

JAN 22 2021

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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 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 adjust the eligibility  
13 requirements under the income tax credit for low-income  
14 household renters and to increase the amount of the tax credit  
15 by creating tax brackets that will phase out the credit as the  
16 taxpayer's income rises; using categories of different types of



1 households; and increasing the amount of the credit annually  
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 defined by section 235-1.

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

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 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 multiplied by the number of qualified exemptions  
21 to which the taxpayer is entitled[+] in accordance with the



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

6	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
7	<u>for taxpayers filing</u>	
8	<u>a single return or married</u>	
9	<u>individuals filing</u>	
10	<u>separate returns</u>	
11	<u>Under \$20,000</u>	<u>\$200</u>
12	<u>\$20,000 under \$30,000</u>	<u>\$150</u>
13	<u>\$30,000 under \$40,000</u>	<u>\$100</u>
14	<u>\$40,000 and over</u>	<u>\$ 0.</u>
15	<u>Adjusted gross income</u>	<u>Credit per exemption</u>
16	<u>for heads of household</u>	
17	<u>Under \$30,000</u>	<u>\$200</u>
18	<u>\$30,000 under \$45,000</u>	<u>\$150</u>
19	<u>\$45,000 under \$60,000</u>	<u>\$100</u>
20	<u>\$60,000 and over</u>	<u>\$ 0.</u>
21	<u>Adjusted gross income</u>	<u>Credit per exemption</u>



1        for taxpayers filing  
 2        a joint return under  
 3        section 235-93 or a  
 4        surviving spouse

5	<u>Under \$40,000</u>	<u>\$200</u>
6	<u>\$40,000 under \$60,000</u>	<u>\$150</u>
7	<u>\$60,000 under \$80,000</u>	<u>\$100</u>
8	<u>\$80,000 and over</u>	<u>\$ 0.</u>

9        (d) For each taxable year beginning after December 31,  
 10 2022, each dollar amount contained in the table in subsection  
 11 (c) shall be increased by an amount equal to that dollar amount,  
 12 multiplied by the percentage, if any, by which the consumer  
 13 price index for June of the preceding calendar year exceeds the  
 14 consumer price index for June of 2021, rounded to the nearest  
 15 whole dollar amount.

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



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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 that allowed tax credits properly claimed by  
9 an individual who has no income tax liability shall be paid to  
10 the individual; ~~and~~ provided further that no refunds or  
11 payments on account of the tax credits allowed by this section  
12 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



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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, 2020.

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INTRODUCED BY: \_\_\_\_\_

*Karl Rhoad*



# S.B. NO. 302

**Report Title:**

Income Tax Credit for Low-income Household Renters; Adjustments

**Description:**

Increases the amount of the tax credit for individuals and households and the adjusted gross income eligibility cap for the income tax credit for low-income household renters using tax brackets for individuals and different categories of households and providing for annual increases based on the consumer price index.

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