

JAN 23 2015

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# A BILL FOR AN ACT

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RELATING TO TAXATION.

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

1       SECTION 1. 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;



1 (2) Section 63(c)(2) (relating to the basic standard  
2 deduction) of the Internal Revenue Code shall be  
3 operative, except that the standard deduction amounts  
4 provided therein shall instead mean:

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

6 (i) A joint return as provided by section  
7 235-93; or

8 (ii) A surviving spouse (as defined in section  
9 2(a) of the Internal Revenue Code);

10 (B) \$3,212 in the case of a head of household (as  
11 defined in section 2(b) of the Internal Revenue  
12 Code);

13 (C) [~~\$2,200~~] \$3,000 in the case of an individual who  
14 is not married and who is not a surviving spouse  
15 or head of household; or

16 (D) [~~\$2,200~~] \$3,000 in the case of a married  
17 individual filing a separate return;

18 (3) Section 63(c)(5) (limiting the basic standard  
19 deduction in the case of certain dependents) of the  
20 Internal Revenue Code shall be operative, except that



1 the limitation shall be the greater of \$500 or the  
2 individual's earned income; and

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

5 SECTION 2. Section 235-55.7, Hawaii Revised Statutes, is  
6 amended by amending subsection (c) to read as follows:

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

16 SECTION 3. Section 235-55.85, Hawaii Revised Statutes, is  
17 amended to read as follows:

18 "**§235-55.85 Refundable food/excise tax credit.** (a) Each  
19 [~~resident~~] individual taxpayer[~~7~~] who files an individual income  
20 tax return for a taxable year[~~7~~] and who is not claimed or is  
21 not otherwise eligible to be claimed as a dependent by another



taxpayer for federal or Hawaii state individual income tax purposes, may claim a refundable food/excise tax credit against the ~~[resident]~~ taxpayer's individual income tax liability for the taxable year for which the individual income tax return is being filed; provided that ~~[a resident]~~ an individual who has no income or no income taxable under this chapter and who is not claimed or is not otherwise eligible to be claimed as a dependent by a taxpayer for federal or Hawaii state individual income tax purposes may claim this credit.

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

Adjusted gross income	Credit per exemption
Under <del>[\$5,000]</del> \$ _____	<del>[\$85]</del> \$ _____
<del>[\$5,000]</del> \$ _____ under <del>[\$10,000]</del> \$ _____	<del>[75]</del> \$ _____
<del>[\$10,000]</del> \$ _____ under <del>[\$15,000]</del> \$ _____	<del>[65]</del> \$ _____



19       ~~(d)]~~ (c)   The tax credit under this section shall not be  
20   available to:

1 (1) Any person who has been convicted of a felony and who  
2 has been committed to prison and has been physically  
3 confined for the full taxable year;

4 (2) Any person who would otherwise be eligible to be  
5 claimed as a dependent but who has been committed to a  
6 youth correctional facility and has resided at the  
7 facility for the full taxable year; or

8 (3) Any misdemeanor who has been committed to jail and  
9 has been physically confined for the full taxable  
10 year.

11 [~~+~~ (d)] The tax credits claimed by a [~~resident~~] taxpayer  
12 pursuant to this section shall be deductible from the [~~resident~~]  
13 taxpayer's individual income tax liability, if any, for the tax  
14 year in which they are properly claimed. If the tax credits  
15 claimed by a [~~resident~~] taxpayer exceed the amount of income tax  
16 payment due from the [~~resident~~] taxpayer, the excess of credits  
17 over payments due shall be refunded to the [~~resident~~] taxpayer;  
18 provided that tax credits properly claimed by [~~a resident~~] an  
19 individual who has no income tax liability shall be paid to the  
20 [~~resident~~] individual; and provided further that no refunds or



1 payment on account of the tax credits allowed by this section  
2 shall be made for amounts less than \$1.

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

9       ~~[(+g)]~~ (f) For the purposes of this section~~[,—"adjusted"]~~:  
10       "Adjusted gross income" means adjusted gross income as  
11 defined by the Internal Revenue Code.

12       "Qualified exemption" means those exemptions permitted  
13 under this chapter; provided that no additional exemption may be  
14 claimed by a taxpayer who is sixty-five years of age or older;  
15 provided further that a person who claims such an exemption  
16 shall have physically resided in the State for more than nine  
17 months during the taxable year; provided further that multiple  
18 exemptions shall not be granted because of deficiencies in  
19 vision or hearing or other disability. For purposes of claiming  
20 this credit only, a minor child receiving support from the  
21 department of human services, social security survivor's



1 benefits, and the like, may be considered a dependent and a  
2 qualified exemption of the child's parent or guardian."

3 SECTION 4. Section 237-13.3, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5 "(a) Sections 237-4(a)(8), 237-4(a)(10), 237-4(a)(13),  
6 237-13(2)(A), 237-13(4)(A), and 237-13(6)(A) to the contrary  
7 notwithstanding, instead of the tax levied under section  
8 237-13(2)(A) on wholesale sales subject to section  
9 237-4(a)(8)(B), under section 237-13(4)(A) on a wholesaler  
10 subject to section 237-4(a)(13), and under section 237-13(6)(A)  
11 on a wholesaler subject to section 237-4(a)(10) at one-half of  
12 one per cent, [~~during the period January 1, 2000, to~~  
13 ~~December 31, 2005,~~] the tax shall be as follows:

14 (1) In calendar year 2000, 3.5 per cent;

15 (2) In calendar year 2001, 3.0 per cent;

16 (3) In calendar year 2002, 2.5 per cent;

17 (4) In calendar year 2003, 2.0 per cent;

18 (5) In calendar year 2004, 1.5 per cent;

19 (6) In calendar year 2005, 1.0 per cent; [~~and~~]

20 (7) In calendar year 2006 [~~and thereafter, the tax shall~~  
21 ~~be~~] through December 31, 2015, 0.5 per cent[-]; and





1        (8) In calendar year 2016 and thereafter, 1.0 per cent."

2        SECTION 5. The department of taxation shall establish five  
3 additional full-time equivalent (5.0 FTE) permanent  
4 investigators to conduct investigations as directed by the  
5 director of taxation.

6        SECTION 6. There is appropriated out of the general  
7 revenues of the State of Hawaii the sum of \$                    or so  
8 much thereof as may be necessary for fiscal year 2015-2016 and  
9 the same sum or so much thereof as may be necessary for fiscal  
10 year 2016-2017 to fund the positions authorized in section 5 of  
11 this Act.

12        The sums appropriated shall be expended by the department  
13 of taxation for the purposes of this Act.

14        SECTION 7. Statutory material to be repealed is bracketed  
15 and stricken. New statutory material is underscored.



1       SECTION 8. This Act shall take effect on July 1, 2015, and  
2 sections 1 to 4 shall apply to taxable years beginning after  
3 December 31, 2015.

4

INTRODUCED BY: Shianne Chun Apple



**Report Title:**

Income Tax; Standard Deduction; Low-income Household Renters; Refundable Food/Excise Tax Credit; Wholesale; Department of Taxation Investigator Positions; Appropriation

**Description:**

Increases the income tax standard deduction for an individual who is not married and not a surviving spouse or a head of household or an individual who is married and filing a separate return; amends income tax credit for low-income household renters; amends the refundable food/excise tax credit by amending income-based credit amounts; increases the excise tax levied on wholesale sales from 0.5 per cent to 1.0 per cent; requires the department of taxation to establish an additional five full-time permanent investigators; and appropriates funds to the department of taxation to fund the additional investigator positions.

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

