
A BILL FOR AN ACT

RELATING TO INCOME TAX.

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;

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

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

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

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

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

(C) \$2,200 in the case of an individual who is not married and who is not a surviving spouse or head of household;

(D) \$2,200 in the case of a married individual filing a separate return;

(E) For taxable years beginning after December 31, 2023:

(i) \$8,800 in the case of a joint return as provided by section 235-93 or a surviving

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- 1 spouse (as defined in section 2(a) of the
2 Internal Revenue Code);
- 3 (ii) \$6,424 in the case of a head of household
4 (as defined in section 2(b) of the Internal
5 Revenue Code);
- 6 (iii) \$4,400 in the case of an individual who is
7 not married and who is not a surviving
8 spouse or head of household; or
- 9 (iv) \$4,400 in the case of a married individual
10 filing a separate return; and
- 11 (F) For taxable years beginning after December 31,
12 2025:
- 13 (i) \$16,000 in the case of a joint return as
14 provided by section 235-93 or a surviving
15 spouse (as defined in section 2(a) of the
16 Internal Revenue Code);
- 17 (ii) \$12,000 in the case of a head of household
18 (as defined in section 2(b) of the Internal
19 Revenue Code);
- 20 (iii) \$8,000 in the case of an individual who is
21 not married and who is not a surviving
22 spouse or head of household; or

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(iv) \$8,000 in the case of a married individual
filing a separate return;

~~[(G) For taxable years beginning after December 31,
2027:~~

~~(i) \$18,000 in the case of a joint return as
provided by section 235-93 or a surviving
spouse (as defined in section 2(a) of the
Internal Revenue Code);~~

~~(ii) \$13,500 in the case of a head of household
(as defined in section 2(b) of the Internal
Revenue Code);~~

~~(iii) \$9,000 in the case of an individual who is
not married and who is not a surviving
spouse or head of household; or~~

~~(iv) \$9,000 in the case of a married individual
filing a separate return;~~

~~[(H) For taxable years beginning after December 31,
2029:~~

~~(i) \$20,000 in the case of a joint return as
provided by section 235-93 or a surviving
spouse (as defined in section 2(a) of the
Internal Revenue Code);~~

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- ~~(ii) \$15,000 in the case of a head of household
(as defined in section 2(b) of the Internal
Revenue Code);~~
- ~~(iii) \$10,000 in the case of an individual who is
not married and who is not a surviving
spouse or head of household; or~~
- ~~(iv) \$10,000 in the case of a married individual
filing a separate return; and~~
- ~~(I) For taxable years beginning after December 31,
2030:~~
- ~~(i) \$24,000 in the case of a joint return as
provided by section 235-93 or a surviving
spouse (as defined in section 2(a) of the
Internal Revenue Code);~~
- ~~(ii) \$18,000 in the case of a head of household
(as defined in section 2(b) of the Internal
Revenue Code);~~
- ~~(iii) \$12,000 in the case of an individual who is
not married and who is not a surviving
spouse or head of household; or~~
- ~~(iv) \$12,000 in the case of a married individual
filing a separate return;]~~

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1 (3) Section 63(c)(5) (limiting the basic standard
2 deduction in the case of certain dependents) of the
3 Internal Revenue Code shall be operative, except that
4 the limitation shall be the greater of \$500 or the
5 individual's earned income; and

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

8 SECTION 2. Section 235-51, Hawaii Revised Statutes, is
9 amended by amending subsections (a), (b), and (c) to read as
10 follows:

11 "(a) There is hereby imposed on the taxable income of
12 every:

13 (1) Taxpayer who files a joint return under section 235-
14 93; and

15 (2) Surviving spouse,

16 a tax determined in accordance with the following table:

17 In the case of any taxable year beginning after December
18 31, 2017:

19 If the taxable income is:	The tax shall be:
20 Not over \$4,800	1.40% of taxable income
21 Over \$4,800 but	\$67.00 plus 3.20% of
22 not over \$9,600	excess over \$4,800

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1	Over \$9,600 but	\$221.00 plus 5.50% of
2	not over \$19,200	excess over \$9,600
3	Over \$19,200 but	\$749.00 plus 6.40% of
4	not over \$28,800	excess over \$19,200
5	Over \$28,800 but	\$1,363.00 plus 6.80% of
6	not over \$38,400	excess over \$28,800
7	Over \$38,400 but	\$2,016.00 plus 7.20% of
8	not over \$48,000	excess over \$38,400
9	Over \$48,000 but	\$2,707.00 plus 7.60% of
10	not over \$72,000	excess over \$48,000
11	Over \$72,000 but	\$4,531.00 plus 7.90% of
12	not over \$96,000	excess over \$72,000
13	Over \$96,000 but	\$6,427.00 plus 8.25% of
14	not over \$300,000	excess over \$96,000
15	Over \$300,000 but	\$23,257.00 plus 9.00% of
16	not over \$350,000	excess over \$300,000
17	Over \$350,000 but	\$27,757.00 plus 10.00% of
18	not over \$400,000	excess over \$350,000
19	Over \$400,000	\$32,757.00 plus 11.00% of
20		excess over \$400,000.
21	In the case of any taxable year beginning after December	
22	31, 2024:	

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1	If the taxable income is:	The tax shall be:
2	Not over \$19,200	1.40% of taxable income
3	Over \$19,200 but	\$269.00 plus 3.20% of
4	not over \$28,800	excess over \$19,200
5	Over \$28,800 but	\$576.00 plus 5.50% of
6	not over \$38,400	excess over \$28,800
7	Over \$38,400 but	\$1,104.00 plus 6.40% of
8	not over \$48,000	excess over \$38,400
9	Over \$48,000 but	\$1,718.00 plus 6.80% of
10	not over \$72,000	excess over \$48,000
11	Over \$72,000 but	\$3,350.00 plus 7.20% of
12	not over \$96,000	excess over \$72,000
13	Over \$96,000 but	\$5,078.00 plus 7.60% of
14	not over \$250,000	excess over \$96,000
15	Over \$250,000 but	\$16,782.00 plus 7.90% of
16	not over \$350,000	excess over \$250,000
17	Over \$350,000 but	\$24,682.00 plus 8.25% of
18	not over \$450,000	excess over \$350,000
19	Over \$450,000 but	\$32,932.00 plus 9.00% of
20	not over \$550,000	excess over \$450,000
21	Over \$550,000 but	\$41,932.00 plus 10.00% of
22	not over \$650,000	excess over \$550,000

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1 Over \$650,000 \$51,932.00 plus 11.00% of
2 excess over \$650,000.

3 ~~[In the case of any taxable year beginning after December~~
4 ~~31, 2026:~~

5 ~~If the taxable income is: The tax shall be:~~

6 ~~Not over \$28,800 1.40% of taxable income~~

7 ~~Over \$28,800 but \$403.00 plus 3.20% of~~

8 ~~not over \$38,400 excess over \$28,800~~

9 ~~Over \$38,400 but \$710.00 plus 5.50% of~~

10 ~~not over \$48,000 excess over \$38,400~~

11 ~~Over \$48,000 but \$1,238.00 plus 6.40% of~~

12 ~~not over \$72,000 excess over \$48,000~~

13 ~~Over \$72,000 but \$2,774.00 plus 6.80% of~~

14 ~~not over \$96,000 excess over \$72,000~~

15 ~~Over \$96,000 but \$4,406.00 plus 7.20% of~~

16 ~~not over \$250,000 excess over \$96,000~~

17 ~~Over \$250,000 but \$15,494.00 plus 7.60% of~~

18 ~~not over \$350,000 excess over \$250,000~~

19 ~~Over \$350,000 but \$23,094.00 plus 7.90% of~~

20 ~~not over \$450,000 excess over \$350,000~~

21 ~~Over \$450,000 but \$30,994.00 plus 8.25% of~~

22 ~~not over \$550,000 excess over \$450,000~~

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1 ~~Over \$550,000 but _____ \$39,244.00 plus 9.00% of~~
2 ~~not over \$650,000 _____ excess over \$550,000~~
3 ~~Over \$650,000 but _____ \$48,244.00 plus 10.00% of~~
4 ~~not over \$800,000 _____ excess over \$650,000~~
5 ~~Over \$800,000 _____ \$63,244.00 plus 11.00% of~~
6 ~~excess over \$800,000.~~

7 ~~In the case of any taxable year beginning after December~~
8 ~~31, 2028:~~

9 ~~If the taxable income is: The tax shall be:~~

10 ~~Not over \$38,400 _____ 1.40% of taxable income~~

11 ~~Over \$38,400 but _____ \$538.00 plus 3.20% of~~
12 ~~not over \$48,000 _____ excess over \$38,400~~

13 ~~Over \$48,000 but _____ \$845.00 plus 5.50% of~~
14 ~~not over \$72,000 _____ excess over \$48,000~~

15 ~~Over \$72,000 but _____ \$2,165.00 plus 6.40% of~~
16 ~~not over \$96,000 _____ excess over \$72,000~~

17 ~~Over \$96,000 but _____ \$3,701.00 plus 6.80% of~~
18 ~~not over \$250,000 _____ excess over \$96,000~~

19 ~~Over \$250,000 but _____ \$14,173.00 plus 7.20% of~~
20 ~~not over \$350,000 _____ excess over \$250,000~~

21 ~~Over \$350,000 but _____ \$21,373.00 plus 7.60% of~~
22 ~~not over \$450,000 _____ excess over \$350,000~~

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1 ~~Over \$450,000 but \$28,973.00 plus 7.90% of~~
 2 ~~not over \$550,000 excess over \$450,000~~
 3 ~~Over \$550,000 but \$36,873.00 plus 8.25% of~~
 4 ~~not over \$650,000 excess over \$550,000~~
 5 ~~Over \$650,000 but \$45,123.00 plus 9.00% of~~
 6 ~~not over \$800,000 excess over \$650,000~~
 7 ~~Over \$800,000 but \$58,623.00 plus 10.00% of~~
 8 ~~not over \$950,000 excess over \$800,000~~
 9 ~~Over \$950,000 \$73,623.00 plus 11.00% of~~
 10 ~~excess over \$950,000.]~~

11 (b) There is hereby imposed on the taxable income of every
 12 head of a household a tax determined in accordance with the
 13 following table:

14 In the case of any taxable year beginning after December
 15 31, 2017:

16	If the taxable income is:	The tax shall be:
17	Not over \$3,600	1.40% of taxable income
18	Over \$3,600 but	\$50.00 plus 3.20% of
19	not over \$7,200	excess over \$3,600
20	Over \$7,200 but	\$166.00 plus 5.50% of
21	not over \$14,400	excess over \$7,200
22	Over \$14,400 but	\$562.00 plus 6.40% of

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1	not over \$21,600	excess over \$14,400
2	Over \$21,600 but	\$1,022.00 plus 6.80% of
3	not over \$28,800	excess over \$21,600
4	Over \$28,800 but	\$1,512.00 plus 7.20% of
5	not over \$36,000	excess over \$28,800
6	Over \$36,000 but	\$2,030.00 plus 7.60% of
7	not over \$54,000	excess over \$36,000
8	Over \$54,000 but	\$3,398.00 plus 7.90% of
9	not over \$72,000	excess over \$54,000
10	Over \$72,000 but	\$4,820.00 plus 8.25% of
11	not over \$225,000	excess over \$72,000
12	Over \$225,000 but	\$17,443.00 plus 9.00% of
13	not over \$262,500	excess over \$225,000
14	Over \$262,500 but	\$20,818.00 plus 10.00% of
15	not over \$300,000	excess over \$262,500
16	Over \$300,000	\$24,568.00 plus 11.00% of
17		excess over \$300,000.

18 In the case of any taxable year beginning after December
 19 31, 2024:

20	If the taxable income is:	The tax shall be:
21	Not over \$14,400	1.40% of taxable income

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1	Over \$14,400 but	\$202.00 plus 3.20% of
2	not over \$21,600	excess over \$14,400
3	Over \$21,600 but	\$432.00 plus 5.50% of
4	not over \$28,800	excess over \$21,600
5	Over \$28,800 but	\$828.00 plus 6.40% of
6	not over \$36,000	excess over \$28,800
7	Over \$36,000 but	\$1,289.00 plus 6.80% of
8	not over \$54,000	excess over \$36,000
9	Over \$54,000 but	\$2,513.00 plus 7.20% of
10	not over \$72,000	excess over \$54,000
11	Over \$72,000 but	\$3,809.00 plus 7.60% of
12	not over \$187,500	excess over \$72,000
13	Over \$187,500 but	\$12,587.00 plus 7.90% of
14	not over \$262,500	excess over \$187,500
15	Over \$262,500 but	\$18,512.00 plus 8.25% of
16	not over \$337,500	excess over \$262,500
17	Over \$337,500 but	\$24,699.00 plus 9.00% of
18	not over \$412,500	excess over \$337,500
19	Over \$412,500 but	\$31,449.00 plus 10.00% of
20	not over \$487,500	excess over \$412,500
21	Over \$487,500	\$38,949.00 plus 11.00% of
22		excess over \$487,500.

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~~[In the case of any taxable year beginning after December 31, 2026:~~

~~If the taxable income is: The tax shall be:~~

~~Not over \$21,600 1.40% of taxable income~~

~~Over \$21,600 but \$302.00 plus 3.20% of~~

~~not over \$28,800 excess over \$21,600~~

~~Over \$28,800 but \$533.00 plus 5.50% of~~

~~not over \$36,000 excess over \$28,800~~

~~Over \$36,000 but \$929.00 plus 6.40% of~~

~~not over \$54,000 excess over \$36,000~~

~~Over \$54,000 but \$2,081.00 plus 6.80% of~~

~~not over \$72,000 excess over \$54,000~~

~~Over \$72,000 but \$3,305.00 plus 7.20% of~~

~~not over \$187,500 excess over \$72,000~~

~~Over \$187,500 but \$11,621.00 plus 7.60% of~~

~~not over \$262,500 excess over \$187,500~~

~~Over \$262,500 but \$17,321.00 plus 7.90% of~~

~~not over \$337,500 excess over \$262,500~~

~~Over \$337,500 but \$23,246.00 plus 8.25% of~~

~~not over \$412,500 excess over \$337,500~~

~~Over \$412,500 but \$29,433.00 plus 9.00% of~~

~~not over \$487,500 excess over \$412,500~~

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~~Over \$487,500 but \$36,183.00 plus 10.00% of
not over \$600,000 excess over \$487,500
Over \$600,000 \$47,433.00 plus 11.00% of
excess over \$600,000.~~

~~In the case of any taxable year beginning after December
31, 2028:~~

~~If the taxable income is: The tax shall be:~~

~~Not over \$28,800 1.40% of taxable income~~

~~Over \$28,800 but \$403.00 plus 3.20% of~~

~~not over \$36,000 excess over \$28,800~~

~~Over \$36,000 but \$634.00 plus 5.50% of~~

~~not over \$54,000 excess over \$36,000~~

~~Over \$54,000 but \$1,624.00 plus 6.40% of~~

~~not over \$72,000 excess over \$54,000~~

~~Over \$72,000 but \$2,776.00 plus 6.80% of~~

~~not over \$187,500 excess over \$72,000~~

~~Over \$187,500 but \$10,630.00 plus 7.20% of~~

~~not over \$262,500 excess over \$187,500~~

~~Over \$262,500 but \$16,030.00 plus 7.60% of~~

~~not over \$337,500 excess over \$262,500~~

~~Over \$337,500 but \$21,730.00 plus 7.90% of~~

~~not over \$412,500 excess over \$337,500~~

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~~Over \$412,500 but _____ \$27,655.00 plus 8.25% of~~
~~not over \$487,500 _____ excess over \$412,500~~
~~Over \$487,500 but _____ \$33,842.00 plus 9.00% of~~
~~not over \$600,000 _____ excess over \$487,500~~
~~Over \$600,000 but _____ \$43,967.00 plus 10.00% of~~
~~not over \$712,500 _____ excess over \$600,000~~
~~Over \$712,500 _____ \$55,217.00 plus 11.00% of~~
~~excess over \$712,500.]~~

(c) There is hereby imposed on the taxable income of (1)
 every unmarried individual (other than a surviving spouse, or
 the head of a household) and (2) on the taxable income of every
 married individual who does not make a single return jointly
 with the individual's spouse under section 235-93 a tax
 determined in accordance with the following table:

In the case of any taxable year beginning after December
 31, 2017:

If the taxable income is:	The tax shall be:
Not over \$2,400	1.40% of taxable income
Over \$2,400 but	\$34.00 plus 3.20% of
not over \$4,800	excess over \$2,400
Over \$4,800 but	\$110.00 plus 5.50% of
not over \$9,600	excess over \$4,800

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1	Over \$9,600 but	\$374.00 plus 6.40% of
2	not over \$14,400	excess over \$9,600
3	Over \$14,400 but	\$682.00 plus 6.80% of
4	not over \$19,200	excess over \$14,400
5	Over \$19,200 but	\$1,008.00 plus 7.20% of
6	not over \$24,000	excess over \$19,200
7	Over \$24,000 but	\$1,354.00 plus 7.60% of
8	not over \$36,000	excess over \$24,000
9	Over \$36,000 but	\$2,266.00 plus 7.90% of
10	not over \$48,000	excess over \$36,000
11	Over \$48,000 but	\$3,214.00 plus 8.25% of
12	not over \$150,000	excess over \$48,000
13	Over \$150,000 but	\$11,629.00 plus 9.00% of
14	not over \$175,000	excess over \$150,000
15	Over \$175,000 but	\$13,879.00 plus 10.00% of
16	not over \$200,000	excess over \$175,000
17	Over \$200,000	\$16,379.00 plus 11.00% of
18		excess over \$200,000.
19	In the case of any taxable year beginning after December	
20	31, 2024:	
21	If the taxable income is	The tax shall be:
22	Not over \$9,600	1.40% of taxable income

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1	Over \$9,600 but	\$134.00 plus 3.20% of
2	not over \$14,400	excess over \$9,600
3	Over \$14,400 but	\$288.00 plus 5.50% of
4	not over \$19,200	excess over \$14,400
5	Over \$19,200 but	\$552.00 plus 6.40% of
6	not over \$24,000	excess over \$19,200
7	Over \$24,000 but	\$859.00 plus 6.80% of
8	not over \$36,000	excess over \$24,000
9	Over \$36,000 but	\$1,675.00 plus 7.20% of
10	not over \$48,000	excess over \$36,000
11	Over \$48,000 but	\$2,539.00 plus 7.60% of
12	not over \$125,000	excess over \$48,000
13	Over \$125,000 but	\$8,391.00 plus 7.90% of
14	not over \$175,000	excess over \$125,000
15	Over \$175,000 but	\$12,341.00 plus 8.25% of
16	not over \$225,000	excess over \$175,000
17	Over \$225,000 but	\$16,466.00 plus 9.00% of
18	not over \$275,000	excess over \$225,000
19	Over \$275,000 but	\$20,966.00 plus 10.00% of
20	not over \$325,000	excess over \$275,000
21	Over \$325,000	\$25,966.00 plus 11.00% of
22		excess over \$325,000.

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~~[In the case of any taxable year beginning after December 31, 2026:~~

~~If the taxable income is: The tax shall be:~~

~~Not over \$14,400 1.40% of taxable income~~

~~Over \$14,400 but \$202.00 plus 3.20% of
not over \$19,200 excess over \$14,400~~

~~Over \$19,200 but \$355.00 plus 5.50% of
not over \$24,000 excess over \$19,200~~

~~Over \$24,000 but \$619.00 plus 6.40% of
not over \$36,000 excess over \$24,000~~

~~Over \$36,000 but \$1,387.00 plus 6.80% of
not over \$48,000 excess over \$36,000~~

~~Over \$48,000 but \$2,203.00 plus 7.20% of
not over \$125,000 excess over \$48,000~~

~~Over \$125,000 but \$7,747.00 plus 7.60% of
not over \$175,000 excess over \$125,000~~

~~Over \$175,000 but \$11,547.00 plus 7.90% of
not over \$225,000 excess over \$175,000~~

~~Over \$225,000 but \$15,497.00 plus 8.25% of
not over \$275,000 excess over \$225,000~~

~~Over \$275,000 but \$19,622.00 plus 9.00% of
not over \$325,000 excess over \$275,000~~

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Over ~~\$325,000 but~~ ~~\$24,122.00 plus 10.00% of~~
~~not over \$400,000~~ ~~excess over \$325,000~~
Over ~~\$400,000~~ ~~\$31,622.00 plus 11.00% of~~
~~excess over \$400,000.~~

~~In the case of any taxable year beginning after December~~
~~31, 2028:~~

~~If the taxable income is: The tax shall be:~~

~~Not over \$19,200 1.40% of taxable income~~
~~Over \$19,200 but \$269.00 plus 3.20% of~~
~~not over \$24,000 excess over \$19,200~~
~~Over \$24,000 but \$422.00 plus 5.50% of~~
~~not over \$36,000 excess over \$24,000~~
~~Over \$36,000 but \$1,082.00 plus 6.40% of~~
~~not over \$48,000 excess over \$36,000~~
~~Over \$48,000 but \$1,850.00 plus 6.80% of~~
~~not over \$125,000 excess over \$48,000~~
~~Over \$125,000 but \$7,086.00 plus 7.20% of~~
~~not over \$175,000 excess over \$125,000~~
~~Over \$175,000 but \$10,686.00 plus 7.60% of~~
~~not over \$225,000 excess over \$175,000~~
~~Over \$225,000 but \$14,486.00 plus 7.90% of~~
~~not over \$275,000 excess over \$225,000~~

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~~Over \$275,000 but _____ \$18,436.00 plus 8.25% of~~
~~not over \$325,000 _____ excess over \$275,000~~
~~Over \$325,000 but _____ \$22,561.00 plus 9.00% of~~
~~not over \$400,000 _____ excess over \$325,000~~
~~Over \$400,000 but _____ \$29,311.00 plus 10.00% of~~
~~not over \$475,000 _____ excess over \$400,000~~
~~Over \$475,000 _____ \$36,811.00 plus 11.00% of~~
~~excess over \$475,000.] "~~

SECTION 3. Section 235-55.6, Hawaii Revised Statutes, is amended to read as follows:

"§235-55.6 Expenses for household and dependent care services necessary for gainful employment. (a) Allowance of credit.

(1) In general. For each resident taxpayer, who files an individual income tax return for a taxable year, and who is not claimed or is not otherwise eligible to be claimed as a dependent by another taxpayer for federal or Hawaii state individual income tax purposes, who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1)), there shall be allowed as a credit against the tax imposed by this chapter for the

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taxable year an amount equal to the applicable percentage of the employment-related expenses (as defined in subsection (b)(2)) paid by the individual during the taxable year. If the tax credit claimed by a resident taxpayer exceeds the amount of income tax payment due from the resident taxpayer, the excess of the credit over payments due shall be refunded to the resident taxpayer; provided that tax credit properly claimed by a resident individual who has no income tax liability shall be paid to the resident individual; 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.

(2) Applicable percentage. For purposes of paragraph (1), the taxpayer's applicable percentage shall be ~~[determined as follows:]~~

Adjusted gross income	Applicable percentage
Not over \$25,000	25%
Over \$25,000 but	24%
not over \$30,000	
Over \$30,000 but	23%
not over \$35,000	

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1	Over \$35,000 but	22%
2	not over \$40,000	
3	Over \$40,000 but	21%
4	not over \$45,000	
5	Over \$45,000 but	20%
6	not over \$50,000	
7	Over \$50,000	15%.]

8 equal to fifty per cent reduced by one percentage
 9 point for each \$3,000, or fraction thereof, by which
 10 the taxpayer's adjusted gross income exceeds \$150,000;
 11 provided that the applicable percentage shall not be
 12 reduced below fifteen per cent.

13 (b) Definitions of qualifying individual and employment-
 14 related expenses. For purposes of this section:

15 (1) Qualifying individual. The term "qualifying
 16 individual" means:

17 (A) A dependent of the taxpayer who is under the age
 18 of thirteen and with respect to whom the taxpayer
 19 is entitled to a deduction under section 235-
 20 54(a),

21 (B) A dependent of the taxpayer who is physically or
 22 mentally incapable of caring for oneself, or

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(C) The spouse of the taxpayer, if the spouse is physically or mentally incapable of caring for oneself.

(2) Employment-related expenses.

(A) In general. The term "employment-related expenses" means amounts paid for the following expenses, but only if such expenses are incurred to enable the taxpayer to be gainfully employed for any period for which there are one or more qualifying individuals with respect to the taxpayer:

- (i) Expenses for household services, and
- (ii) Expenses for the care of a qualifying individual.

Such term shall not include any amount paid for services outside the taxpayer's household at a camp where the qualifying individual stays overnight.

(B) Exception. Employment-related expenses described in subparagraph (A) which are incurred for services outside the taxpayer's household shall

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1 be taken into account only if incurred for the
2 care of:

3 (i) A qualifying individual described in
4 paragraph (1)(A), or

5 (ii) A qualifying individual (not described in
6 paragraph (1)(A)) who regularly spends at
7 least eight hours each day in the taxpayer's
8 household.

9 (C) Dependent care centers. Employment-related
10 expenses described in subparagraph (A) which are
11 incurred for services provided outside the
12 taxpayer's household by a dependent care center
13 (as defined in subparagraph (D)) shall be taken
14 into account only if:

15 (i) Such center complies with all applicable
16 laws, rules, and regulations of this State,
17 if the center is located within the
18 jurisdiction of this State; or

19 (ii) Such center complies with all applicable
20 laws, rules, and regulations of the
21 jurisdiction in which the center is located,

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1 if the center is located outside the State;

2 and

3 (iii) The requirements of subparagraph (B) are
4 met.

5 (D) Dependent care center defined. For purposes of
6 this paragraph, the term "dependent care center"
7 means any facility which:

8 (i) Provides care for more than six individuals
9 (other than individuals who reside at the
10 facility), and

11 (ii) Receives a fee, payment, or grant for
12 providing services for any of the
13 individuals (regardless of whether such
14 facility is operated for profit).

15 (c) Dollar limit on amount creditable. The amount of the
16 employment-related expenses incurred during any taxable year
17 which may be taken into account under subsection (a) shall not
18 exceed:

19 (1) \$10,000 if there is one qualifying individual with
20 respect to the taxpayer for such taxable year, or

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(2) \$20,000 if there are two or more qualifying individuals with respect to the taxpayer for such taxable year.

The amount determined under paragraph (1) or (2) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 (with respect to dependent care assistance programs) of the Internal Revenue Code for the taxable year.

(d) Earned income limitation.

(1) In general. Except as otherwise provided in this subsection, the amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed:

(A) In the case of an individual who is not married at the close of such year, such individual's earned income for such year, or

(B) In the case of an individual who is married at the close of such year, the lesser of such individual's earned income or the earned income of the individual's spouse for such year.

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(2) Special rule for spouse who is a student or incapable of caring for oneself. In the case of a spouse who is a student or a qualified individual described in subsection (b)(1)(C), for purposes of paragraph (1), such spouse shall be deemed for each month during which such spouse is a full-time student at an educational institution, or is such a qualifying individual, to be gainfully employed and to have earned income of not less than:

(A) \$200 if subsection (c)(1) applies for the taxable year, or

(B) \$400 if subsection (c)(2) applies for the taxable year.

In the case of any husband and wife, this paragraph shall apply with respect to only one spouse for any one month.

(e) Special rules. For purposes of this section:

(1) Maintaining household. An individual shall be treated as maintaining a household for any period only if over half the cost of maintaining the household for the period is furnished by the individual (or, if the

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individual is married during the period, is furnished by the individual and the individual's spouse).

(2) Married couples must file joint return. If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

(3) Marital status. An individual legally separated from the individual's spouse under a decree of divorce or of separate maintenance shall not be considered as married.

(4) Certain married individuals living apart. If:

(A) An individual who is married and who files a separate return:

(i) Maintains as the individual's home a household that constitutes for more than one-half of the taxable year the principal place of abode of a qualifying individual, and

(ii) Furnishes over half of the cost of maintaining the household during the taxable year, and

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(B) During the last six months of the taxable year the individual's spouse is not a member of the household, the individual shall not be considered as married.

(5) Special dependency test in case of divorced parents, etc. If:

(A) Paragraph (2) or (4) of section 152(e) of the Internal Revenue Code of 1986, as amended, applies to any child with respect to any calendar year, and

(B) The child is under age thirteen or is physically or mentally incompetent of caring for the child's self,

in the case of any taxable year beginning in the calendar year, the child shall be treated as a qualifying individual described in subsection (b)(1)(A) or (B) (whichever is appropriate) with respect to the custodial parent (within the meaning of section 152(e)(1) of the Internal Revenue Code of 1986, as amended), and shall not be treated as a qualifying individual with respect to the noncustodial parent.

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(6) Payments to related individuals. No credit shall be allowed under subsection (a) for any amount paid by the taxpayer to an individual:

(A) With respect to whom, for the taxable year, a deduction under section 151(c) of the Internal Revenue Code of 1986, as amended (relating to deduction for personal exemptions for dependents) is allowable either to the taxpayer or the taxpayer's spouse, or

(B) Who is a child of the taxpayer (within the meaning of section 151(c)(3) of the Internal Revenue Code of 1986, as amended) who has not attained the age of nineteen at the close of the taxable year.

For purposes of this paragraph, the term "taxable year" means the taxable year of the taxpayer in which the service is performed.

(7) Student. The term "student" means an individual who, during each of five calendar months during the taxable year, is a full-time student at an educational organization.

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1 (8) Educational organization. The term "educational
2 organization" means a school operated by the
3 department of education under chapter 302A, an
4 educational organization described in section
5 170(b)(1)(A)(ii) of the Internal Revenue Code of 1986,
6 as amended, or a university, college, or community
7 college.

8 (9) Identifying information required with respect to
9 service provider. No credit shall be allowed under
10 subsection (a) for any amount paid to any person
11 unless:

12 (A) The name, address, taxpayer identification
13 number, and general excise tax license number of
14 the person are included on the return claiming
15 the credit,

16 (B) If the person is located outside the State, the
17 name, address, and taxpayer identification
18 number, if any, of the person and a statement
19 indicating that the service provider is located
20 outside the State and that the general excise tax
21 license and, if applicable, the taxpayer
22 identification numbers are not required, or

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1 (C) If the person is an organization described in
2 section 501(c)(3) of the Internal Revenue Code
3 and exempt from tax under section 501(a) of the
4 Internal Revenue Code, the name and address of
5 the person are included on the return claiming
6 the credit.

7 In the case of a failure to provide the information
8 required under the preceding sentence, the preceding
9 sentence shall not apply if it is shown that the
10 taxpayer exercised due diligence in attempting to
11 provide the information so required.

12 (f) No credit shall be allowed under this section for any
13 taxable year in the disallowance period. For purposes of this
14 subsection, the disallowance period is:

15 (1) The period of ten taxable years after the most recent
16 taxable year for which there was a final
17 administrative or judicial decision that the
18 taxpayer's claim for credit under this section was due
19 to fraud; and

20 (2) The period of two taxable years after the most recent
21 taxable year for which there was a final

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1 administrative or judicial decision disallowing the
2 taxpayer's claim for credit.

3 ~~[(f)]~~ (g) Rules. The director of taxation shall prescribe
4 such rules under chapter 91 as may be necessary to carry out the
5 purposes of this section.

6 (h) As used in this section, "adjusted gross income" means
7 adjusted gross income as defined by the Internal Revenue Code of
8 1986, as amended."

9 SECTION 4. Act 163, Session Laws of Hawaii 2023, is
10 amended by amending section 5 to read as follows:

11 "This Act, upon its approval, shall apply to taxable years
12 beginning after December 31, 2022; provided that on December 31,
13 ~~[2027,]~~ 2032, this Act shall be repealed and sections 235-
14 55.6(c), 235-55.75(a), and 235-55.85(b), Hawaii Revised
15 Statutes, shall be reenacted in the form in which they read on
16 the day prior to the effective date of this Act."

17 SECTION 5. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 6. This Act shall take effect upon its approval;
20 provided that section 3 of this Act shall apply to taxable years
21 beginning after December 31, 2026; provided further that on
22 December 31, 2032, section 3 of this Act shall be repealed and

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1 section 235-55.6, Hawaii Revised Statutes, shall be reenacted in
2 the form in which it read on the day prior to the effective date
3 of Act 163, Session Laws of Hawaii 2023.

4
5 INTRODUCED BY: Nashia K. Mahina

6
BY REQUEST
JAN 26 2026

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Report Title:

Income Tax; Standard Deduction; Income Tax Brackets; Child and Dependent Care Tax Credit

Description:

Repeals future adjustments to the standard deduction and income tax brackets. Increases the applicable percentage of the employment-related expenses for which the child and dependent care tax credit may be claimed; provides for a disallowance period when there is a final administrative or judicial decision finding that the claim was due to fraud or disallowing the credit; and defines "adjusted gross income" for purposes of the child and dependent care tax credit as adjusted gross income as defined by the Internal Revenue Code of 1986, as amended. Extends the sunset for amendments made by Act 163, SLH 2023 to the child and dependent care tax credit, earned income tax credit, and food/excise tax credit.

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

JUSTIFICATION SHEET

DEPARTMENT: Office of the Governor

TITLE: A BILL FOR AN ACT RELATING TO INCOME TAX.

PURPOSE: To modify several components of the State's tax structure by repealing scheduled increases to the standard deduction for tax years 2028, 2030, and 2031, thereby maintaining the tax year 2026 deduction levels for all subsequent years; by repealing the income tax bracket changes slated for tax years 2027 and 2029, maintaining the tax year 2025 brackets; by enhancing taxpayer benefits by raising the child and dependent care credit's applicable percentage to fifty percent for incomes of \$150,000 and below, and changing the income thresholds from the Hawaii AGI to the federal AGI; and by extending the sunset date for Act 163, Session Laws of Hawaii (SLH) 2023, and amendments to the earned income tax credit and food/excise tax credit to December 31, 2032, after which all credits revert to their amounts in effect prior to Act 163, SLH 2023.

MEANS: Amend sections 235-2.4(a), 235-51(a), (b), and (c), and 235-55.6, Hawaii Revised Statutes, and amend section 5 of Act 163, SLH 2023.

JUSTIFICATION: This bill is necessary to ensure the State's tax structure remains fiscally sustainable while continuing to support working families during a period of significant economic uncertainty. Tax law changes scheduled under Act 46, SLH 2024, would create substantial and recurring reductions in general fund revenues at a time when the State faces mounting fiscal pressures. By repealing these scheduled changes, the bill protects the State's long-term budgetary stability. At the same time, the bill strengthens targeted tax relief for low- and

moderate-income households by increasing the child care and dependent tax credit and extending enhancements to the earned income tax credit and food/excise tax credit.

These adjustments allow the State to maintain critical support for families while avoiding broader tax reductions that the current fiscal environment cannot sustain.

Impact on the public: The bill provides targeted tax relief to low- and moderate-income families through enhanced tax credits while preventing broad tax cuts that primarily benefit higher-income earners. These amendments ensure relief goes to those who need it most and help maintain funding for essential state programs that serve the broader public.

Impact on the department and other agencies: The Department of Taxation will need to update its tax system to reflect the revised credit amounts and the repeal of scheduled deduction and bracket changes.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: None.

OTHER AFFECTED
AGENCIES: Department of Taxation; Department of Budget and Finance.

EFFECTIVE DATE: Upon approval; provided that section 3 shall apply to taxable years beginning after December 31, 2026.