
A BILL FOR AN ACT

RELATING TO TAX CREDITS.

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

1 SECTION 1. The legislature finds that homelessness is a
2 serious problem in Hawaii, due in part to the high cost of
3 housing in the State. Since 1977, the State has made tax
4 credits available to assist eligible renters. The legislature
5 finds that this tax credit is the third most commonly used among
6 Hawaii residents. The income eligibility threshold was last
7 adjusted in 1989 and the credit amount allowed was last adjusted
8 in 1981. Since 1989, the cost of housing has increased by three
9 hundred ninety per cent. Therefore, it is appropriate to adjust
10 the eligibility requirements for the income tax credit for
11 low-income household renters.

12 The purpose of this Act is to:

- 13 (1) Adjust the eligibility requirements for the income tax
14 credit for low-income household renters;
- 15 (2) More sharply target the tax credit toward lower-income
16 taxpayers by creating tax brackets that will phase out
17 the tax credit as the taxpayer's income rises; and



1 (3) Annually adjust the income thresholds and credit
2 amounts for inflation, based on the Consumer Price
3 Index.

4 SECTION 2. 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~~
9 ~~235-1-~~] shall have the same meaning as the term is defined and
10 determined under the Internal Revenue Code.

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

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



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

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

17 (c) Each taxpayer [~~with an adjusted gross income of less~~
18 ~~than \$30,000~~] who has paid more than \$1,000 in rent during the
19 taxable year for which the credit is claimed may claim a tax
20 credit [~~of \$50~~] based on the taxpayer's adjusted gross income,
21 in accordance with the table below, multiplied by the number of



1 qualified exemptions to which the taxpayer is entitled; provided
 2 that each taxpayer sixty-five years of age or over may claim
 3 double the tax credit; [~~and~~] provided further that a resident
 4 individual who has no income or no income taxable under this
 5 chapter may also claim the tax credit as set forth in this
 6 section.

7 (1) Taxpayer filing a single return or a married
 8 individual filing separately:

9	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
10	<u>Under \$20,000</u>	<u>\$200</u>
11	<u>\$20,000 under \$30,000</u>	<u>\$150</u>
12	<u>\$30,000 under \$40,000</u>	<u>\$100</u>
13	<u>\$40,000 and over</u>	<u>\$ 0.</u>

14 (2) Taxpayer filing as a head of household:

15	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
16	<u>Under \$30,000</u>	<u>\$200</u>
17	<u>\$30,000 under \$45,000</u>	<u>\$150</u>
18	<u>\$45,000 under \$60,000</u>	<u>\$100</u>
19	<u>\$60,000 and over</u>	<u>\$ 0.</u>

20 (3) Taxpayer filing a joint return under section 235-93 or
 21 as a surviving spouse:



<u>Adjusted gross income</u>	<u>Credit per exemption</u>
<u>Under \$40,000</u>	<u>\$200</u>
<u>\$40,000 under \$60,000</u>	<u>\$150</u>
<u>\$60,000 under \$80,000</u>	<u>\$100</u>
<u>\$80,000 and over</u>	<u>\$ 0.</u>

6 (d) For each taxable year beginning on or after January 1,
 7 2025, the director, no later than December 15 of the preceding
 8 calendar year, shall recompute the amounts of the adjusted gross
 9 income bracket thresholds and the credit per exemption contained
 10 in the tables in subsection (c) by multiplying the dollar amount
 11 for the preceding taxable year by the cost-of-living adjustment
 12 factor, if the cost-of-living adjustment factor is greater than
 13 zero, and rounding off the resulting product to the nearest \$1;
 14 provided that if the cost-of-living adjustment factor is less
 15 than or equal to zero in a given year, no adjustment shall occur
 16 in the following year.

17 For purposes of this subsection, the cost-of-living
 18 adjustment factor is calculated by adding 1.0 to the percentage
 19 change in the Consumer Price Index for All Urban Consumers, as
 20 published by the United States Department of Labor, from July of
 21 the preceding calendar year to July of the current calendar



1 year. If the Consumer Price Index is discontinued, the Chained
2 Consumer Price Index for All Urban Consumers, as published by
3 the United States Department of Labor, shall be used to
4 calculate the cost-of-living adjustment factor.

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

9 [~~e~~] (f) The tax credits shall be deductible from the
10 taxpayer's individual net income tax for the tax year in which
11 the credits are properly claimed; provided that [~~a husband and~~
12 ~~wife~~] married individuals filing separate returns for a taxable
13 year for which a joint return could have been made by them shall
14 claim only the tax credits to which they would have been
15 entitled had a joint return been filed. In the event the
16 allowed tax credits exceed the amount of the income tax payments
17 due from the taxpayer, the excess of credits over payments due
18 shall be refunded to the taxpayer; provided that allowed tax
19 credits properly claimed by an individual who has no income tax
20 liability shall be paid to the individual; [~~and~~] provided
21 further that no refunds or payments on account of the tax



1 credits allowed by this section shall be made for amounts less
2 than \$1.

3 ~~[(f)]~~ (g) 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)]~~ (h) 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)]~~ (i) 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 3. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2050, and
17 shall apply to taxable years beginning after December 31, 2022.



Report Title:

Income Tax Credit for Low-Income Household Renters; Adjustments

Description:

Increases the income thresholds and credit amounts of the income tax credit for low-income household renters by using tax brackets for individuals and different categories of households. Annually adjusts the income thresholds and credit amounts for inflation, based on the consumer price index. Effective 7/1/2050. (SD2)

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