
A BILL FOR AN ACT

RELATING TO INCOME TAX.

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

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

4 "§235- Tax credit for teacher expenses. (a) There
5 shall be allowed to each qualifying taxpayer subject to the tax
6 imposed by this chapter, a tax credit for qualifying expenses
7 that shall be deductible from the taxpayer's net income tax
8 liability, if any, imposed by this chapter for the taxable year
9 in which the credit is properly claimed.

10 (b) The amount of the tax credit shall be equal to eighty
11 per cent of the amount expended for qualifying expenses in a
12 taxable year; provided that the credit shall not exceed \$500 per
13 taxable year.

14 (c) If the tax credit claimed by the taxpayer under this
15 section exceeds the taxpayer's income liability, the excess of
16 the credit over liability may be used as a credit against the



1 taxpayer's income tax liability in subsequent years until
2 exhausted.

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

9 (d) No other tax credit or deduction shall be claimed
10 under this chapter for qualifying expenses used to claim a tax
11 credit under this section for the taxable year.

12 (e) The director of taxation shall:

13 (1) Prepare any forms necessary to claim a credit under
14 this section;

15 (2) May require the taxpayer to furnish reasonable
16 information to ascertain the validity of the claim for
17 the tax credit under this section; and

18 (3) May adopt rules pursuant to chapter 91 to effectuate
19 the purposes of this section.

20 (f) As used in this section:



1 "Qualifying expenses" means expenses paid or incurred by a
2 qualifying taxpayer in connection with:

3 (1) Books;

4 (2) Supplies, other than nonathletic supplies for courses
5 of instruction in health or physical education;

6 (3) Computer equipment, including related software and
7 services and other equipment; and

8 (4) Supplementary materials used by the qualifying
9 taxpayer in the classroom.

10 "Qualifying taxpayer" means an individual employed by the
11 department of education, a charter school, or a private school
12 in the State as a prekindergarten or kindergarten through
13 twelfth-grade teacher for at least nine hundred hours during the
14 taxable year."

15 SECTION 2. Section 235-1, Hawaii Revised Statutes, is
16 amended by adding a new definition to be appropriately inserted
17 and to read as follows:

18 "Cost-of-living adjustment factor" means a factor
19 calculated by adding 1.0 to the percentage change in the
20 Consumer Price Index for All Urban Consumers, as published by
21 the United States Department of Labor, from July of the



1 preceding calendar year to July of the current calendar year;
2 provided that, if the Consumer Price Index is discontinued, the
3 Chained Consumer Price Index for All Urban Consumers, as
4 published by the United States Department of Labor, shall be
5 used to calculate the cost-of-living adjustment factor."

6 SECTION 3. Section 235-55.6, Hawaii Revised Statutes, is
7 amended to read as follows:

8 **"§235-55.6 Expenses for household and dependent care**
9 **services necessary for gainful employment.** (a) Allowance of
10 credit.

11 (1) In general. For each resident taxpayer, who files an
12 individual income tax return for a taxable year, and
13 who is not claimed or is not otherwise eligible to be
14 claimed as a dependent by another taxpayer for federal
15 or Hawaii state individual income tax purposes, who
16 maintains a household which includes as a member one
17 or more qualifying individuals (as defined in
18 subsection (b)(1)), there shall be allowed as a credit
19 against the tax imposed by this chapter for the
20 taxable year an amount equal to the applicable
21 percentage of the employment-related expenses (as



1 defined in subsection (b)(2)) paid by the individual
 2 during the taxable year. If the tax credit claimed by
 3 a resident taxpayer exceeds the amount of income tax
 4 payment due from the resident taxpayer, the excess of
 5 the credit over payments due shall be refunded to the
 6 resident taxpayer; provided that tax credit properly
 7 claimed by a resident individual who has no income tax
 8 liability shall be paid to the resident individual;
 9 and provided further that no refunds or payment on
 10 account of the tax credit allowed by this section
 11 shall be made for amounts less than \$1.

12 (2) Applicable percentage. For purposes of paragraph (1),
 13 the taxpayer's applicable percentage shall be
 14 ~~[determined as follows:~~

Adjusted gross income	Applicable percentage
Not over \$25,000	25%
Over \$25,000 but	24%
not over \$30,000	
Over \$30,000 but	23%
not over \$35,000	
Over \$35,000 but	22%



1 ~~not over \$40,000~~

2 ~~Over \$40,000 but~~ 21%

3 ~~not over \$45,000~~

4 ~~Over \$45,000 but~~ 20%

5 ~~not over \$50,000~~

6 ~~Over \$50,000~~ 15%.]

7 equal to fifty per cent reduced by one percentage

8 point for each \$3,000, or fraction thereof, by which

9 the taxpayer's adjusted gross income exceeds the

10 threshold amount; provided that the applicable

11 percentage shall not be reduced below twenty-five per

12 cent.

13 (3) Threshold amount. For purposes of paragraph (2):

14 (A) For taxable years beginning after December 31,

15 2022, the threshold amount shall be \$150,000; and

16 (B) For each taxable year beginning after

17 December 31, 2023, the director, no later than

18 December 15 of the preceding calendar year, shall

19 recompute the threshold amount by multiplying the

20 dollar amount for the preceding taxable year by

21 the cost-of-living adjustment factor, if the



1 cost-of-living adjustment factor is greater than
2 zero, and rounding off the resulting product to
3 the nearest \$1. If the cost-of-living adjustment
4 factor is less than or equal to zero in a given
5 year, then no adjustment will occur in the
6 following year.

7 (b) Definitions of qualifying individual and employment-
8 related expenses. For purposes of this section:

9 (1) Qualifying individual. The term "qualifying
10 individual" means:

11 (A) A dependent of the taxpayer who is under the age
12 of thirteen and with respect to whom the taxpayer
13 is entitled to a deduction under section 235-
14 54(a),

15 (B) A dependent of the taxpayer who is physically or
16 mentally incapable of caring for oneself, or

17 (C) The spouse of the taxpayer, if the spouse is
18 physically or mentally incapable of caring for
19 oneself.

20 (2) Employment-related expenses.



1 (A) In general. The term "employment-related
2 expenses" means amounts paid for the following
3 expenses, but only if such expenses are incurred
4 to enable the taxpayer to be gainfully employed
5 for any period for which there are one or more
6 qualifying individuals with respect to the
7 taxpayer:

- 8 (i) Expenses for household services, and
9 (ii) Expenses for the care of a qualifying
10 individual.

11 Such term shall not include any amount paid for
12 services outside the taxpayer's household at a
13 camp where the qualifying individual stays
14 overnight.

15 (B) Exception. Employment-related expenses described
16 in subparagraph (A) which are incurred for
17 services outside the taxpayer's household shall
18 be taken into account only if incurred for the
19 care of:

- 20 (i) A qualifying individual described in
21 paragraph (1)(A), or



- 1 (ii) A qualifying individual (not described in
2 paragraph (1)(A)) who regularly spends at
3 least eight hours each day in the taxpayer's
4 household.
- 5 (C) Dependent care centers. Employment-related
6 expenses described in subparagraph (A) which are
7 incurred for services provided outside the
8 taxpayer's household by a dependent care center
9 (as defined in subparagraph (D)) shall be taken
10 into account only if:
- 11 (i) Such center complies with all applicable
12 laws, rules, and regulations of this State,
13 if the center is located within the
14 jurisdiction of this State; or
- 15 (ii) Such center complies with all applicable
16 laws, rules, and regulations of the
17 jurisdiction in which the center is located,
18 if the center is located outside the State;
19 and
- 20 (iii) The requirements of subparagraph (B) are
21 met.



1 (D) Dependent care center defined. For purposes of
2 this paragraph, the term "dependent care center"
3 means any facility which:

4 (i) Provides care for more than six individuals
5 (other than individuals who reside at the
6 facility), and

7 (ii) Receives a fee, payment, or grant for
8 providing services for any of the
9 individuals (regardless of whether such
10 facility is operated for profit).

11 (c) Dollar limit on amount creditable. The amount of the
12 employment-related expenses incurred during any taxable year
13 which may be taken into account under subsection (a) shall not
14 exceed:

15 (1) [~~\$2,400~~] \$10,000 if there is one qualifying individual
16 with respect to the taxpayer for such taxable year, or

17 (2) [~~\$4,800~~] \$20,000 if there are two or more qualifying
18 individuals with respect to the taxpayer for such
19 taxable year.

20 The amount determined under paragraph (1) or (2) (whichever is
21 applicable) shall be reduced by the aggregate amount excludable



1 from gross income under section 129 (with respect to dependent
2 care assistance programs) of the Internal Revenue Code for the
3 taxable year.

4 (d) Earned income limitation.

5 (1) In general. Except as otherwise provided in this
6 subsection, the amount of the employment-related
7 expenses incurred during any taxable year which may be
8 taken into account under subsection (a) shall not
9 exceed:

10 (A) In the case of an individual who is not married
11 at the close of such year, such individual's
12 earned income for such year, or

13 (B) In the case of an individual who is married at
14 the close of such year, the lesser of such
15 individual's earned income or the earned income
16 of the individual's spouse for such year.

17 (2) Special rule for spouse who is a student or incapable
18 of caring for oneself. In the case of a spouse who is
19 a student or a qualified individual described in
20 subsection (b)(1)(C), for purposes of paragraph (1),
21 such spouse shall be deemed for each month during



1 which such spouse is a full-time student at an
2 educational institution, or is such a qualifying
3 individual, to be gainfully employed and to have
4 earned income of not less than:

5 (A) \$200 if subsection (c)(1) applies for the taxable
6 year, or

7 (B) \$400 if subsection (c)(2) applies for the taxable
8 year.

9 In the case of any husband and wife, this paragraph
10 shall apply with respect to only one spouse for any
11 one month.

12 (e) Special rules. For purposes of this section:

13 (1) Maintaining household. An individual shall be treated
14 as maintaining a household for any period only if over
15 half the cost of maintaining the household for the
16 period is furnished by the individual (or, if the
17 individual is married during the period, is furnished
18 by the individual and the individual's spouse).

19 (2) Married couples must file joint return. If the
20 taxpayer is married at the close of the taxable year,
21 the credit shall be allowed under subsection (a) only



1 if the taxpayer and the taxpayer's spouse file a joint
2 return for the taxable year.

3 (3) Marital status. An individual legally separated from
4 the individual's spouse under a decree of divorce or
5 of separate maintenance shall not be considered as
6 married.

7 (4) Certain married individuals living apart. If:

8 (A) An individual who is married and who files a
9 separate return:

10 (i) Maintains as the individual's home a
11 household that constitutes for more than
12 one-half of the taxable year the principal
13 place of abode of a qualifying individual,
14 and

15 (ii) Furnishes over half of the cost of
16 maintaining the household during the taxable
17 year, and

18 (B) During the last six months of the taxable year
19 the individual's spouse is not a member of the
20 household,

21 the individual shall not be considered as married.



- 1 (5) Special dependency test in case of divorced parents,
2 etc. If:
- 3 (A) Paragraph (2) or (4) of section 152(e) of the
4 Internal Revenue Code of 1986, as amended,
5 applies to any child with respect to any calendar
6 year, and
- 7 (B) The child is under age thirteen or is physically
8 or mentally incompetent of caring for the child's
9 self,
- 10 in the case of any taxable year beginning in the
11 calendar year, the child shall be treated as a
12 qualifying individual described in subsection
13 (b)(1)(A) or (B) (whichever is appropriate) with
14 respect to the custodial parent (within the meaning of
15 section 152(e)(1) of the Internal Revenue Code of
16 1986, as amended), and shall not be treated as a
17 qualifying individual with respect to the noncustodial
18 parent.
- 19 (6) Payments to related individuals. No credit shall be
20 allowed under subsection (a) for any amount paid by
21 the taxpayer to an individual:



1 (A) With respect to whom, for the taxable year, a
2 deduction under section 151(c) of the Internal
3 Revenue Code of 1986, as amended (relating to
4 deduction for personal exemptions for dependents)
5 is allowable either to the taxpayer or the
6 taxpayer's spouse, or

7 (B) Who is a child of the taxpayer (within the
8 meaning of section 151(c)(3) of the Internal
9 Revenue Code of 1986, as amended) who has not
10 attained the age of nineteen at the close of the
11 taxable year.

12 For purposes of this paragraph, the term "taxable
13 year" means the taxable year of the taxpayer in which
14 the service is performed.

15 (7) Student. The term "student" means an individual who,
16 during each of five calendar months during the taxable
17 year, is a full-time student at an educational
18 organization.

19 (8) Educational organization. The term "educational
20 organization" means a school operated by the
21 department of education under chapter 302A, an



1 educational organization described in section
2 170(b)(1)(A)(ii) of the Internal Revenue Code of 1986,
3 as amended, or a university, college, or community
4 college.

5 (9) Identifying information required with respect to
6 service provider. No credit shall be allowed under
7 subsection (a) for any amount paid to any person
8 unless:

9 (A) The name, address, taxpayer identification
10 number, and general excise tax license number of
11 the person are included on the return claiming
12 the credit,

13 (B) If the person is located outside the State, the
14 name, address, and taxpayer identification
15 number, if any, of the person and a statement
16 indicating that the service provider is located
17 outside the State and that the general excise tax
18 license and, if applicable, the taxpayer
19 identification numbers are not required, or

20 (C) If the person is an organization described in
21 section 501(c)(3) of the Internal Revenue Code



1 and exempt from tax under section 501(a) of the
2 Internal Revenue Code, the name and address of
3 the person are included on the return claiming
4 the credit.

5 In the case of a failure to provide the information
6 required under the preceding sentence, the preceding
7 sentence shall not apply if it is shown that the
8 taxpayer exercised due diligence in attempting to
9 provide the information so required.

10 (f) No credit shall be allowed under this section for any
11 taxable year in the disallowance period. For purposes of this
12 subsection, the disallowance period is:

13 (1) The period of ten taxable years after the most recent
14 taxable year for which there was a final
15 administrative or judicial decision that the
16 taxpayer's claim for credit under this section was due
17 to fraud; and

18 (2) The period of two taxable years after the most recent
19 taxable year for which there was a final
20 administrative or judicial decision disallowing the
21 taxpayer's claim for credit.



1 ~~[(f)]~~ (g) Rules. The director of taxation shall prescribe
2 such rules under chapter 91 as may be necessary to carry out the
3 purposes of this section."

4 SECTION 4. Section 235-55.7, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§235-55.7 Income tax credit for ~~[low-income]~~ household**
7 **renters.** (a) As used in this section:

8 (1) "Adjusted gross income" ~~[is defined by section 235-1.]~~
9 means adjusted gross income as defined by the Internal
10 Revenue Code.

11 (2) "Qualified exemption" includes those exemptions
12 permitted under this chapter; provided that a person
13 for whom exemption is claimed has physically resided
14 in the State for more than nine months during the
15 taxable year; and provided that multiple exemption
16 shall not be granted because of deficiencies in
17 vision, hearing, or other disability.

18 (3) "Rent" means the amount paid in cash in any taxable
19 year for the occupancy of a dwelling place which is
20 used by a resident taxpayer or the resident taxpayer's
21 immediate family as the principal residence in this



1 State. Rent is limited to the amount paid for the
2 occupancy of the dwelling place only, and is exclusive
3 of charges for utilities, parking stalls, storage of
4 goods, yard services, furniture, furnishings, and the
5 like. Rent shall not include any rental claimed as a
6 deduction from gross income or adjusted gross income
7 for income tax purposes, any ground rental paid for
8 use of land only, and any rent allowance or subsidies
9 received.

10 (b) Each resident taxpayer who occupies and pays rent for
11 real property within the State as the resident taxpayer's
12 residence or the residence of the resident taxpayer's immediate
13 family [~~which is not partially or wholly exempted from real~~
14 ~~property tax,~~] who is not eligible to be claimed as a dependent
15 for federal or state income taxes by another, and who files an
16 individual net income tax return for a taxable year, may claim a
17 tax credit under this section against the resident taxpayer's
18 Hawaii state individual net income tax.

19 (c) Each taxpayer [~~with an adjusted gross income of less~~
20 ~~than \$30,000~~] who has paid more than [~~\$1,000~~] \$10,000 in rent
21 during the taxable year for which the credit is claimed may



1 claim a household renters tax credit [~~of \$50~~] as determined in
2 subsection (d), multiplied by the number of qualified exemptions
3 to which the taxpayer is entitled; provided that married couples
4 shall file a joint return; provided further that each taxpayer
5 sixty-five years of age or over may claim double the tax credit;
6 [~~and~~] provided further that a resident individual who has no
7 income or no income taxable under this chapter may also claim
8 the tax credit as set forth in this section.

9 (d) The credit per exemption shall equal \$350 reduced by
10 the result of the reduction factor multiplied by each dollar for
11 which the taxpayer's adjusted gross income exceeds the threshold
12 amount, rounded to the nearest dollar; provided that the credit
13 per exemption shall not be reduced below zero; provided further
14 that:

15 (1) The reduction factor shall be:

16 (A) 0.007 for married persons filing a joint return
17 or a surviving spouse;

18 (B) 0.0093 for heads of household; or

19 (C) 0.014 for single persons; and

20 (2) The threshold amount shall be:



- 1 (A) \$40,000 for married persons filing a joint return
2 or a surviving spouse;
3 (B) \$30,000 for heads of household; or
4 (C) \$20,000 for single persons.

5 (e) For each taxable year beginning after December 31,
6 2023, the director of taxation, no later than December 15 of the
7 preceding calendar year, shall recompute the minimum rent amount
8 in subsection (c) and threshold amount in subsection (d) by
9 multiplying the dollar amount for the preceding taxable year by
10 the cost-of-living adjustment factor, if the cost-of-living
11 adjustment factor is greater than zero, and rounding off the
12 resulting product to the nearest \$1. If the cost-of-living
13 adjustment factor is less than or equal to zero in a given year,
14 then no adjustment will occur in the following year.

15 ~~[(d)]~~ (f) If a rental unit is occupied by two or more
16 individuals, and more than one individual is able to qualify as
17 a claimant, the claim for credit shall be based upon a pro rata
18 share of the rent paid.

19 ~~[(e)]~~ (g) The tax credits shall be deductible from the
20 taxpayer's individual net income tax for the tax year in which
21 the credits are properly claimed~~[-; provided that a husband and~~



1 ~~wife filing separate returns for a taxable year for which a~~
2 ~~joint return could have been made by them shall claim only the~~
3 ~~tax credits to which they would have been entitled had a joint~~
4 ~~return been filed]. In the event the allowed tax credits exceed~~
5 ~~the amount of the income tax payments due from the taxpayer, the~~
6 ~~excess of credits over payments due shall be refunded to the~~
7 ~~taxpayer; provided that allowed tax credits properly claimed by~~
8 ~~an individual who has no income tax liability shall be paid to~~
9 ~~the individual; and provided further that no refunds or payments~~
10 ~~on account of the tax credits allowed by this section shall be~~
11 ~~made for amounts less than \$1.~~

12 (h) No credit shall be allowed under this section for any
13 taxable year in the disallowance period. For purposes of this
14 subsection, the disallowance period is:

15 (1) The period of ten taxable years after the most recent
16 taxable year for which there was a final
17 administrative or judicial decision that the
18 taxpayer's claim for credit under this section was due
19 to fraud; and

20 (2) The period of two taxable years after the most recent
21 taxable year for which there was a final



1 administrative or judicial decision disallowing the
2 taxpayer's claim for credit.

3 ~~(f)~~ (i) The director of taxation shall prepare and
4 prescribe the appropriate form or forms to be used herein, may
5 require proof of the claim for tax credits, and may adopt rules
6 pursuant to chapter 91.

7 ~~(g)~~ (j) All of the provisions relating to assessments
8 and refunds under this chapter and under section 231-23(c)(1)
9 shall apply to the tax credits hereunder.

10 ~~(h)~~ (k) Claims for tax credits under this section,
11 including any amended claims thereof, shall be filed on or
12 before the end of the twelfth month following the taxable year
13 for which the credit may be claimed."

14 SECTION 5. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 6. This Act shall take effect on June 30, 3000,
17 and shall apply to taxable years beginning after December 31,
18 2022.



Report Title:

Income Tax; Income Tax Credits; Teacher Expenses; Household and Dependent Care Services; Household Renters

Description:

Adds new tax credit for teacher's expenses. Adjusts annually for tax years beginning after December 31, 2023, the dependent care credit and household renters credit by a cost-of-living adjustment factor. Effective 6/30/3000. (HD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

