HOUSE OF REPRESENTATIVES
TWENTY-FIFTH LEGISLATURE, 2010
STATE OF HAWAII

H.B. NO. 1907 H.D. 1 S.D. 1 C.D. 1

A BILL FOR AN ACT

RELATING TO TAXATION.

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

PART I

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

"**§235- Itemized deductions; limitation.** Notwithstanding any other law to the contrary, itemized tax deductions claimed pursuant to this chapter shall not exceed:

(1) $50,000 in the case of:

(A) A joint return (as provided by section 235-93) of taxpayers with adjusted gross income of over $300,000; or

(B) A surviving spouse (as defined in Section 2(a) of the Internal Revenue Code) with adjusted gross income of over $300,000;

(2) $37,500 in the case of a head of household (as defined in Section 2(b) of the Internal Revenue Code) with adjusted gross income of over $225,000;

(3) $25,000 in the case of an individual with adjusted gross income of over $150,000 who is not married and who is not a surviving spouse or head of household; or

(4) $25,000 in the case of a married individual with adjusted gross income of over $150,000 filing a separate return."

PART II

SECTION 2. The legislature finds that the current economic crisis and the resulting dire financial forecasts require a thorough investigation into ways to reduce state expenses wherever possible. Expenses that were funded in the past, when state funds were available, may now be inappropriate, considering the billion-dollar state deficit that looms ahead.

The purpose of this part is to reduce current state expenses by removing until January 1, 2016, the refunding feature of the capital goods excise tax credit.

SECTION 3. Section 235-110.7, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) If the capital goods excise tax credit allowed under subsection (a) exceeds the taxpayer's net income tax liability, the excess of credit over liability shall be refunded to the taxpayer; provided that for any excess credit for eligible depreciable tangible personal property placed in service after December 31, 2009, but before January 1, 2015, no refund shall be paid prior to January 1, 2015; provided further that the excess credit may be used between January 1, 2011, and December 31, 2015, as a deduction from the taxpayer's net income tax liability; and provided further that no refunds or payment on account of the tax credit allowed by this section shall be made for amounts less than $1.

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

PART III

SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2010, and shall apply to taxable years beginning after December 31, 2009; provided that:

(1) This Act shall apply retroactive to January 1, 2010; and

(2) Part I shall be repealed on January 1, 2016.

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Report Title:
Itemized Deductions - Limits; Capital Goods Excise Tax Credit

Description:
Temporarily places a cap on itemized deductions claimed on state income tax returns until January 1, 2016. Removes the refunding feature of the capital goods excise tax credit for eligible depreciable tangible personal property placed in service after December 31, 2009, but before January 1, 2015. Applies to taxable years beginning after December 31, 2009. Effective retroactive to January 1, 2010. (HB1907 CD1)

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