
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 amount of the income tax payments due from
16 the taxpayer, the excess of the credit over liability may be
17 used as a credit against the taxpayer's income tax liability in
18 subsequent years until exhausted.

1 (d) No other tax credit or deduction shall be claimed
2 under this chapter for qualifying expenses for the taxable year.

3 (e) The director of taxation shall prepare such forms as
4 may be necessary to claim a credit under this section, may
5 require proof of the claim for the tax credit, and may adopt
6 rules pursuant to chapter 91.

7 (f) Claims for the tax credit under this section,
8 including any amended claims, shall be filed on or before the
9 end of the twelfth month following the taxable year for which
10 the credit may be claimed. Failure to comply with the foregoing
11 provision shall constitute a waiver of the right to claim the
12 credit.

13 (g) As used in this section:

14 "Qualifying expenses" means expenses paid or incurred by a
15 qualifying taxpayer in connection with books, supplies (other
16 than nonathletic supplies for courses of instruction in health
17 or physical education), computer equipment (including related
18 software and services) and other equipment, and supplementary
19 materials used by the qualifying taxpayer in the classroom.

20 "Qualifying taxpayer" means an individual employed by the
21 department of education, a charter school, or a private school
22 in the State as a kindergarten through twelfth-grade teacher for
23 at least nine hundred hours during the tax year."

1 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) Section 63 (with respect to taxable income defined)
4 of the Internal Revenue Code shall be operative for the purposes
5 of this chapter, subject to the following:

6 (1) Section 63(c)(1)(B) (relating to the additional
7 standard deduction), 63(c)(1)(C) (relating to the real
8 property tax deduction), 63(c)(1)(D) (relating to the
9 disaster loss deduction), 63(c)(1)(E) (relating to the
10 motor vehicle sales tax deduction), 63(c)(4) (relating
11 to inflation adjustments), 63(c)(7) (defining the real
12 property tax deduction), 63(c)(8) (defining the
13 disaster loss deduction), 63(c)(9) (defining the motor
14 vehicle sales tax deduction), and 63(f) (relating to
15 additional amounts for the aged or blind) of the
16 Internal Revenue Code shall not be operative for
17 purposes of this chapter;

18 (2) Section 63(c)(2) (relating to the basic standard
19 deduction) of the Internal Revenue Code shall be
20 operative [~~except that the standard deduction amounts~~
21 ~~provided therein shall instead mean:~~

22 ~~(A) \$4,400 in the case of:~~

1 ~~(i) A joint return as provided by section 235-~~
2 ~~93; or~~
3 ~~(ii) A surviving spouse (as defined in section~~
4 ~~2(a) of the Internal Revenue Code);~~
5 ~~(B) \$3,212 in the case of a head of household (as~~
6 ~~defined in section 2(b) of the Internal Revenue~~
7 ~~Code);~~
8 ~~(C) \$2,200 in the case of an individual who is not~~
9 ~~married and who is not a surviving spouse or head~~
10 ~~of household; or~~
11 ~~(D) \$2,200 in the case of a married individual filing~~
12 ~~a separate return;]~~ provided that:
13 (A) The standard deduction amounts provided therein
14 shall instead mean:
15 (i) \$10,000 in the case of a joint return as
16 provided by section 235-93 or a surviving
17 spouse (as defined in section 2(a) of the
18 Internal Revenue Code);
19 (ii) \$7,500 in the case of a head of household
20 (as defined in section 2(b) of the Internal
21 Revenue Code);

1 (iii) \$5,000 in the case of an individual who is
2 not married and who is not a surviving
3 spouse or head of household; or

4 (iv) \$5,000 in the case of a married individual
5 filing a separate return;

6 (B) For each taxable year beginning on or after
7 January 1, 2024, the director shall, no later
8 than December 15 of the preceding calendar year,
9 recompute the standard deduction amounts by
10 multiplying the dollar amounts for the previous
11 tax year by the cost-of-living adjustment factor,
12 if the cost-of-living adjustment factor is
13 greater than zero, and rounding off the resulting
14 product to the nearest \$1. If the cost-of-living
15 adjustment factor is less than zero in a given
16 year, then no adjustment will occur in the
17 following year. For purposes of this
18 subparagraph, the cost-of-living adjustment
19 factor is calculated by adding 1.0 to the
20 percentage change in the Urban Hawaii Consumer
21 Price Index for all items, as published by the
22 United States Department of Labor, from July of
23 the prior calendar year to July of the current

1 calendar year. If the Urban Hawaii Consumer
2 Price Index is discontinued, the Chained Consumer
3 Price Index for all urban areas for all items, as
4 published by the United States Department of
5 Labor, shall be used to calculate the cost-of-
6 living adjustment;

7 (3) Section 63(c)(5) (limiting the basic standard
8 deduction in the case of certain dependents) of the
9 Internal Revenue Code shall be operative, except that
10 the limitation shall be the greater of \$500 or the
11 individual's earned income; and

12 (4) The standard deduction amount for nonresidents shall
13 be calculated pursuant to section 235-5."

14 SECTION 3. Section 235-51, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§235-51 Tax imposed on individuals; rates.** (a) There is
17 hereby imposed on the taxable income of every:

18 (1) Taxpayer who files a joint return under section
19 235-93; and

20 (2) Surviving spouse,

21 a tax determined in accordance with the following table:

22 ~~[In the case of any taxable year beginning after December~~
23 ~~31, 2017:~~

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1	If the taxable income is:	The tax shall be:
2	Not over \$4,800	1.40% of taxable income
3	Over \$4,800 but	\$67.00 plus 3.20% of
4	not over \$9,600	excess over \$4,800
5	Over \$9,600 but	\$221.00 plus 5.50% of
6	not over \$19,200	excess over \$9,600
7	Over \$19,200 but	\$749.00 plus 6.40% of
8	not over \$28,800	excess over \$19,200
9	Over \$28,800 but	\$1,363.00 plus 6.80% of
10	not over \$38,400	excess over \$28,800
11	Over \$38,400 but	\$2,016.00 plus 7.20% of
12	not over \$48,000	excess over \$38,400
13	Over \$48,000 but	\$2,707.00 plus 7.60% of
14	not over \$72,000	excess over \$48,000
15	Over \$72,000 but	\$4,531.00 plus 7.90% of
16	not over \$96,000	excess over \$72,000
17	Over \$96,000 but	\$6,427.00 plus 8.25% of
18	not over \$300,000	excess over \$96,000
19	Over \$300,000 but	\$23,257.00 plus 9.00% of
20	not over \$350,000	excess over \$300,000
21	Over \$350,000 but	\$27,757.00 plus 10.00% of
22	not over \$400,000	excess over \$350,000
23	Over \$400,000	\$32,757.00 plus 11.00% of

~~excess over \$400,000.]~~

In the case of any taxable year beginning after December 31, 2022:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$5,126</u>	<u>1.40% of taxable income</u>
<u>Over \$5,126 but</u> <u>not over \$10,253</u>	<u>\$72.00 plus 3.20% of</u> <u>excess over \$5,126</u>
<u>Over \$10,253 but</u> <u>not over \$20,506</u>	<u>\$236.00 plus 5.50% of</u> <u>excess over \$10,253</u>
<u>Over \$20,506 but</u> <u>not over \$30,758</u>	<u>\$800.00 plus 6.40% of</u> <u>excess over \$20,506</u>
<u>Over \$30,758 but</u> <u>not over \$41,011</u>	<u>\$1,456.00 plus 6.80% of</u> <u>excess over \$30,758</u>
<u>Over \$41,011 but</u> <u>not over \$51,264</u>	<u>\$2,153.00 plus 7.20% of</u> <u>excess over \$41,011</u>
<u>Over \$51,264 but</u> <u>not over \$76,896</u>	<u>\$2,891.00 plus 7.60% of</u> <u>excess over \$51,264</u>
<u>Over \$76,896 but</u> <u>not over \$102,528</u>	<u>\$4,839.00 plus 7.90% of</u> <u>excess over \$76,896</u>
<u>Over \$102,528 but</u> <u>not over \$320,400</u>	<u>\$6,864.00 plus 8.25% of</u> <u>excess over \$102,528</u>
<u>Over \$320,400 but</u> <u>not over \$373,800</u>	<u>\$24,839.00 plus 9.00% of</u> <u>excess over \$320,400</u>

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1	<u>Over \$373,800 but</u>	<u>\$29,645.00 plus 10.00% of</u>
2	<u>not over \$427,200</u>	<u>excess over \$373,800</u>
3	<u>Over \$427,200</u>	<u>\$34,985.00 plus 11.00% of</u>
4		<u>excess over \$427,200.</u>

5 (b) There is hereby imposed on the taxable income of every
6 head of a household a tax determined in accordance with the
7 following table:

8 ~~[In the case of any taxable year beginning after December~~
9 ~~31, 2017:~~

10	If the taxable income is:	The tax shall be:
11	Not over \$3,600	1.40% of taxable income
12	Over \$3,600 but	\$50.00 plus 3.20% of
13	not over \$7,200	excess over \$3,600
14	Over \$7,200 but	\$166.00 plus 5.50% of
15	not over \$14,400	excess over \$7,200
16	Over \$14,400 but	\$562.00 plus 6.40% of
17	not over \$21,600	excess over \$14,400
18	Over \$21,600 but	\$1,022.00 plus 6.80% of
19	not over \$28,800	excess over \$21,600
20	Over \$28,800 but	\$1,512.00 plus 7.20% of
21	not over \$36,000	excess over \$28,800
22	Over \$36,000 but	\$2,030.00 plus 7.60% of
23	not over \$54,000	excess over \$36,000

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1	Over \$54,000 but	\$3,398.00 plus 7.90% of
2	not over \$72,000	excess over \$54,000
3	Over \$72,000 but	\$4,820.00 plus 8.25% of
4	not over \$225,000	excess over \$72,000
5	Over \$225,000 but	\$17,443.00 plus 9.00% of
6	not over \$262,500	excess over \$225,000
7	Over \$262,500 but	\$20,818.00 plus 10.00% of
8	not over \$300,000	excess over \$262,500
9	Over \$300,000	\$24,568.00 plus 11.00% of
10		excess over \$300,000.]

11 In the case of any taxable year beginning after December
 12 31, 2022:

13	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
14	<u>Not over \$3,845</u>	<u>1.40% of taxable income</u>
15	<u>Over \$3,845 but</u>	<u>\$54.00 plus 3.20% of</u>
16	<u>not over \$7,690</u>	<u>excess over \$3,845</u>
17	<u>Over \$7,690 but</u>	<u>\$177.00 plus 5.50% of</u>
18	<u>not over \$15,379</u>	<u>excess over \$7,690</u>
19	<u>Over \$15,379 but</u>	<u>\$600.00 plus 6.40% of</u>
20	<u>not over \$23,069</u>	<u>excess over \$15,379</u>
21	<u>Over \$23,069 but</u>	<u>\$1,092.00 plus 6.80% of</u>
22	<u>not over \$30,758</u>	<u>excess over \$23,069</u>
23	<u>Over \$30,758 but</u>	<u>\$1,615.00 plus 7.20% of</u>

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1	<u>not over \$38,448</u>	<u>excess over \$30,758</u>
2	<u>Over \$38,448 but</u>	<u>\$2,168.00 plus 7.60% of</u>
3	<u>not over \$57,672</u>	<u>excess over \$38,448</u>
4	<u>Over \$57,672 but</u>	<u>\$3,629.00 plus 7.90% of</u>
5	<u>not over \$76,896</u>	<u>excess over \$57,672</u>
6	<u>Over \$76,896 but</u>	<u>\$5,148.00 plus 8.25% of</u>
7	<u>not over \$240,300</u>	<u>excess over \$76,896</u>
8	<u>Over \$240,300 but</u>	<u>\$18,629.00 plus 9.00% of</u>
9	<u>not over \$280,350</u>	<u>excess over \$240,300</u>
10	<u>Over \$280,350 but</u>	<u>\$22,234.00 plus 10.00% of</u>
11	<u>not over \$320,400</u>	<u>excess over \$280,350</u>
12	<u>Over \$320,400</u>	<u>\$26,239.00 plus 11.00% of</u>
13		<u>excess over \$320,400.</u>

14 (c) There is hereby imposed on the taxable income of (1)
 15 every unmarried individual (other than a surviving spouse, or
 16 the head of a household) and (2) on the taxable income of every
 17 married individual who does not make a single return jointly
 18 with the individual's spouse under section 235-93 a tax
 19 determined in accordance with the following table:

20 ~~[In the case of any taxable year beginning after December~~
 21 ~~31, 2017:~~

22	If the taxable income is:	The tax shall be:
23	Not over \$2,400	1.40% of taxable income

1	Over \$2,400 but	\$34.00 plus 3.20% of
2	not over \$4,800	excess over \$2,400
3	Over \$4,800 but	\$110.00 plus 5.50% of
4	not over \$9,600	excess over \$4,800
5	Over \$9,600 but	\$374.00 plus 6.40% of
6	not over \$14,400	excess over \$9,600
7	Over \$14,400 but	\$682.00 plus 6.80% of
8	not over \$19,200	excess over \$14,400
9	Over \$19,200 but	\$1,008.00 plus 7.20% of
10	not over \$24,000	excess over \$19,200
11	Over \$24,000 but	\$1,354.00 plus 7.60% of
12	not over \$36,000	excess over \$24,000
13	Over \$36,000 but	\$2,266.00 plus 7.90% of
14	not over \$48,000	excess over \$36,000
15	Over \$48,000 but	\$3,214.00 plus 8.25% of
16	not over \$150,000	excess over \$48,000
17	Over \$150,000 but	\$11,629.00 plus 9.00% of
18	not over \$175,000	excess over \$150,000
19	Over \$175,000 but	\$13,879.00 plus 10.00% of
20	not over \$200,000	excess over \$175,000
21	Over \$200,000	\$16,379.00 plus 11.00% of
22		excess over \$200,000.]

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1 In the case of any taxable year beginning after December
2 31, 2022:

3	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
4	<u>Not over \$2,563</u>	<u>1.40% of taxable income</u>
5	<u>Over \$2,563 but</u>	<u>\$36.00 plus 3.20% of</u>
6	<u>not over \$5,126</u>	<u>excess over \$2,400</u>
7	<u>Over \$5,126 but</u>	<u>\$118.00 plus 5.50% of</u>
8	<u>not over \$10,253</u>	<u>excess over \$5,126</u>
9	<u>Over \$10,253 but</u>	<u>\$400.00 plus 6.40% of</u>
10	<u>not over \$15,379</u>	<u>excess over \$10,253</u>
11	<u>Over \$15,379 but</u>	<u>\$728.00 plus 6.80% of</u>
12	<u>not over \$20,506</u>	<u>excess over \$15,379</u>
13	<u>Over \$20,506 but</u>	<u>\$1,077.00 plus 7.20% of</u>
14	<u>not over \$25,632</u>	<u>excess over \$20,506</u>
15	<u>Over \$25,632 but</u>	<u>\$1,446.00 plus 7.60% of</u>
16	<u>not over \$38,448</u>	<u>excess over \$25,632</u>
17	<u>Over \$38,448 but</u>	<u>\$2,420.00 plus 7.90% of</u>
18	<u>not over \$51,264</u>	<u>excess over \$38,448</u>
19	<u>Over \$51,264 but</u>	<u>\$3,432.00 plus 8.25% of</u>
20	<u>not over \$160,200</u>	<u>excess over \$51,264</u>
21	<u>Over \$160,200 but</u>	<u>\$12,419.00 plus 9.00% of</u>
22	<u>not over \$186,900</u>	<u>excess over \$160,200</u>
23	<u>Over \$186,900 but</u>	<u>\$14,822.00 plus 10.00% of</u>

1	<u>not over \$213,600</u>	<u>excess over \$186,900</u>
2	<u>Over \$213,600</u>	<u>\$17,492.00 plus 11.00% of</u>
3		<u>excess over \$213,600.</u>

4 (d) The tax imposed by section 235-2.45 on estates and
5 trusts shall be determined in accordance with the following
6 table:

7 In the case of any taxable year beginning after December
8 31, 2001:

9	If the taxable income is:	The tax shall be:
10	Not over \$2,000	1.40% of taxable income
11	Over \$2,000 but	\$28.00 plus 3.20% of
12	not over \$4,000	excess over \$2,000
13	Over \$4,000 but	\$92.00 plus 5.50% of
14	not over \$8,000	excess over \$4,000
15	Over \$8,000 but	\$312.00 plus 6.40% of
16	not over \$12,000	excess over \$8,000
17	Over \$12,000 but	\$568.00 plus 6.80% of
18	not over \$16,000	excess over \$12,000
19	Over \$16,000 but	\$840.00 plus 7.20% of
20	not over \$20,000	excess over \$16,000
21	Over \$20,000 but	\$1,128.00 plus 7.60% of
22	not over \$30,000	excess over \$20,000
23	Over \$30,000 but	\$1,888.00 plus 7.90% of

1	not over \$40,000	excess over \$30,000
2	Over \$40,000	\$2,678.00 plus 8.25% of
3		excess over \$40,000.

4 (e) Any taxpayer, other than a corporation, acting as a
5 business entity in more than one state who is required by this
6 chapter to file a return may elect to report and pay a tax of .5
7 per cent of the taxpayer's annual gross sales if the:

8 (1) Taxpayer's only activities in this State consist of
9 sales;

10 (2) Taxpayer does not own or rent real estate or tangible
11 personal property; and

12 (3) Taxpayer's annual gross sales in or into this State
13 during the tax year is not in excess of \$100,000.

14 (f) If a taxpayer has a net capital gain for any taxable
15 year to which this subsection applies, then the tax imposed by
16 this section shall not exceed the sum of:

17 (1) The tax computed at the rates and in the same manner
18 as if this subsection had not been enacted on the
19 greater of:

20 (A) The taxable income reduced by the amount of net
21 capital gain, or

22 (B) The amount of taxable income taxed at a rate
23 below 7.25 per cent, plus

1 (2) A tax of 7.25 per cent of the amount of taxable income
2 in excess of the amount determined under paragraph
3 (1).

4 This subsection shall apply to individuals, estates, and
5 trusts for taxable years beginning after December 31, 1986.

6 (g) For each taxable year beginning on or after January 1,
7 2024, the director shall, no later than December 15 of the
8 preceding calendar year, recompute the taxable income amounts
9 within each of the income brackets in subsections (a), (b), and
10 (c) by multiplying the taxable income amounts within each income
11 bracket for the previous tax year by the cost-of-living
12 adjustment factor, if the cost-of-living adjustment factor is
13 greater than zero, and rounding off the resulting product to the
14 nearest \$1. If the cost-of-living adjustment factor is less
15 than zero in a given year, then no adjustment will occur in the
16 following year. For purposes of this subsection, the cost-of-
17 living adjustment factor is calculated by adding 1.0 to the
18 percentage change in the Urban Hawaii Consumer Price Index for
19 all items, as published by the United States Department of
20 Labor, from July of the prior calendar year to July of the
21 current calendar year. If the Urban Hawaii Consumer Price Index
22 is discontinued, the Chained Consumer Price Index for all urban
23 areas for all items, as published by the United States

1 Department of Labor, shall be used to calculate the cost-of-
2 living adjustment. Nothing in this subsection shall be
3 construed as permitting an adjustment to the rates of tax in
4 subsections (a), (b), and (c)."

5 SECTION 4. Section 235-54, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "(a) In computing the taxable income of any individual,
8 there shall be deducted, in lieu of the personal exemptions
9 allowed by the Internal Revenue Code, personal exemptions
10 computed as follows: Ascertain the number of exemptions which
11 the individual can lawfully claim under the Internal Revenue
12 Code, add an additional exemption for the taxpayer or the
13 taxpayer's spouse who is sixty-five years of age or older within
14 the taxable year, and multiply that number by [~~\$1,144,~~ \$2,288,
15 for taxable years beginning after December 31, [~~1984,~~ 2022. A
16 nonresident shall prorate the personal exemptions on account of
17 income from sources outside the State as provided in section
18 235-5. In the case of an individual with respect to whom an
19 exemption under this section is allowable to another taxpayer
20 for a taxable year beginning in the calendar year in which the
21 individual's taxable year begins, the personal exemption amount
22 applicable to such individual under this subsection for such
23 individual's taxable year shall be zero.

1 For each taxable year beginning on or after January 1,
2 2024, the director shall, no later than December 15 of the
3 preceding calendar year, recompute the personal exemption amount
4 by multiplying the dollar amount for the previous tax year by
5 the cost-of-living adjustment factor, if the cost-of-living
6 adjustment factor is greater than zero, and rounding off the
7 resulting product to the nearest \$1. If the cost-of-living
8 adjustment factor is less than zero in a given year, then no
9 adjustment will occur in the following year. For purposes of
10 this subsection, the cost-of-living adjustment factor is
11 calculated by adding 1.0 to the percentage change in the Urban
12 Hawaii Consumer Price Index for all items, as published by the
13 United States Department of Labor, from July of the prior
14 calendar year to July of the current calendar year. If the
15 Urban Hawaii Consumer Price Index is discontinued, the Chained
16 Consumer Price Index for all urban areas for all items, as
17 published by the United States Department of Labor, shall be
18 used to calculate the cost-of-living adjustment."

19 SECTION 5. Section 235-55.6, Hawaii Revised Statutes, is
20 amended as follows:

21 (1) By amending subsection (a) to read as follows:

22 "(a) Allowance of credit.

23 (1) In general. For each resident taxpayer, who files an

1 individual income tax return for a taxable year, and
2 who is not claimed or is not otherwise eligible to be
3 claimed as a dependent by another taxpayer for federal
4 or Hawaii state individual income tax purposes, who
5 maintains a household which includes as a member one
6 or more qualifying individuals (as defined in
7 subsection (b)(1)), there shall be allowed as a credit
8 against the tax imposed by this chapter for the
9 taxable year an amount equal to the applicable
10 percentage of the employment-related expenses (as
11 defined in subsection (b)(2)) paid by the individual
12 during the taxable year. If the tax credit claimed by
13 a resident taxpayer exceeds the amount of income tax
14 payment due from the resident taxpayer, the excess of
15 the credit over payments due shall be refunded to the
16 resident taxpayer; provided that tax credit properly
17 claimed by a resident individual who has no income tax
18 liability shall be paid to the resident individual;
19 and provided further that no refunds or payment on
20 account of the tax credit allowed by this section
21 shall be made for amounts less than \$1.

22 (2) Applicable percentage. For purposes of paragraph (1),

1 the taxpayer's applicable percentage shall be
 2 determined as follows:

3	Adjusted gross income	Applicable percentage
4	[Not over \$25,000	25%
5	Over \$25,000 but	24%
6	not over \$30,000	
7	Over \$30,000 but	23%
8	not over \$35,000	
9	Over \$35,000 but	22%
10	not over \$40,000	
11	Over \$40,000 but	21%
12	not over \$45,000	
13	Over \$45,000 but	20%
14	not over \$50,000	
15	Over \$50,000	15%.]
16	<u>Not over \$150,000</u>	<u>50%</u>
17	<u>Over \$150,000 but</u>	<u>45%</u>
18	<u>not over \$165,000</u>	
19	<u>Over \$165,000 but</u>	<u>40%</u>
20	<u>not over \$180,000</u>	
21	<u>Over \$180,000 but</u>	<u>35%</u>
22	<u>not over \$195,000</u>	
23	<u>Over \$195,000 but</u>	<u>30%</u>

1	<u>not over \$210,000</u>	
2	<u>Over \$210,000 but</u>	<u>25%</u>
3	<u>not over \$225,000</u>	
4	<u>Over \$225,000</u>	<u>20%."</u>

5 (2) By amending subsection (c) to read as follows:

6 "(c) Dollar limit on amount creditable. The amount of the
7 employment-related expenses incurred during any taxable year
8 which may be taken into account under subsection (a) shall not
9 exceed:

- 10 (1) [~~\$2,400~~] \$10,000 if there is one qualifying individual
- 11 with respect to the taxpayer for such taxable year, or
- 12 (2) [~~\$4,800~~] \$20,000 if there are two or more qualifying
- 13 individuals with respect to the taxpayer for such
- 14 taxable year.

15 The amount determined under paragraph (1) or (2) (whichever is
16 applicable) shall be reduced by the aggregate amount excludable
17 from gross income under section 129 (with respect to dependent
18 care assistance programs) of the Internal Revenue Code for the
19 taxable year."

20 SECTION 6. Section 235-55.7, Hawaii Revised Statutes, is
21 amended as follows:

22 (1) By amending subsection (a) to read as follows:

23 "(a) As used in this section:

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- 1 (1) "Adjusted gross income" [~~is defined by section 235-1.~~]
2 means adjusted gross income as defined by the Internal
3 Revenue Code.
- 4 (2) "Qualified exemption" includes those exemptions
5 permitted under this chapter; provided that a person
6 for whom exemption is claimed has physically resided
7 in the State for more than nine months during the
8 taxable year; and provided that multiple exemption
9 shall not be granted because of deficiencies in
10 vision, hearing, or other disability.
- 11 (3) "Rent" means the amount paid in cash in any taxable
12 year for the occupancy of a dwelling place which is
13 used by a resident taxpayer or the resident taxpayer's
14 immediate family as the principal residence in this
15 State. Rent is limited to the amount paid for the
16 occupancy of the dwelling place only, and is exclusive
17 of charges for utilities, parking stalls, storage of
18 goods, yard services, furniture, furnishings, and the
19 like. Rent shall not include any rental claimed as a
20 deduction from gross income or adjusted gross income
21 for income tax purposes, any ground rental paid for
22 use of land only, and any rent allowance or subsidies
23 received."

1 (2) By amending subsection (c) to read as follows:

2 "(c) Each taxpayer [~~with an adjusted gross income of less~~
3 ~~than \$30,000~~] who has paid more than [~~\$1,000~~] \$2,500 in rent
4 during the taxable year for which the credit is claimed may
5 claim a tax credit [~~of \$50~~] multiplied by the number of
6 qualified exemptions to which the taxpayer is entitled[+] in
7 accordance with the table below; provided each taxpayer sixty-
8 five years of age or over may claim double the tax credit; and
9 provided that a resident individual who has no income or no
10 income taxable under this chapter may also claim the tax credit
11 as set forth in this section.

<u>Adjusted gross income</u>	<u>Credit per exemption</u>
<u>for taxpayers filing</u>	
<u>a single return and</u>	
<u>married individuals</u>	
<u>filing separate returns</u>	

17 <u>Under \$20,000</u>	<u>\$350</u>
18 <u>\$20,000 under \$30,000</u>	<u>\$250</u>
19 <u>\$30,000 under \$40,000</u>	<u>\$150</u>
20 <u>\$40,000 and over</u>	<u>\$ 0</u>

<u>Adjusted gross income</u>	<u>Credit per exemption</u>
<u>for married couples</u>	

1	<u>filing joint returns</u>	
2	<u>and surviving spouses</u>	
3	<u>Under \$40,000</u>	<u>\$350</u>
4	<u>\$40,000 under \$60,000</u>	<u>\$250</u>
5	<u>\$60,000 under \$80,000</u>	<u>\$150</u>
6	<u>\$80,000 and over</u>	<u>\$ 0</u>

8	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
9	<u>for heads of household</u>	
10	<u>Under \$30,000</u>	<u>\$350</u>
11	<u>\$30,000 under \$45,000</u>	<u>\$250</u>
12	<u>\$45,000 under \$60,000</u>	<u>\$150</u>
13	<u>\$60,000 and over</u>	<u>\$ 0."</u>

14 SECTION 7. Section 235-55.75, Hawaii Revised Statutes, is
 15 amended by amending subsection (a) to read as follows:

16 "(a) Each qualifying individual taxpayer may claim a
 17 refundable earned income tax credit. The tax credit, for the
 18 appropriate taxable year, shall be [~~twenty~~] thirty per cent of
 19 the federal earned income tax credit allowed and properly
 20 claimed under section 32 of the Internal Revenue Code and
 21 reported as such on the individual's federal income tax return."

22 SECTION 8. Section 235-55.85, Hawaii Revised Statutes, is
 23 amended by amending subsection (b) to read as follows:

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1 "(b) Each individual taxpayer may claim a refundable
2 food/excise tax credit multiplied by the number of qualified
3 exemptions to which the taxpayer is entitled in accordance with
4 the table below; provided that [~~a husband and wife~~] spouses
5 filing separate tax returns for a taxable year for which a joint
6 return could have been filed by them shall claim only the tax
7 credit to which they would have been entitled had a joint return
8 been filed.

9 [Adjusted gross income	Credit per exemption
10 for taxpayers filing	
11 a single return	
12 Under \$5,000	\$110
13 \$5,000 under \$10,000	\$100
14 \$10,000 under \$15,000	\$ 85
15 \$15,000 under \$20,000	\$ 70
16 \$20,000 under \$30,000	\$ 55
17 \$30,000 and over	\$ 0.

18 Adjusted gross income	Credit per exemption
19 for heads of household,	
20 married individuals filing	
21 separate returns, and	
22 married couples filing	
23 joint returns	

1	Under \$5,000	\$110
2	\$5,000 under \$10,000	\$100
3	\$10,000 under \$15,000	\$ 85
4	\$15,000 under \$20,000	\$ 70
5	\$20,000 under \$30,000	\$ 55
6	\$30,000 under \$40,000	\$ 45
7	\$40,000 under \$50,000	\$ 35
8	\$50,000 and over	\$ 0.]

9 Adjusted gross income Credit per exemption
 10 for taxpayers filing
 11 a single return

12	<u>Under \$15,000</u>	<u>\$220</u>
13	<u>\$15,000 under \$20,000</u>	<u>\$200</u>
14	<u>\$20,000 under \$25,000</u>	<u>\$170</u>
15	<u>\$25,000 under \$30,000</u>	<u>\$140</u>
16	<u>\$30,000 under \$40,000</u>	<u>\$110</u>
17	<u>\$40,000 and over</u>	<u>\$ 0.</u>

18 Adjusted gross income Credit per exemption
 19 for heads of household,
 20 surviving spouses,
 21 spouses filing
 22 separate returns, and
 23 married couples filing

1	<u>joint returns</u>	
2	<u>Under \$15,000</u>	<u>\$220</u>
3	<u>\$15,000 under \$20,000</u>	<u>\$200</u>
4	<u>\$20,000 under \$25,000</u>	<u>\$170</u>
5	<u>\$25,000 under \$30,000</u>	<u>\$140</u>
6	<u>\$30,000 under \$40,000</u>	<u>\$110</u>
7	<u>\$40,000 under \$50,000</u>	<u>\$ 90</u>
8	<u>\$50,000 under \$60,000</u>	<u>\$ 70</u>
9	<u>\$60,000 and over</u>	<u>\$ 0."</u>

10 SECTION 9. If any provision of this Act, or the
 11 application thereof to any person or circumstance, is held
 12 invalid, the invalidity does not affect other provisions or
 13 applications of this Act that can be given effect without the
 14 invalid provision or application, and to this end the provisions
 15 of this Act are severable.

16 SECTION 10. Statutory material to be repealed is bracketed
 17 and stricken. New statutory material is underscored.

18 SECTION 11. This Act, upon its approval, shall apply to
 19 taxable years beginning after December 31, 2022.

20

INTRODUCED BY: 

BY REQUEST

JAN 23 2023

H.B. NO. 1049

Report Title:

Income Tax; Income Tax Credits; Income Tax Brackets; Teacher Expenses

Description:

Adds new tax credit for teacher's expenses. Adds an inflation index for the income tax brackets, personal exemption amount and standard deduction amounts. Increases the amounts for the income tax brackets, personal exemption amount and standard deduction amounts for tax year 2023. Increases the adjusted gross income amounts for the qualification of low-income credits. Increases the amount of the credits that assist working families.

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

H.B. NO. 1049

JUSTIFICATION SHEET

DEPARTMENT: Governor.

TITLE: A BILL FOR AN ACT RELATING TO INCOME TAX.

PURPOSE: To reduce the cost of living by providing tax relief to low- and middle-income households and working families and to provide a credit to teachers for classroom expenses.

MEANS: Add a new section to chapter 235, Hawaii Revised Statutes (HRS); amend sections 235-2.4(a), 235-51, 235-54(a), 235-55.6(a) and (c), 235-55.7(a) and (c), 235-55.75(a), and 235-55.85, HRS.

JUSTIFICATION: The high cost of living in the State has made it difficult for low- and middle-income households and working families to afford basic necessities.

An income tax credit of up to \$500 for classroom expenses will more adequately compensate teachers for their out-of-pocket expenses.

Allowing cost-of-living adjustments to the individual income tax brackets, personal exemption amount, and standard deduction amounts will help prevent taxpayers from being moved into higher tax brackets due to inflation.

Increasing the standard deduction and personal exemption amounts, and amending the earned income tax credit and food excise tax credit, will provide tax relief to low- and middle-income households and households with dependents.

Amending the child and dependent care tax credit will provide tax relief to working

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families, promote preschool education, and promote labor participation by working parents.

Amending the low-income renter's credit will help make housing more affordable for low- and middle-income households.

Impact on the public: This bill will provide tax relief to reduce the cost of living for working families in the State.

Impact on the department and other agencies: The department will need to annually revise its computer tax system, forms, and publications to account for the cost-of-living adjustments to the income tax brackets, personal exemptions, and standard deductions.

GENERAL FUND: Net revenue loss of \$312.7 million.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: None.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval, shall apply to taxable years beginning after December 31, 2022.