tax Credit in Tax Year 2018**

**Carryover of the tax credit for systems installed and placed in service before July 1, 2009 1/**

Number of returns			Credit amount (in \$1,000) 3/		
All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
291	277	14	\$681	\$433	\$248

**Refundable tax credits for systems installed and placed in service on or after July 1, 2009**

	Number of returns			Credit amount (in \$1,000) 3/		
	All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
Solar only, wind only or breakdown unknown	1,128	1,105	23	\$37,640	\$7,630	\$30,010

**Nonrefundable tax credits for systems installed and placed in service on or after July 1, 2009**

	Number of returns			Credit amount (in \$1,000) 3/		
	All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
Solar only	5,744	5,702	42	\$26,531	\$24,383	\$2,148
Wind only or breakdown unknown	305	284	21	\$5,646	\$1,765	\$3,881
Total	6,049	5,986	63	\$32,177	\$26,148	\$6,029

1/ Includes carryovers of the energy conservation tax credit given by section 235-12, HRS, and carryovers of the renewable energy technologies tax credit for which the date of installation could not be determined.

2/ Includes nonfinancial corporations, fiduciaries, nonprofit organizations and financial corporations.

3/ Details may not add to totals due to rounding.

**13. Enterprise Zone Tax Credit (HRS §209E-10, §209E-11)**

A qualified business located in a designated enterprise zone may claim a tax credit equal to a percentage of its net income tax liability and of the unemployment insurance premiums it paid for employees located in the enterprise zone. In the first year, the tax credit is 80% of the qualified amounts. The percentage decreases by 10 points each

year, until it reaches 20% in the seventh year, after which the business is no longer eligible for the tax credit. The tax credit is nonrefundable and any unused tax credit may not be carried forward. The tax credit was claimed on 73 tax returns for tax year 2018 and the amounts claimed totaled \$1.1 million, up from \$856,000 claimed for tax year 2017 and \$748,000 for tax year 2016 (Table A-7).

#### 14. Important Agricultural Land Qualified Agricultural Cost Tax Credit (HRS §235-110.93)

The important agricultural land tax credit is awarded for qualified agricultural costs incurred after July 1, 2008 and it is refundable. In the first year, the tax credit per taxpayer is the lesser of 25% of the qualified agricultural costs or \$625,000. In the second year, the tax credit is the lesser of 15% of the qualified costs or \$250,000, and in the third year the tax credit is the lesser of 10% of the qualified costs or \$125,000. More than 50% of the land used by the agricultural business must be deemed “important agricultural land.” Tax credits must be certified by the Department of Agriculture and the aggregate amount of credits claimed cannot exceed \$7.5 million in any tax year. Act 87, SLH 2018 extended the tax credit through taxable year 2021. Data on the tax credit have been suppressed to prevent potential disclosure of confidential taxpayer information.

#### 15. Tax Credit for Research Activities (HRS §235-110.91)

The tax credit for research activities was reinstated by Act 270, SLH 2013. This refundable tax credit is available for tax years beginning after December 31, 2012, but expires after December 31, 2019. Each qualified high technology business subject to Hawaii’s income tax can claim an income tax credit for qualified research activities equal to the federal credit for increasing research activities provided by Internal Revenue Code (IRC) section 41, provided that the qualified high technology business also claims a federal tax credit for the same qualified research activities under IRC section 41. Qualified research expenses cannot include research expenses incurred outside Hawaii and it needs to be certified by the Department of Taxation.

The tax credit was claimed on 54 tax returns for tax year 2018 and the amounts claimed totaled \$2.4 million, down from \$2.5 million claimed for tax year 2017 and \$3.1 million for tax year 2016 (Table A-7).

#### 16. Capital Infrastructure Tax Credit (HRS §235-17.5, §241-4.4)

Act 200, SLH 2014, established the capital infrastructure tax credit for tenants who were relocated due to the Kapalama container terminal modernization project and Act 213, SLH 2017 expanded it and raised the cap from \$1.25 million to \$2.5 million. The tax credit is equal to 50% of the capital infrastructure costs incurred by the qualified

infrastructure tenant during the taxable year, up to a maximum of \$2.5 million. The tax credit is nonrefundable and available for taxable years beginning after December 31, 2013, but not for taxable years beginning after December 31, 2019. The tax credit was claimed on 66 tax returns for tax year 2018 and the amounts claimed totaled \$1.9 million, down from \$4.0 million claimed for tax year 2017 and up from \$1.4 million for tax year 2016 (Table A-7).

#### 17. Cesspool Upgrade, Conversion or Connection Income Tax Credit (HRS §235-16.5)

Act 200, SLH 2014, established the credit for the costs to upgrade or convert a qualified cesspool into a septic system or an aerobic treatment unit system, or to connect a qualified cesspool to a sewer system, effective for taxable years beginning after December 31, 2015, but expires after December 31, 2020. Act 125, SLH 2017 expanded the definition of qualified cesspool. Act 133, SLH 2018 eliminated the provision preventing certification of more than two residential large capacity cesspools as qualified cesspools. This nonrefundable tax credit is equal to the qualified expenses of the taxpayer, up to a maximum of \$10,000 per cesspool, or \$10,000 per residential dwelling connected to a residential large capacity cesspool. The taxpayer is required to obtain a certificate by the Department of Health verifying the qualified expenses and the credit amount for the taxable year, and file this certificate with their tax return. The annual amount of certified credits is capped at \$5 million and any remaining applications for certification above the cap for that taxable year may be carried forward to the subsequent year for certification in that taxable year. The tax credit was claimed on 41 tax returns for tax year 2018 and the amounts claimed totaled \$219,000, up from \$143,000 claimed for tax year 2017 (Table A-7). The data for tax year 2016, when the tax credit was first introduced, have been suppressed to prevent potential disclosure of confidential taxpayer information.

#### 18. Renewable Fuels Production Tax Credit (HRS §235-110.31)

Act 202, SLH 2016, provided that each taxpayer producing renewable fuels may claim a nonrefundable renewable fuels production tax credit for taxable years beginning after December 31, 2016, and before December 31, 2021. Act 142, SLH 2017 changed the certification process. The tax credit is the lesser of 20 cents per 76,000 British thermal units of renewable fuels using the lower heating value sold for distribution in Hawaii or \$3 million per taxable year. The taxpayer's production of renewable fuels cannot be less than 15 billion British thermal units of renewable fuels per year. The total amount of the tax credits is capped at \$3 million per year and certified by the Department of Business, Economic Development, and Tourism (DBEDT). Act 143, SLH 2018 lowered the production threshold for eligibility for the credit from 15 billion British thermal units of renewable fuels per calendar year to 2.5 billion British thermal units per calendar year and added logs, wood chips, wood pellets, wood bark, and other renewable organic

material to the definition of “Renewable feedstocks” which qualify for the credit. The tax credit was claimed on 18 tax returns for tax year 2018 and the amounts totaled \$330,000. The amounts claimed for tax year 2017, when the tax credit was first established, was suppressed to prevent potential disclosure of confidential taxpayer information.

#### 19. Organic Foods Production Tax Credit (HRS §235-110.94)

Act 258, SLH 2016, provides that a qualified taxpayer incurring qualified expenses associated with the production or handling of organic foods may claim a nonrefundable organic foods production tax credit for taxable years beginning after December 31, 2016, and before December 31, 2021. The tax credit is 100% of qualified expenses up to a maximum of \$50,000 per qualified taxpayer. The amount of tax credits certified, by the Department of Agriculture, in any given tax year cannot exceed \$2 million. The tax credit was claimed on 6 tax returns for tax year 2018 and the amounts totaled \$14,000. The amounts claimed for tax year 2017, when the tax credit was first established, was suppressed to prevent potential disclosure of confidential taxpayer information.

### ***4.1.3. Tax Credits to Avoid Double Taxation or Pyramiding of Hawaii Taxes***

#### 20. Capital Goods Excise Tax Credit (HRS §235-110.7, §241-4.5)

Businesses may claim the capital goods excise tax credit for the purchase of eligible depreciable tangible personal property used in a trade or business in Hawaii. The tax credit is refundable and is equal to 4% of the qualifying cost of the eligible property, which excludes costs deducted under Internal Revenue Code Section 179. The tax credit serves to reduce pyramiding of the General Excise Tax (GET) by rebating the GET on business-to-business purchases that consist of eligible capital equipment. The cost of such capital equipment ultimately must be recaptured in the price of goods or services it is used to help produce, so without the rebate, the price of the produced goods or services would include the tax on the capital equipment.

The tax credit was claimed on 4,349 tax returns for tax year 2018 and the amounts claimed totaled \$34.1 million, up from \$29.3 million claimed for tax year 2017 and slightly down from \$34.7 million for tax year 2016 (Table A-7).

#### 21. Income Tax Paid to Another State or Foreign Country (HRS §235-55)

A Hawaii resident individual or other person may claim a credit for income taxes paid to another state or to a foreign country if the income was earned in the other state or country and is not exempt from Hawaii or federal income tax, and if certain other requirements are met. This nonrefundable tax credit was claimed on 9,971 tax returns for tax year 2018 and the amounts claimed totaled \$51.5 million, up from \$48.6 million

claimed for tax year 2017 and \$43.4 million for tax year 2016 (Table A-7). The tax credit was the third largest in terms of the amount claimed in tax year 2018.

## **4.2. EXPIRED TAX CREDITS**

### **4.2.1. Tax Credits to Promote Social Welfare**

#### 1. Individual Development Account Contribution Tax Credit (HRS §235-5.6)

The individual development account (IDA) program was intended to encourage people with low income to save towards specific long-term goals, including obtaining a postsecondary education, buying a first home, and starting a small business. Program participants enrolled with a fiduciary organization, which provided matching funds for their deposits. A nonrefundable tax credit was allowed for persons donating money to the fiduciary organization for use as matching funds. The tax credit was equal to 50% of the amount donated. Donations qualifying for the tax credit could not be claimed as a deduction for charitable contributions. The tax credit was effective for taxable years 2000 to 2004 with an aggregate limit of \$1 million but carryovers were allowed for the subsequent years. There were no claims for tax years 2018 and 2017, and the data for tax year 2016 was suppressed to prevent potential disclosure of confidential taxpayer information.

### **4.2.2. Tax Credits to Encourage Certain Industries or Economic Activities**

#### 2. High Technology Business Investment Tax Credit (HRS §235-110.9, §241-4.8, §431:7-209)

Taxpayers were allowed to claim the high technology business investment tax credit for tax years beginning after December 31, 1998. As originally enacted, the tax credit was nonrefundable and equal to 10% of investments made on or after July 1, 1999 in a qualified high technology business, up to a maximum credit amount of \$500,000. Act 221, SLH 2001, expanded the tax credit to 100% of the qualified investment, up to a maximum of \$2 million per investment.

The tax credit was claimed over five years as follows:

	<u>Tax Credit Percentage</u>	<u>Tax Credit Limitation</u>
Year of investment	35%	\$700,000
Year 2	25%	\$500,000
Year 3	20%	\$400,000



Year 4	10%	\$200,000
Year 5	10%	\$200,000

Taxpayers who had previously claimed the 10% investment tax credit for tax years 1999 or 2000 were able to claim the tax credit for tax years 2001 and later as applicable under the amended law. For investments made after May 1, 2009, and for taxable years beginning on or after January 1, 2009 and ending before January 1, 2011, no claim for the tax credit could exceed 80% of the taxpayer's tax liability. The tax credit expired for taxable years beginning after December 31, 2010, but claims for the tax credit can be made for four years after the year of the investment and carry-overs of the tax credit can continue indefinitely. The tax credit was claimed on 258 tax returns for tax year 2018 and the amounts claimed totaled \$12.3 million, down from \$17.5 million claimed for tax year 2017 and \$16.3 million for tax year 2016 (Table A-7).

### 3. Energy Conservation Tax Credit (HRS §235-12)

Taxpayers who installed an energy conservation device prior to July 1, 2003, could claim the energy conservation tax credit, which was nonrefundable. The tax credit applied only to the actual cost of the systems, including accessories and installation, but not the cost of repairs to existing systems.

The tax credit was equal to 35% of the cost of solar systems, 20% of the cost of wind energy systems and heat pumps, and 50% of the cost of ice storage systems. The eligible cost was reduced by any consumer incentive premiums offered with the system. For single-family residential buildings, the tax credit was limited to \$1,750 for solar systems and \$400 for heat pumps. For multiunit residential buildings, the tax credit was limited to \$350 per unit for solar systems and \$200 per unit for heat pumps. There were no limits for hotels, for commercial buildings, for industrial facilities, for wind energy systems, or for ice storage systems. The tax credit expired on June 30, 2003, but unused tax credits may be carried over to subsequent years until exhausted. Data on carryovers of the tax credit are included with those for the renewable energy technologies tax credit.

### 4. Hotel Construction and Remodeling Tax Credit (HRS §235-110.4, repealed)

The hotel construction and remodeling tax credit was repealed by Act 9, SLH 2007, but unused credits from claims made prior to the expiration date may be carried forward and applied against tax. Although the tax credit was not repealed until 2007, it was not available for costs incurred in taxable years beginning after December 31, 2005. Data on the tax credit have been suppressed to prevent potential disclosure of confidential taxpayer information.

### 5. Technology Infrastructure Renovation Tax Credit (HRS §235-110.51)

The technology infrastructure renovation tax credit was nonrefundable and was equal to 4% of costs incurred after December 31, 2000 for planning, designing, installing, constructing, or purchasing equipment to provide a commercial building with technology infrastructure. The tax credit was not available for taxable years beginning after December 31, 2010, but amounts claimed for the tax credit prior to its expiration can be carried forward and applied against tax liability in later years until exhausted. For costs incurred after May 1, 2009, and for taxable years beginning on or after January 1, 2009 and ending before January 1, 2011, no claim for the tax credit could exceed 80% of the taxpayer's tax liability. Data on the tax credit have been suppressed to prevent potential disclosure of confidential taxpayer information.

#### 6. Residential Construction and Remodeling Tax Credit (HRS §235-110.45, repealed)

Act 10, SLH 2001, Third Special Session, provided a nonrefundable tax credit equal to 4% of home construction or renovation costs incurred after December 31, 2000, up to a maximum of \$250,000. The tax credit expired on June 30, 2003, but any unused tax credit may be carried over to subsequent years until exhausted. Carryovers of the tax credit were claimed on 26 tax returns for tax year 2018 and the amounts claimed totaled \$206,000, down from \$853,000 claimed for tax year 2017 and \$1.5 million for tax year 2016 (Table A-7).



# **APPENDIX A**

## **STATISTICAL TABLES**



**Table A-1**  
**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED**  
**BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2018 (in \$ 1,000)**

Type of Credit	TAXPAYER TYPE						
	ALL	Individuals	Corporations	Financial Corporations	Fiduciaries	Exempt Organizations	Insurance Underwriters*
<b>Active Tax Credits</b>							
<b>Tax Credits to Promote Social Welfare</b>							
Refundable Food/Excise Tax Credit	\$28,413	\$28,413	na	na	na	na	na
Tax Credit for Low-Income Household Renters	\$2,132	\$2,132	na	na	na	na	na
Tax Credit for Child and Dependent Care Expenses	\$9,043	\$9,043	na	na	na	na	na
Tax Credit for Child Passenger Restraint Systems	\$61	\$61	na	na	na	na	na
Tax Credit for Employment of Vocational Rehabilitation Referrals	d	d	-	-	-	-	-
Low-Income Housing Tax Credit	\$28,643	\$280	d	d	-	-	\$9,095
Tax Credit for School Repair and Maintenance	d	d	-	-	-	-	-
Earned Income Tax Credit	\$15,583	\$15,583	na	na	na	na	na
Lifeline Telephone Service Tax Credit**	\$34	na	na	na	na	na	na
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>							
Fuel Tax Credit for Commercial Fishers	\$372	d	d	-	-	-	-
Motion Picture, Digital Media, and Film Production Income Tax Credit	\$80,228	d	d	-	-	-	-
Renewable Energy Technologies Tax Credit	\$70,497	\$34,210	\$23,969	d	\$50	d	-
Enterprise Zone Tax Credit	\$1,127	\$1,004	d	-	d	-	-
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	d	-	-	-	-
Tax Credit for Research Activities	\$2,373	\$379	d	-	d	-	-
Capital Infrastructure Tax Credit	\$1,907	d	-	-	d	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$219	\$219	-	-	-	-	-
Renewable Fuels Production Tax Credit	\$330	\$330	-	-	-	-	-
Organic Foods Production Tax Credit	\$14	\$14	-	-	-	-	-
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>							
Capital Goods Excise Tax Credit	\$34,080	\$8,490	\$22,021	\$3,008	\$464	\$97	-
Income Tax Paid to Another State or Foreign Country	\$51,460	\$50,325	na	na	d	d	na
<b>Expired Tax Credits</b>							
<b>Tax Credits to Promote Social Welfare</b>							
Individual Development Account Contribution Tax Credit	-	-	-	-	-	-	-
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>							
High Technology Business Investment Tax Credit	\$12,344	\$5,713	\$2,098	d	\$72	d	\$3,457
Energy Conservation Tax Credit	***	***	***	***	***	***	***
Hotel Construction and Remodeling Tax Credit	d	d	d	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	d	d	-	-	-	-
Residential Construction and Remodeling Tax Credit	\$206	d	d	-	-	-	-
<b>GRAND TOTAL</b>	<b>\$341,928</b>	<b>\$165,117</b>	<b>\$127,174</b>	<b>\$34,996</b>	<b>\$1,738</b>	<b>\$318</b>	<b>\$12,552</b>
<b>AGGREGATE TAX LIABILITY BEFORE TAX CREDITS</b>	<b>\$2,903,039</b>	<b>\$2,446,019</b>	<b>\$211,372</b>	<b>\$36,008</b>	<b>\$23,818</b>	<b>\$1,015</b>	<b>\$184,807</b>

\* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs. \*\* Data supplied by the Public Utilities Commission.

\*\*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-2**  
**NUMBER OF RETURNS CLAIMING TAX CREDITS**  
**BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2018**

Type of Credit	TAXPAYER TYPE						
	ALL	Individuals	Corporations	Financial Corporations	Fiduciaries	Exempt Organizations	Insurance Underwriters*
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food/Excise Tax Credit	239,218	239,218	na	na	na	na	na
Tax Credit for Low-Income Household Renters	21,081	21,081	na	na	na	na	na
Tax Credit for Child and Dependent Care Expenses	23,683	23,683	na	na	na	na	na
Tax Credit for Child Passenger Restraint Systems	2,460	2,460	na	na	na	na	na
Tax Credit for Employment of Vocational Rehabilitation Referrals	d	d	-	-	-	-	-
Low-Income Housing Tax Credit	29	8	d	d	-	-	14
Tax Credit for School Repair and Maintenance	d	d	-	-	-	-	-
Earned Income Tax Credit	57,134	57,134	na	na	na	na	na
Lifeline Telephone Service Tax Credit**	na	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic</i></b>							
Fuel Tax Credit for Commercial Fishers	121	d	d	-	-	-	-
Motion Picture, Digital Media, and Film Production Income Tax Credit	25	d	d	-	-	-	-
Renewable Energy Technologies Tax Credit	7,436	7,337	77	d	13	d	-
Enterprise Zone Tax Credit	73	65	d	-	d	-	-
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	d	-	-	-	-
Tax Credit for Research Activities	54	32	d	-	d	-	-
Capital Infrastructure Tax Credit	66	d	-	-	d	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	41	41	-	-	-	-	-
Renewable Fuels Production Tax Credit	18	18	-	-	-	-	-
Organic Foods Production Tax Credit	6	6	-	-	-	-	-
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	4,349	3,290	910	15	128	6	-
Income Tax Paid to Another State or Foreign Country	9,971	9,741	na	na	d	d	na
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Individual Development Account Contribution Tax Credit	-	-	-	-	-	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic</i></b>							
High Technology Business Investment Tax Credit	258	229	15	d	9	d	3
Energy Conservation Tax Credit	***	***	***	***	***	***	***
Hotel Construction and Remodeling Tax Credit	d	d	d	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	d	d	-	-	-	-
Residential Construction and Remodeling Tax Credit	26	d	d	-	-	-	-
<b>GRAND TOTAL</b>	<b>366,066</b>	<b>364,568</b>	<b>1,056</b>	<b>27</b>	<b>387</b>	<b>11</b>	<b>17</b>

\* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs. \*\* Data supplied by the Public Utilities Commission.

\*\*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-3**  
**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS**  
**BY TYPE OF CREDIT AND TAX DISTRICT - 2018 (in \$1,000)**

Type of Credit	STATE TOTAL	TAX DISTRICT			
		OAHU* (DISTRICT 1)	MAUI (DISTRICT 2)	HAWAII (DISTRICT 3)	KAUAI (DISTRICT 4)
<b>Active Tax Credits</b>					
<b><i>Tax Credits to Promote Social Welfare</i></b>					
Refundable Food/Excise Tax Credit	\$28,413	\$18,491	\$3,434	\$4,995	\$1,492
Tax Credit for Low-Income Household Renters	\$2,132	\$1,625	\$219	\$233	\$55
Tax Credit for Child and Dependent Care Expenses	\$9,043	\$6,784	\$924	\$945	\$390
Tax Credit for Child Passenger Restraint Systems	\$61	\$46	\$5	\$7	\$3
Tax Credit for Employment of Vocational Rehabilitation Referrals	<i>d</i>	<i>d</i>	-	-	-
Low-Income Housing Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Tax Credit for School Repair and Maintenance	<i>d</i>	<i>d</i>	<i>d</i>	-	-
Earned Income Tax Credit	\$15,583	\$9,996	\$1,970	\$2,743	\$874
Lifeline Telephone Service Tax Credit	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>					
Fuel Tax Credit for Commercial Fishers	<i>d</i>	\$291	<i>d</i>	\$29	<i>d</i>
Motion Picture, Digital Media, and Film Production Income Tax Credit	<i>d</i>	<i>d</i>	-	-	-
Renewable Energy Technologies Tax Credit	\$34,210	\$24,893	\$5,171	\$2,444	\$1,703
Enterprise Zone Tax Credit	\$1,004	\$726	<i>d</i>	\$112	<i>d</i>
Important Agricultural Land Qualified Agricultural Cost Tax Credit	<i>d</i>	<i>d</i>	-	<i>d</i>	-
Tax Credit for Research Activities	\$379	\$301	<i>d</i>	<i>d</i>	-
Capital Infrastructure Tax Credit	<i>d</i>	<i>d</i>	-	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$219	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Renewable Fuels Production Tax Credit	\$330	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Organic Foods Production Tax Credit	\$14	<i>d</i>	-	<i>d</i>	-
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>					
Capital Goods Excise Tax Credit	\$8,490	\$6,254	\$1,104	\$685	\$447
Income Tax Paid to Another State or Foreign Country	\$50,325	\$30,273	\$8,695	\$6,536	\$4,820
<b>Expired Tax Credits</b>					
<b><i>Tax Credits to Promote Social Welfare</i></b>					
Individual Development Account Contribution Tax Credit	-	-	-	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>					
High Technology Business Investment Tax Credit	\$5,713	\$4,548	\$585	<i>d</i>	<i>d</i>
Energy Conservation Tax Credit	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	-
Technology Infrastructure Renovation Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	-	-
Residential Construction and Remodeling Tax Credit	<i>d</i>	<i>d</i>	-	<i>d</i>	<i>d</i>
<b>GRAND TOTAL</b>	<b>\$165,117</b>	<b>\$113,321</b>	<b>\$22,200</b>	<b>\$19,071</b>	<b>\$10,526</b>

\* The figures for Oahu include tax credits claimed on Form N-15 by nonresidents who had an out-of-state address. \*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "*d*" denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "*na*" denotes "not applicable." Details may not add to totals due to rounding.



**Table A-4**  
**NUMBER OF INDIVIDUAL INCOME TAX RETURNS WITH CLAIMS FOR TAX CREDITS**  
**BY TYPE OF CREDIT AND TAX DISTRICT - 2018**

Type of Credit	STATE TOTAL	TAX DISTRICT			
		OAHU* (DISTRICT 1)	MAUI (DISTRICT 2)	HAWAII (DISTRICT 3)	KAUAI (DISTRICT 4)
<b>Active Tax Credits</b>					
<b><i>Tax Credits to Promote Social Welfare</i></b>					
Refundable Food/Excise Tax Credit	239,218	158,672	29,489	38,253	12,804
Tax Credit for Low-Income Household Renters	21,081	16,244	2,155	2,123	559
Tax Credit for Child and Dependent Care Expenses	23,683	17,716	2,472	2,481	1,014
Tax Credit for Child Passenger Restraint Systems	2,460	1,824	213	295	128
Tax Credit for Employment of Vocational Rehabilitation Referrals	d	d	-	-	-
Low-Income Housing Tax Credit	d	d	d	d	d
Tax Credit for School Repair and Maintenance	d	d	d	-	-
Earned Income Tax Credit	57,134	37,748	7,007	9,288	3,091
Lifeline Telephone Service Tax Credit	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>					
Fuel Tax Credit for Commercial Fishers	d	54	d	44	d
Motion Picture, Digital Media, and Film Production Income Tax Credit	d	d	-	-	-
Renewable Energy Technologies Tax Credit	7,337	4,847	1,090	1,004	396
Enterprise Zone Tax Credit	65	43	d	11	d
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	-	d	-
Tax Credit for Research Activities	32	26	d	d	-
Capital Infrastructure Tax Credit	d	d	-	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	41	d	d	d	d
Renewable Fuels Production Tax Credit	18	d	d	d	d
Organic Foods Production Tax Credit	6	d	-	d	-
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>					
Capital Goods Excise Tax Credit	3,290	2,160	516	401	213
Income Tax Paid to Another State or Foreign Country	9,741	6,367	1,354	1,396	624
<b>Expired Tax Credits</b>					
<b><i>Tax Credits to Promote Social Welfare</i></b>					
Individual Development Account Contribution Tax Credit	-	-	-	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>					
High Technology Business Investment Tax Credit	229	183	25	d	d
Energy Conservation Tax Credit	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	d	d	d	d	-
Technology Infrastructure Renovation Tax Credit	d	d	d	-	-
Residential Construction and Remodeling Tax Credit	d	d	-	d	d
<b>GRAND TOTAL</b>	<b>364,568</b>	<b>246,018</b>	<b>44,348</b>	<b>55,338</b>	<b>18,864</b>

\* The figures for Oahu include tax credits claimed on Form N-15 by nonresidents who had an out-of-state address. \*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information.

"na" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-5**  
**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS**  
**BY TYPE OF CREDIT AND INCOME CLASS\* - 2018 (in \$1,000)**

Type of Credit	INCOME CLASS						
	ALL	Less than \$10,000	\$10,000 to \$29,999	\$30,000 to \$59,999	\$60,000 to \$99,999	\$100,000 to \$199,999	\$200,000 or more
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food/Excise Tax Credit	\$28,413	\$11,315	\$12,328	\$4,640	\$92	\$31	\$7
Tax Credit for Low-Income Household Renters	\$2,132	<i>d</i>	\$1,284	<i>d</i>	-	-	-
Tax Credit for Child and Dependent Care Expenses	\$9,043	\$144	\$1,107	\$2,023	\$1,838	\$3,137	\$794
Tax Credit for Child Passenger Restraint Systems	\$61	\$3	\$8	\$14	\$13	\$19	\$4
Tax Credit for Employment of Vocational Rehabilitation Referrals	<i>d</i>	-	-	<i>d</i>	-	-	-
Low-Income Housing Tax Credit	<i>d</i>	-	<i>d</i>	<i>d</i>	<i>d</i>	-	<i>d</i>
Tax Credit for School Repair and Maintenance	<i>d</i>	-	<i>d</i>	<i>d</i>	-	-	-
Earned Income Tax Credit	\$15,583	\$192	\$8,237	\$7,133	<i>d</i>	<i>d</i>	<i>d</i>
Lifeline Telephone Service Tax Credit	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	<i>d</i>	\$27	\$91	\$24	<i>d</i>	\$116	<i>d</i>
Motion Picture, Digital Media, and Film Production Income Tax Credit	<i>d</i>	-	<i>d</i>	-	<i>d</i>	-	<i>d</i>
Renewable Energy Technologies Tax Credit	\$34,210	\$2,742	\$1,067	\$2,230	\$3,778	\$7,798	\$16,595
Enterprise Zone Tax Credit	<i>d</i>	-	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	\$949
Important Agricultural Land Qualified Agricultural Cost Tax Credit	<i>d</i>	-	-	-	<i>d</i>	-	<i>d</i>
Tax Credit for Research Activities	\$379	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Capital Infrastructure Tax Credit	<i>d</i>	-	-	-	<i>d</i>	<i>d</i>	\$1,782
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$219	-	-	<i>d</i>	<i>d</i>	\$115	<i>d</i>
Renewable Fuels Production Tax Credit	\$330	-	-	-	<i>d</i>	<i>d</i>	<i>d</i>
Organic Foods Production Tax Credit	<i>d</i>	-	<i>d</i>	<i>d</i>	-	<i>d</i>	<i>d</i>
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	\$8,490	\$415	\$212	\$316	\$343	\$597	\$6,607
Income Tax Paid to Another State or Foreign Country	\$50,325	\$31	\$254	\$754	\$1,446	\$4,384	\$43,456
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Individual Development Account Contribution Tax Credit	-	-	-	-	-	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	\$5,713	<i>d</i>	<i>d</i>	\$32	\$87	\$493	\$5,097
Energy Conservation Tax Credit	**	**	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	<i>d</i>	-	-	<i>d</i>	-	-	<i>d</i>
Technology Infrastructure Renovation Tax Credit	<i>d</i>	-	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	-
Residential Construction and Remodeling Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
<b>GRAND TOTAL</b>	<b>\$165,117</b>	<b>\$15,730</b>	<b>\$25,695</b>	<b>\$17,193</b>	<b>\$10,338</b>	<b>\$16,894</b>	<b>\$79,270</b>
<b>AGGREGATE TAX LIABILITY BEFORE TAX CREDITS***</b>	<b>\$2,446,019</b>	<b>\$4,739</b>	<b>\$95,700</b>	<b>\$335,339</b>	<b>\$403,075</b>	<b>\$626,767</b>	<b>\$980,399</b>

\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15. \*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. \*\*\* Tax liabilities reported on individual income tax returns filed for Tax Year 2018. Notes: "d" denoted that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-6**  
**NUMBER OF INDIVIDUAL INCOME TAX RETURNS WITH CLAIMS FOR TAX CREDITS**  
**BY TYPE OF CREDIT AND INCOME CLASS\* - 2018**

Type of Credit	INCOME CLASS						
	ALL	Less than \$10,000	\$10,000 to \$29,999	\$30,000 to \$59,999	\$60,000 to \$99,999	\$100,000 to \$199,999	\$200,000 or more
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food/Excise Tax Credit	239,218	84,826	113,323	40,379	499	158	33
Tax Credit for Low-Income Household Renters	21,081	d	12,593	d	-	-	-
Tax Credit for Child and Dependent Care Expenses	23,683	308	2,179	4,836	5,387	8,794	2,179
Tax Credit for Child Passenger Restraint Systems	2,460	138	329	552	509	759	173
Tax Credit for Employment of Vocational Rehabilitation Referrals	d	-	-	d	-	-	-
Low-Income Housing Tax Credit	d	-	d	d	d	-	d
Tax Credit for School Repair and Maintenance	d	-	d	d	-	-	-
Earned Income Tax Credit	57,134	4,113	30,428	22,531	d	d	d
Lifeline Telephone Service Tax Credit	na	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	d	25	27	19	d	25	d
Motion Picture, Digital Media, and Film Production Income Tax Credit	d	-	d	-	d	-	d
Renewable Energy Technologies Tax Credit	7,337	360	909	1,531	1,535	1,850	1,152
Enterprise Zone Tax Credit	d	-	d	d	d	d	39
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	-	-	-	d	-	d
Tax Credit for Research Activities	32	d	d	d	-	d	d
Capital Infrastructure Tax Credit	d	-	-	-	d	d	43
Cesspool Upgrade, Conversion or Connection Income Tax Credit	41	-	-	d	d	18	d
Renewable Fuels Production Tax Credit	18	-	-	-	d	d	d
Organic Foods Production Tax Credit	d	-	d	d	-	d	d
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	3,290	325	261	355	382	574	1,393
Income Tax Paid to Another State or Foreign Country	9,741	650	1,280	1,475	1,534	2,242	2,560
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Individual Development Account Contribution Tax Credit	-	-	-	-	-	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	229	d	d	23	25	70	96
Energy Conservation Tax Credit	**	**	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	d	-	-	d	-	-	d
Technology Infrastructure Renovation Tax Credit	d	-	d	d	d	d	-
Residential Construction and Remodeling Tax Credit	d	d	d	d	d	d	d
<b>GRAND TOTAL</b>	<b>364,568</b>	<b>99,238</b>	<b>161,362</b>	<b>71,729</b>	<b>9,965</b>	<b>14,540</b>	<b>7,734</b>

\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

\*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "d" denotes that the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable."

**Table A-7**  
**DISTRIBUTION OF TAX CREDITS IN TAX YEARS 2016, 2017 AND 2018**

Type of Credit	2016			2017			2018		
	Amount (in \$1,000)	% of Total	# of Claims	Amount (in \$1,000)	% of Total	# of Claims	Amount (in \$1,000)	% of Total	# of Claims
<b>Total, All Tax Credits</b>	\$289,112	100.0	335,296	\$321,016	100.0	323,881	\$341,928	100.0	366,066
<b>Active Tax Credits</b>									
<b>Tax Credits to Promote Social Welfare</b>									
Refundable Food/Excise Tax Credit	\$30,773	10.6	254,463	\$29,854	9.3	248,995	\$28,413	8.3	239,218
Tax Credit for Low-Income Household Renters	\$2,726	0.9	26,709	\$2,514	0.8	24,525	\$2,132	0.6	21,081
Tax Credit for Child and Dependent Care Expenses	\$10,053	3.5	26,233	\$9,935	3.1	25,671	\$9,043	2.6	23,683
Tax Credit for Child Passenger Restraint Systems	\$70	0.0	2,813	\$65	0.0	2,605	\$61	0.0	2,460
Tax Credit for Employment of Vocational Rehabilitation Referrals	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Low-Income Housing Tax Credit	\$23,541	8.1	45	\$24,056	7.5	49	\$28,643	8.4	29
Tax Credit for School Repair and Maintenance	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Earned Income Tax Credit	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	\$15,583	4.6	57,134
Lifeline Telephone Service Tax Credit	\$48	0.0	<i>na</i>	\$43		<i>na</i>	\$34	0.0	<i>na</i>
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>									
Fuel Tax Credit for Commercial Fishers	\$373	0.1	169	\$354	0.1	134	\$372	0.1	121
Motion Picture, Digital Media, and Film Production Income Tax Credit	\$31,902	11.0	36	\$61,671	19.2	33	\$80,228	23.5	25
Renewable Energy Technologies Income Tax Credit	\$85,799	29.7	11,526	\$83,143	25.9	8,608	\$70,497	20.6	7,436
Enterprise Zone Tax Credit	\$748	0.3	87	\$856	0.3	61	\$1,127	0.3	73
Important Agricultural Land Qualified Agricultural Cost Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Tax Credit for Research Activities	\$3,102	1.1	58	\$2,507	0.8	54	\$2,373	0.7	54
Capital Infrastructure Tax Credit	\$1,431	0.5	44	\$4,048	1.3	61	\$1,907	0.6	66
Cesspool Upgrade, Conversion or Connection Income Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	\$143	0.0	20	\$219	0.1	41
Renewable Fuels Production Tax Credit	<i>na</i>	<i>na</i>	<i>na</i>	<i>d</i>	<i>d</i>	<i>d</i>	\$330	0.1	18
Organic Foods Production Tax Credit	<i>na</i>	<i>na</i>	<i>na</i>	<i>d</i>	<i>d</i>	<i>d</i>	\$14	0.0	6
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>									
Capital Goods Excise Tax Credit	\$34,715	12.0	4,161	\$29,335	9.1	4,060	\$34,080	10.0	4,349
Income Tax Paid to Another State or Foreign Country	\$43,428	15.0	8,507	\$48,595	15.1	8,614	\$51,460	15.0	9,971
<b>Expired Tax Credits</b>									
<b>Tax Credits to Promote Social Welfare</b>									
Individual Development Account Contribution Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	-	-	-	-	-	-
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>									
High Technology Business Investment Tax Credit	\$16,331	5.6	411	\$17,544	5.5	330	\$12,344	3.6	258
Energy Conservation Tax Credit*	*	*	*	*	*	*	*	*	*
Hotel Construction and Remodeling Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Technology Infrastructure Renovation Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Residential Construction and Remodeling Tax Credit	\$1,490	0.5	34	\$853	0.3	35	\$206	0.1	26

\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "d" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable."



## **APPENDIX B**

### **TAX CREDIT HISTORY**



Table B-1

## NUMBER AND TYPE OF CREDITS AVAILABLE BY TAX YEARS (1965-2018)

Type of Credit	Tax Year																										
	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91
Earned Income																											
Organic Foods Production																											
Renewable Fuels Produc.																											
Cesspool Upgrade, Conv.																											
Capital Infrastructure																											
Important Agric. Land																											
Credit for Flood Victims																											
Ethanol Investment / Facility																											
Residential Remodeling																											
Drought Mitigation																											
School Repair																											
Tech. Infrastructure																											
High Technology Bus. Inv.																											
Research Activity																											
Individual Development																											
Low-income, Food/Excise																											
Motion Picture																											
Hotel Remodeling																											
Nurse Facilities																											
Job Rehabilitation																											x
Renewable Energy Tech.																											
Ko Olin																											
Food / Excise																										x	x
Medical Services																									x	x	x
Capital Goods Excise																								x	x	x	x
Low-Income Housing																								x	x	x	x
Food																							x	x	x		
Lifeline Telephone																						x	x	x	x	x	x
Enterprise Zone																						x	x	x	x	x	x
Car Pass. Restraint System																		x	x	x	x	x	x	x	x	x	x
General Income																	x	x	x	x	x	x	x	x	x	x	x
Commercial Fishers																x	x	x	x	x	x	x	x	x	x	x	x
Dependent Care													x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Energy Conservation											x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Excise										x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Dangerous Item							x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x					
Rent						x	x	x	x				x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Drug / Medical						x	x	x	x																		
Education	x	x	x	x	x	x	x	x	x																		
Consumer-Type	x	x	x	x	x	x	x	x	x																		
Out of State Taxes Paid	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x



**Table B-1 (Cont.)**  
**NUMBER AND TYPE OF CREDITS AVAILABLE BY TAX YEARS (1965-2018)**

Type of Credit	Tax Year																											
	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	
Earned Income																											x	
Organic Foods Production																										x	x	
Renewable Fuels Produc.																										x	x	
Cesspool Upgrade, Conv.																									x	x	x	
Capital Infrastructure																							x	x	x	x	x	
Important Agric. Land																	x	x	x	x	x	x	x	x	x	x	x	
Credit for Flood Victims															x													
Ethanol Investment / Facility											x	x	x	x	x	x	x	x	x	x	x	x	x	x	x			
Residential Remodeling										x	x	x																
Drought Mitigation										x	x	x	x	x														
School Repair										x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
Tech. Infrastructure										x	x	x	x	x	x	x	x	x	x									
High Technology Bus. Inv.									x	x	x	x	x	x	x	x	x	x	x									
Research Activity									x	x	x	x	x	x	x	x	x	x	x			x	x	x	x	x	x	
Individual Development									x	x	x	x	x									x	x	x	x	x	x	
Low-income, Food/Excise									x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
Motion Picture						x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
Hotel Remodeling						x	x	x	x	x	x	x	x															
Nurse Facilities		x	x	x	x	x	x																					
Job Rehabilitation	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
Renewable Energy Tech.												x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
Ko Olina														x	x	x	x	x										
Food / Excise	x	x	x																									
Medical Services	x	x	x																									
Capital Goods Excise	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		x	x	x	x	x	x	x	x	x		
Low-Income Housing	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Food				x	x	x	x																					
Lifeline Telephone	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Enterprise Zone	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Car Pass. Restraint System	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
General Income	x	x	x	x						x	x						x	x	x									
Commercial Fishers	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Dependent Care	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Energy Conservation	x	x	x	x	x	x	x	x	x	x	x	x																
Excise	x	x	x																									
Dangerous Item																												
Rent	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Drug / Medical																												
Education																												
Consumer-Type																												
Out of State Taxes Paid	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		

**Table B-2**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
1965	155	Consumer-type	Range established at \$18 to \$0.45 per qualified exemption based on modified adjusted gross income (MAGI).
	155	Education credit	Set at \$50 to \$2 for higher education, \$20 to \$2 for K12, based on modified adjusted gross income (MAGI).
1967	229	Credit against individual income tax	Formerly named the consumer-type credit; limited to residents with MAGI under \$7,000; credit range changed to \$20 to \$1 per qualified exemption.
	229	Education credit	Limited to residents with adjusted gross income (AGI) under \$7,000.
1969	60	Credit against individual income tax	Expands upper income limit to MAGI under \$10,000, raises maximum credit per qualified exemption to \$21.
1970	180	Drug and medical expense credit	Credit range established at 4% to 1% of expenses, based on MAGI under \$14,000.
	180	Rent credit	Credit range of 2% to 1% of rent paid, inversely graduated to AGI under \$15,000.
1971	59	Drug and medical expense credit	Person aged 65 or older allowed two exemptions beginning with 1972 tax year.
1974	221	Excise credit	Replaces four previous credits: credit against individual income tax, education, drug and medical expense, and rent credits; set at \$30 to \$6 per qualified exemption based on AGI under \$15,000.
1976	189	Energy device credit	Set at 10% of cost of solar device installed after 12/31/74 but before 12/31/81.
	208	Excise credit	Raises maximum credit to \$40 per qualified exemption; raised AGI ceiling to under \$20,000; person aged 65 or over allowed two exemptions.
1977	15	Rent credit	Set at \$20 per qualified exemption; AGI must be less than \$20,000 and annual rent must be greater than \$1,000; age 65 or over allowed two exemptions.
	196	Child and dependent care credit	Set at 5% of care expenses; maximum credit \$100 for one and \$200 for two or more qualified dependents.
1978	19	Hot water insulation credit	Up to \$30 for cost of materials; expired 12/31/84.
1980	228	Excise Credit	Increases credit per qualified exemption; new range \$48 to \$8.

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
1981	230	Rent credit	Raised to \$50 per qualified exemption.
	231	General income credit	Set at \$100 per qualified exemption.
	233	Energy device credit	Expanded to include home heat pumps and wind energy devices; extended expiration date to 12/30/85.
	234	Child and dependent care credit	Raised to 10% of expenses; maximum credit raised to \$200 for one and \$400 for two or more qualified decedents.
1982	25	Child and dependent care credit	Changed to graduated credit ranging from 15% to 10% of expenses, based on AGI; maximum credit raised to \$360 for one and \$720 for two or more qualified dependents.
	134	Child passenger restraint credit	Set at \$25 per return for purchase of qualified care seat.
	265	General income credit	Reduced to \$25 per qualified exemption.
1983	67	Energy device credit	Eligibility extended to heat pumps for commercial use.
	97	General income credit	Reduced to \$1 per qualified exemption.
1984	55	General income credit	\$1 per qualified exemption.
1985	81	General income credit	\$1 per qualified exemption.
	232	Energy device credit	Extended expiration date to 12/30/92; increases to 15% if federal energy credit not extended beyond 12/31/85.
1986	49	General income credit	\$1 per qualified exemption.
	66	Energy device credit	Raised to 15% if federal energy credit not retroactively extended or reenacted.
	70	Energy device credit	Expanded to include ice storage systems with credit set at 10% of cost.
1987	41	General income credit	\$1 per qualified exemption.
	239	Food credit	Set at \$45 per qualified exemption; to expire 12/31/90.
	239	Capital goods excise credit	Set at 3% of cost of qualified tangible business property for tax year 1988 and 4% of cost for 1989 and thereafter.
1988	11	Excise credit	Credit range changed to \$55 to \$10 per qualified exemption; AGI ceiling raised to \$30,000.
	185	General income credit	\$1 per qualified exemption.
	216	Low-income housing credit	30% credit on the qualified basis of each low-income building located in Hawaii as provided in IRC section 43(b).

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
1989	307	Energy device credit	Raised to 20% of cost if placed in service after 12/31/89.
	321	Medical services excise credit	Set at 4% of qualified medical expenses; maximum credit \$200 for most residents, \$400 if 65 or older, and \$600 if both joint taxpayers 65 years or older.
	321	Rent credit	AGI ceiling raised to \$30,000.
	321	Child and dependent care credit	Credit made refundable if it exceeds tax liability; AGI ceiling for maximum 15% rate raised from \$10,000 to \$22,000.
	322	Child and dependent care credit	Raises rate to 25% to 15% of qualified expenses effective after 12/31/89.
	323	General income credit	\$125 per qualified exemption.
1990	98	Renter's credit	Allows residents with no taxable income to claim the credit.
	186	General income credit	Reduced to \$60 per qualified exemption.
	187	Food/excise credit	Repeals excise credit and created a permanent food/excise credit; food credit increased from \$45 to \$55 per qualified exemption; no change in excise credit rates.
	319	Energy device credit	Extends expiration date to 12/31/98; credit ceilings set according to device and type of dwelling: solar device--lesser of 35% of cost or \$1,750 if placed in single-family dwelling or \$350 if placed in multi-family dwelling, no cap for hotel, commercial, or industrial installation; heat pump--lesser of 20% of cost or \$400 if installed in single-family unit or \$200 if placed in multi-family unit; no cap for hotel, commercial, or industrial installations; wind energy device--rate increased from 15% to 20% of cost; ice storage systems--rate increased to 50% of cost if installed and placed in service after 12/31/90.
1991	137	Job credit	20% of wage up to \$1,200 per vocational rehabilitation employee.
	179	General income credit	\$1 per qualified exemption.
	217	Medical services excise credit	Extends the medical service excise credit to 12/31/96.
1992	128	General income credit	\$1 per qualified exemption.
1993	184	General income credit	\$1 per qualified exemption.
	315	Medical services excise credit	6% of nursing facility expenses.
1994	85	General income credit	\$1 per qualified exemption.

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
1995	23	Medical services excise credit	Repeals the 4% portion of the tax credit and retains 6% of the nursing facility tax portion.
	93	General income credit	\$1 per qualified exemption.
	134	Medical services excise credit	Repeals the medical service tax credit and the nursing facilities tax credit.
	134	Food/excise credit	Reduces the food portion of the food/excise tax credit from \$55 to \$27 per qualified exemption, and repeales the excise portion of the food/excise tax credit.
1996	286	Enterprise zone credit	Exempts general excise taxes on the gross proceeds from manufacture of tangible personal property, the wholesale of tangible personal property, or the engaging in a service business by qualified businesses in the enterprise zone.
1997	107	Motion picture credit	Provides an income tax credit of up to 4% of costs incurred, and of up to 6% of transient accommodations costs incurred in the production of motion picture or television films in the state.
	108	Hotel remodeling credit	Provides an income tax credit equal to 4% of the renovation costs for each qualified hotel facility located in Hawaii, with tax credit cap of 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year.
1998	156	Motion picture credit	Increases credit from 6% to 7.25% of transient accommodations costs incurred.
	157	Food tax credit	Repeals food tax credit beginning tax year 1999.
	157	Low-income credit	Establishes refundable graduated low-income credit beginning tax year 1999.
	163	Energy device credit	Extends sunset date for energy device credits to July 1, 2003.
1999	24	Low-income housing credit	Expands to include insurance companies.
	160	IDA credit	IDA tax credit up to 50% of contribution to an individual development account (IDA).
	178	High technology credit	10% of the investment made by the taxpayer in each qualified high technology business, up to a maximum allowed credit of \$500,000, effective tax years 1999 to 2005.
	178	Research activity credit	Adopts federal income tax credit for increasing research activities, effective tax years 2000 to 2005.
	306	Qualified improvement credit	Qualified improvement tax credit for capitalized costs of construction and equipment of a permanent nature with respect to resort and hotel properties. Unspecified percent of credit may be applied against GET, income, PSC or TAT.
2000	148	Low-income housing credit	Allows partnerships to claim low-income housing credit.

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2000	184	Individual development account	5% of amount contributed to an IDA up to \$1 million, between January 01, 2000 and December 31, 2004.
	174	Research activity credit	Retains credit for increasing research activities, even if federal credit is repealed.
	289	Ethanol investment credit	16 step investment tax credits for ethanol production facility based on gallons produced, capped at lesser of 30% of investment of specified dollar amount per step. Effective after December 31, 2001.
	297	Research activity credit	Makes the credit refundable.
	297	High technology credit	Eases requirements to qualify for credit.
2001	36	General income credit	\$1 per qualified exemption.
	221	Research activities credit	Removes requirement for increasing research.
	221	High technology business investment credit	Increases maximum credit to \$2 million and credit percentage to 100%.
	221	Technology infrastructure renovation income tax credit	Provides a nonrefundable technology infrastructure renovation income tax credit equal to 4% of the "renovation costs" for each commercial building located in Hawaii. The credit is available for tax years 2001 through 2005.
	293	Drought mitigation credit	4% of cost of construction or repair of qualified water storage facility for farmers and ranchers.
	309	School repair and maintenance credit	10% of fair-market value of repair and maintenance of public schools by licensed contractors.
2001 (3rd SS)	10	Hotel construction and remodeling credit	Increases credit to 10% of costs and makes it nonrefundable until June 30, 2003.
	10	Residential construction and remodeling credit	4% of cost of new residential construction or remodeling.
2002	63	General income credit	\$1 per qualified exemption.

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2002	174	Residential construction and remodeling credit	Extends the credit to costs incurred before July 1, 2003.
2003	207	Renewable energy technologies credit (Energy device credit)	Energy technology installed and placed in service after 6/30/03. Credit ceilings set according to device and type of dwelling: solar-device-lesser of 35% of cost or \$1,750 if placed in single family dwelling, \$350 for multi-family dwelling, \$250,000 for commercial properties; wind powered system-lesser of 20% of cost or \$1,500 if installed in single family unit, \$200 if placed in multi-family unit, or \$250,000 if placed in a commercial property; photovoltaic energy systems-lesser of 35% of cost or \$1,750 if installed in single family unit, \$350 if installed in multi-family unit, \$250,000 if installed in a commercial property.
	100	Ko Olina resort and marina attractions and educational facilities tax credit	Establishes a nonrefundable, carry-forward tax credit for qualified costs incurred for the development of attractions and educational facilities at the Ko Olina resorts and marina, or for the development of a training and educational facility at the Makaha Resort. It takes effect on May 29, 2003 and is available for tax year 2005.
2004	97	Renewable energy technologies credit (Energy device credit)	Clarifies that the tax credit is nonrefundable and that unused credit may be claimed in subsequent years until exhausted. Allows financial institutions to claim the credit for taxable years beginning after 12/30/02, provided that the system was installed after 6/30/03.
	140	Ethanol Facility tax credit	Clarifies that the tax credit is equal to 30% of the ethanol production facility's nameplate capacity if greater than 500,000 but less than 15 million gallons. Tax credit is limited to 100% of the total of all investments made by the taxpayer during the 8 year tax credit period. Requires that the facility be operating at a level of production of at least 75%. Facility must be in production before 1/1/12. Effective 7/01/04 and applied to taxable years beginning after 12/21/03.
	215	Technology infrastructure renovation tax credit, high technology tax credit and tax credit for research activities	Extends the technology infrastructure renovation tax credit, the high technology business investment tax credit, and the tax credit for research activities for another five years.
2005	196	Low-income housing tax credit	Provides incentives for developers to build affordable housing projects by increasing the low-income housing tax credit from 30 to 50 percent of the applicable percentage of the qualified basis of each building located in Hawaii. Effective 7/01/05.

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2006	88	Motion Picture and Film Production Income Tax Credit	Increases the Motion Picture and Film Production income tax credit to 15% or 20% of qualified production costs, depending on locale of production. Effective for production occurring after June 30, 2006.
	110	Tax Credit for Flood Victims	Establishes the one-time Tax Credit for Flood Victims, for non-reimbursable costs stemming from the Manoa flooding of October 30, 2004 and the statewide flooding during the first quarter of 2006.
	240	Renewable energy	Increases the limits on the Renewable Energy Technologies credit for single-family residential systems to \$2,250 (for solar thermal systems) or \$5000 (for photovoltaic systems). Increases the limits for commercial systems to \$500,000 per system. Higher limits effective for systems installed after June 30, 2006.
2007	128	Ethanol Facility tax credit	Extended the date for which a qualified ethanol production facility must be in production for purposes of qualifying for the Ethanol Production Facility tax credit by five years, to 1/1/2017.
	151	Renewable Energy	Requires that all renewable energy technology systems be in the State in order to qualify for the Renewable Energy Technologies tax credit. Applies to taxable years beginning after 12/31/2006.
	210	General income credit	The credit is refundable and declines as federal AGI increases. The maximum credit is \$160 (for married filing jointly with federal AGI under \$5,000).
	211	Food/Excise tax credit	Changes the name of the Low-Income Refundable tax credit to the Refundable Food/Excise tax credit. Amends the credit payout schedule and the adjusted gross incomes. The highest payout is \$85 for federal AGI under \$5,000 per exemption. Effective for taxable years beginning after 12/31/2007.
2008	58	General income credit	Provides a refundable credit of \$1 per exemption (not including extra exemptions for age or disability).
	204	Renewable energy	Requires single family residences with building permits issued after 1/1/2010 to include a solar hot water heating system and disallows the Renewable energy credit for the required systems. For solar, wind or photovoltaic systems placed in service after 12/21/2008, residential home developers are ineligible to claim the credit.
	143	Enterprise Zone tax credit	Extends Enterprise Zone benefits to certain qualifying agricultural businesses, including processing of agricultural products. Effective 7/1/2008.
	233	Important Agricultural Lands tax credit	Provides a refundable tax credit for certain costs benefiting property designated as "Important Agricultural Land," effective 7/1/2008.
2009	84	General income credit	Provides a refundable credit of \$1 per exemption, excluding multiple exemptions for age or disability.



**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2009	154	Renewable Energy	Combines solar and photovoltaic systems into the single category "solar." The caps per system are unchanged, however, as solar systems used to heat water are still subject to the lower cap of \$2,250 per system. An election is granted to make the credit refundable for systmes placed in service on or after 7/1/2009.
	155	Renewable Energy	Amends the requirement that a building permit not be issued for new single family dwellings that to not include a solar water heating system on or after 1/1/2010.
	174	Enterprise Zone tax credit	Amends the definitions of eligible business. Allows agricultural producers, manufacturers and wholesalers to renew eligibility in the program for an additional three years. Effective 7/1/2009.
	178	High technology credit and the technology infrastructure renovation tax credit	For investment made, or renovations costs incurred, on or after May 1, 2009, provides that beginning after January 1, 2009, and ending before January 1, 2011, no claim for qualified high technology business investment tax credits or technology infrastructure renovation tax credits under income tax, taxation of banks and other financial corporations, and insurance shall exceed 80 percent of a taxpayer's tax liability, and no credit carryover is allowed.
2010	21	All tax credits	Requires refundable credits to be claimed first, followed by nonrefundable credits after 1/1/2010.
2011	158	Low income housing tax credit	Grants low-income housing tax credit loans in lieu of low-income housing tax credits and provides a tax credit for certain awards under the American Recovery and Reinvestment Act of 2009. Applies to qualified buildings placed in service after 12/31/2011.
2013	89	Motion Picture and Film Production Income Tax Credit	Extends the Motion Picture and Film Production income tax credit to January 1, 2019, increases the credit ceiling amount from \$8 million to \$15 million per qualified production, and increases the credit amount from 15% to 20% of qualified production costs in a county with a population of over 700 thousand and increases the credit amount from 20% to 25% in a county with a populations of 700 thousand or less. Effective for production occurring after June 30, 2013.
	270	Tax credit for research activities	Reenacts the State tax credit for research activities. The State credit is equal to 20% of qualified research expenses incurred in Hawaii. The new credit is effective for tax years beginning after December 31, 2012. The Act sunsets December 31, 2019.
2014	101	Important Agricultural Lands tax credit	Clarifies that the tax credit amount is 25% of qualified agricultural costs or \$625,000 in the first year, the lesser of 15% of qualified costs or \$250,000 in the second year, and the lesser of 10% of qualified costs or \$125,000 in the third year.
	200	Capital Infrastructure Tax Credit	Establishes a capital infrastructure tax credit for tenants who are relocated due to the Kapalama container terminal modernization project. The tax credit is the lesser of 50% of the capital infrastructure costs paid or incurred by the qualified infrastructure tenant during the taxable year or \$1,250,000. The tax credit is available for taxable years beginning after December 31, 2013, but not for taxable years beginning after December 31, 2019.

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2015	120	Cesspool Upgrade, Conversion or Connection Tax Credit	Creates a temporary, nonrefundable income tax credit for the costs incurred in converting a qualified cesspool to a septic system or to an aerobic treatment unit system, or for the cost of connecting a cesspool to a sewer system. The Department of Health must certify all credit claims, and the credit amount is 100% of qualified costs up to a maximum of \$10,000 per taxpayer. The amount of tax credits certified in any given tax year cannot exceed \$5 million. The Tax credit is available for taxable years ending after December 31, 2015, but not for taxable years ending after December 31, 2020.
	223	Refundable Food/Excise Tax Credit	Amends the Refundable Food/Excise Tax Credit in several ways. First, removes the requirement that the individual claiming the credit must have resided in the State for nine months during the taxable year and replaces it with a requirement that the individual must have been physically present in the state for nine months during the taxable year. Second, adjusts the maximum adjusted gross income an unmarried individual taxpayer may have in order to be eligible to claim the credit. Third, adjusts the amount of credit per qualified exemption available to eligible taxpayers. Applies to taxable year beginning after December 31, 2015, but is repealed December 31, 2017 and the law as it read prior to this Act's amendments will be reenacted.
2016	129	Low-Income Housing Tax Credit	The tax credit is amended by shortening the time over which the credit is taken from ten years to five years for qualified low income buildings awarded credits for taxable years 2017 to 2021.
	182	Cesspool Upgrade, Conversion or Connection Tax Credit	Amends the Income Tax Credit for Converting Cesspools by correcting an oversight made when section 235-16.5, HRS, was enacted last session, and permits large capacity cesspools to qualify for the credit, with each tax map key parcel associated with the large capacity cesspool eligible for the credit of up to \$10,000.
	202	Ethanol Facility Tax Credit	Repeals the Ethanol Facility Tax Credit is for taxable years beginning after December 31, 2016.
	202	Renewable Fuels Production Tax Credit	Act 202 also creates a new nonrefundable tax credit for the production of renewable fuels for taxable years 2017 to 2021. The credit is available for five consecutive years beginning with the first taxable year in which the taxpayer claiming the credit begins producing at least 15 billion British thermal units of renewable fuel per year.
	235	Credit for Child and Dependent Care Expenses	Amends the credit for taxable years beginning after December 31, 2015 by increasing the credit amount that certain taxpayers may claim for expenses for household and dependent care services necessary for gainful employment. It modifies the phase-down of percentage of expenses on which the credit can be claimed at various AGI thresholds.
	258	Organic Foods Production Tax Credit	Creates a nonrefundable tax credit for expenses incurred to produce organic agricultural products and to obtain organic certification for taxable years 2017 to 2021. The Department of Agriculture is responsible for certifying all credit claims.

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2017	107	Refundable Food/Excise Tax Credit	Repeals the sunset date for the amendments made to the tax credit by Act 223, SLH 2015, rendering them permanent.
	107	Earned Income Tax Credit	Establishes a state nonrefundable earned income tax credit (EITC) equal to 20 percent of the federal EITC allowed and properly claimed under section 32, IRC, and reported on the taxpayer's federal income tax return. The state EITC applies to taxable years beginning after December 31, 2017, but shall not apply to taxable years beginning after December 31, 2022.
	125	Cesspool Upgrade, Conversion or Connection Tax Credit	Expands the class of cesspools which are eligible to claim the credit to include: (1) A cesspool within 500 feet (increased from the current 200 feet) of a shoreline, perennial stream, or wetland; (2) A cesspool shown to impact drinking water supplies or recreational waters; or (3) A cesspool certified by a county or private sewer company to be appropriate for connection to its existing sewer system.
	142	Renewable Fuels Production Tax Credit	Changes the certification process for the tax credit. Taxpayers claiming a credit must file a third-party-certified statement with the Department of Business, Economic Development, and Tourism (DBEDT) within 30 days after the close of the calendar year with information on the type and amount of qualified fuel, type of feedstock used, amount of the credit, number and residency of employees of the facility, and number and location of all renewable fuel production facilities. DBEDT will thereafter issue a certificate to the taxpayer with the amount of renewable fuels produced and sold, amount of credit the taxpayer is entitled to claim for the previous calendar year, and the cumulative amount of the credit during the period.
	143	Motion Picture and Film Production Income Tax Credit	For taxable years beginning after December 31, 2018, several amendments are made to the tax credit including provisions to (1) extend the repeal date from January 1, 2019, to January 1, 2026, (2) limit the total credit to \$35 million per year, and (3) amend the qualifications a production must meet in order to claim the credit.
	213	Capital Infrastructure Tax Credit	Makes several amendments to the tax credit including provisions to (1) double the amount of credit per taxable year from \$1.25 million to \$2.5 million, and (2) include structures, machinery, equipment, and capital assets in the definition of "capital infrastructure costs".
2018	43	Healthcare Preceptor Tax Credit	Establishes an income tax credit for advanced practice registered nurses, pharmacists, and physicians who supervise volunteer-based supervised clinical training rotations. The credit is equal to \$1,000 per rotation supervised by the taxpayer, up to a maximum of \$5,000 per taxpayer per year. Additionally, the credit is subject to an aggregate cap of \$1,500,000 per year. It also establishes the Preceptor Credit Assurance Committee. The Committee certifies all claims for the credit and issues taxpayers a certificate verifying the number of rotations supervised. The Department is authorized to require taxpayers to furnish this certificate to claim the credit. The Committee is also tasked with ceasing certifications if total claims for certification reach the aggregate cap during any year. Act 43 applies to taxable years beginning after December 31, 2018.

**Table B-2 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2018	87	Important Agricultural Land Qualified Agricultural Cost Tax Credit	Extends the Important Agricultural Land Qualified Agricultural Cost Tax Credit through taxable year 2021.
	133	Cesspool Upgrade, Conversion or Connection Tax Credit	Eliminates the provision preventing certification of more than two residential large capacity cesspools as qualified cesspools. The Act applies to taxable years beginning after December 31, 2017.
	143	Renewable Fuels Production Tax Credit	Amends the renewable fuels production tax credit (RFPTC), as follows: <ul style="list-style-type: none"> <li>• Lowers the production threshold for eligibility for the credit from 15 billion British thermal units of renewable fuels per calendar year to 2.5 billion British thermal units per calendar year; and</li> <li>• Adds logs, wood chips, wood pellets, wood bark, and other renewable organic material to the definition of “Renewable feedstocks” which qualify for the credit.</li> </ul> It applies to taxable years beginning after December 31, 2017.

