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# 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 credit as the taxpayer's income rises; and



1 (3) Adjust the amount of the credit every three years by  
2 using a percentage based on the consumer price index.

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

5 "**§235-55.7 Income tax credit for low-income household**  
6 **renters.** (a) As used in this section:

7 [~~1~~] "Adjusted gross income" [~~is~~] has the same meaning as  
8 defined [~~by~~] and determined under the Internal Revenue Code in  
9 accordance with section 235-1.

10 "Consumer price index" means the urban Hawaii consumer  
11 price index for all urban consumers published by the United  
12 States Department of Labor or a successor index.

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

20 [~~3~~] "Rent" means the amount paid in cash in any taxable  
21 year for the occupancy of a dwelling place [~~which~~] that is used



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

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

20 (c) Each taxpayer [~~with an adjusted gross income of less~~  
21 ~~than \$30,000~~] who has paid more than \$1,000 in rent during the



1 taxable year for which the credit is claimed may claim a tax  
 2 credit [~~of \$50~~] multiplied by the number of qualified exemptions  
 3 to which the taxpayer is entitled[+] in accordance with the  
 4 table below; provided that each taxpayer sixty-five years of age  
 5 or over may claim double the tax credit; [~~and~~] provided further  
 6 that a resident individual who has no income or no income  
 7 taxable under this chapter may also claim the tax credit as set  
 8 forth in this section.

9	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
10	<u>for taxpayers filing</u>	
11	<u>a single return or married</u>	
12	<u>individuals filing</u>	
13	<u>separate returns</u>	
14	<u>Under \$20,000</u>	\$ _____
15	<u>\$20,000 under \$30,000</u>	\$ _____
16	<u>\$30,000 under \$40,000</u>	\$ _____
17	<u>\$40,000 and over</u>	\$ _____.
18	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
19	<u>for heads of household</u>	
20	<u>Under \$30,000</u>	\$ _____
21	<u>\$30,000 under \$45,000</u>	\$ _____



1	<u>\$45,000 under \$60,000</u>	\$ _____
2	<u>\$60,000 and over</u>	\$ _____.
3	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
4	<u>for taxpayers filing</u>	
5	<u>a joint return under</u>	
6	<u>section 235-93 or a</u>	
7	<u>surviving spouse</u>	
8	<u>Under \$40,000</u>	\$ _____
9	<u>\$40,000 under \$60,000</u>	\$ _____
10	<u>\$60,000 under \$80,000</u>	\$ _____
11	<u>\$80,000 and over</u>	\$ _____.

12       (d) For the taxable year beginning after December 31,  
13 2022, and in every third taxable year thereafter, each dollar  
14 amount contained in the table in subsection (c) shall be  
15 increased by an amount equal to that dollar amount, multiplied  
16 by the percentage, if any, by which the consumer price index for  
17 June of the preceding calendar year exceeds the consumer price  
18 index for June of 2021, rounded to the nearest whole dollar  
19 amount.

20       ~~(d)~~ (e) If a rental unit is occupied by two or more  
21 individuals, and more than one individual is able to qualify as



1 a claimant, the claim for credit shall be based upon a pro rata  
2 share of the rent paid.

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

18       ~~(f)~~ (g) The director of taxation shall prepare and  
19 prescribe the appropriate form or forms to be used herein, may  
20 require proof of the claim for tax credits, and may adopt rules  
21 pursuant to chapter 91.



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

4            [~~(h)~~] (i) Claims for tax credits under this section,  
5 including any amended claims [~~thereof~~], shall be filed on or  
6 before the end of the twelfth month following the taxable year  
7 for which the credit may be claimed."

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

10           SECTION 4. This Act shall take effect on July 1, 2050 and  
11 shall apply to taxable years beginning after December 31, 2020.



**Report Title:**

Income Tax Credit for Low-income Household Renters; Adjustments

**Description:**

Increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets. Provides for inflation increases every three years based on the consumer price index. Effective 7/1/2050. (SD2)

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