
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 Hawai'i, 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 Hawai'i 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) Require the director of taxation to annually recompute
2 the adjusted gross income bracket thresholds and the
3 amount of each income tax credit per exemption amount
4 for low-income household renters by using the
5 percentage change in the Urban Hawaii Consumer Price
6 Index for all items, as published by the United States
7 Department of Labor, from July of the previous
8 calendar year to July of the current calendar year.

9 SECTION 2. Section 235-55.7, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "§235-55.7 Income tax credit for low-income household
12 renters. (a) As used in this section:

13 [~~1~~] "Adjusted gross income" [~~is defined by section 235-~~
14 ~~1-~~] shall have the same meaning as the term is defined and
15 determined under the Internal Revenue Code.

16 [~~2~~] "Qualified exemption" includes those exemptions
17 permitted under this chapter; provided that a person for whom
18 exemption is claimed has physically resided in the State for
19 more than nine months during the taxable year; [~~and~~] provided
20 further that multiple [~~exemption~~] exemptions shall not be



1 granted because of deficiencies in vision, hearing, or other
2 disability.

3 [~~3~~] "Rent" means the amount paid in cash in any taxable
4 year for the occupancy of a dwelling place [~~which~~] that is used
5 by a resident taxpayer or the resident taxpayer's immediate
6 family as the principal residence in this State. Rent is
7 limited to the amount paid for the occupancy of the dwelling
8 place only, and is exclusive of charges for utilities, parking
9 stalls, storage of goods, yard services, furniture, furnishings,
10 and the like. Rent shall not include any rental claimed as a
11 deduction from gross income or adjusted gross income for income
12 tax purposes, any ground rental paid for use of land only, and
13 any rent allowance or subsidies received.

14 (b) Each resident taxpayer who occupies and pays rent for
15 real property within the State as the resident taxpayer's
16 residence or the residence of the resident taxpayer's immediate
17 family [~~which~~] that is not partially or wholly exempted from
18 real property tax, who is not eligible to be claimed as a
19 dependent for federal or state income taxes by another, and who
20 files an individual net income tax return for a taxable year,



1 may claim a tax credit under this section against the resident
2 taxpayer's Hawaii state individual net income tax.

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

<u>Adjusted gross income</u>	<u>Credit per exemption</u>
<u>for taxpayers filing</u>	
<u>a single return or married</u>	
<u>individuals filing</u>	
<u>separate returns</u>	
<u>Under \$20,000</u>	<u>\$200</u>
<u>\$20,000 under \$30,000</u>	<u>\$150</u>
<u>\$30,000 under \$40,000</u>	<u>\$100</u>



1	<u>\$40,000 and over</u>	<u>\$ 0.</u>
2	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
3	<u>for heads of household</u>	
4	<u>Under \$30,000</u>	<u>\$200</u>
5	<u>\$30,000 under \$45,000</u>	<u>\$150</u>
6	<u>\$45,000 under \$60,000</u>	<u>\$100</u>
7	<u>\$60,000 and over</u>	<u>\$ 0.</u>
8	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
9	<u>for taxpayers filing</u>	
10	<u>a joint return under</u>	
11	<u>section 235-93 or a</u>	
12	<u>surviving spouse</u>	
13	<u>Under \$40,000</u>	<u>\$200</u>
14	<u>\$40,000 under \$60,000</u>	<u>\$150</u>
15	<u>\$60,000 under \$80,000</u>	<u>\$100</u>
16	<u>\$80,000 and over</u>	<u>\$ 0.</u>
17	<u>(d) For the taxable year beginning on or after January 1,</u>	
18	<u>2025, the director shall, no later than December 15 of the</u>	
19	<u>preceding calendar year, recompute the amounts of the adjusted</u>	
20	<u>gross income bracket thresholds and the credit for exemption</u>	
21	<u>contained in the tables in subsection (c) by multiplying the</u>	



1 dollar amount for the previous tax year by the cost-of-living
2 adjustment factor, if the cost-of-living adjustment factor is
3 greater than zero, and rounding off the resulting product to the
4 nearest \$1; provided that if the cost-of-living adjustment
5 factor is less than zero in a given year, no adjustment shall
6 occur in the following calendar year.

7 For purposes of this subsection, the cost-of-living
8 adjustment factor is calculated by adding 1.0 to the percentage
9 change in the Urban Hawaii Consumer Price Index for all items,
10 as published by the United States Department of Labor, from July
11 of the previous calendar year to July of the current calendar
12 year. If the Urban Hawaii Consumer Price Index is discontinued,
13 the Chained Consumer Price Index for all urban areas for all
14 items, as published by the United States Department of Labor,
15 shall be used to calculate the cost-of-living-adjustment factor.

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

20 [~~(e)~~] (f) The tax credits shall be deductible from the
21 taxpayer's individual net income tax for the tax year in which



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

13 [~~(f)~~] (g) The director of taxation shall prepare and
14 prescribe the appropriate form or forms to be used herein, may
15 require proof of the claim for tax credits, and may adopt rules
16 pursuant to chapter 91.

17 [~~(g)~~] (h) All of the provisions relating to assessments
18 and refunds under this chapter and under section 231-23(c)(1)
19 shall apply to the tax credits hereunder.

20 [~~(h)~~] (i) Claims for tax credits under this section,
21 including any amended claims [~~thereof~~], shall be filed on or



1 before the end of the twelfth month following the taxable year
2 for which the credit may be claimed."

3 SECTION 3. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 4. This Act, upon its approval, shall apply to
6 taxable years beginning after December 31, 2022.



Report Title:

Income Tax Credit for Low-Income Household Renters; Adjustments

Description:

For taxable years beginning after December 31, 2022, increases the adjusted gross income eligibility cap and the amount of the income tax credit for low-income household renters using tax brackets for individuals and different categories of households. Requires the Director of Taxation to annually recompute the adjusted gross income bracket thresholds and the amount of the income tax credit for low-income household renters by using the percentage change in the Urban Hawaii Consumer Price Index for all items, as published by the United States Department of Labor, from July of the previous calendar year to July of the current calendar year. (SD1)

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