

Honolulu, Hawaii

MAY 01 2026

RE: S.B. No. 3125
S.D. 1
H.D. 1
C.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 3125, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INCOME TAX,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to amend the income tax law.

More specifically, this measure:

- (1) Repeals certain future adjustments to income tax brackets;
- (2) Adjusts income thresholds for all tax brackets and increases the income tax rates for the three highest income tax brackets by one percentage point each for taxable years beginning after December 31, 2026;



- (3) Amends the Household and Dependent Care Services Tax Credit by:
 - (A) Increasing a taxpayer's applicable percentage of employment-related expenses that is used to calculate the credit;
 - (B) Increasing income eligibility thresholds for the credit; and
 - (C) Providing 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;
- (4) Extends to December 31, 2032, the sunset date for enhancements made by Act 163, Session Laws of Hawaii 2023, to the Household and Dependent Care Services Tax Credit, Earned Income Tax Credit, and Food/Excise Tax Credit; and
- (5) Amends the Renewable Energy Technologies Income Tax Credit by:
 - (A) For taxable years beginning after December 31, 2026, limiting claims for certain solar energy systems that are not third-party financed systems and installed and placed in service on a single-family residential property to taxpayers below certain income thresholds;
 - (B) Removing certain credit cap amounts for solar energy systems that are not third-party financed systems; and
 - (C) Increasing the maximum adjusted gross income under which an individual taxpayer may be eligible for refundable credits, and limiting credit refundability to systems that are not third-party financed systems.

Your Committee on Conference finds that this measure is intended to provide tax relief for Hawaii's working families and to protect the State's long-term fiscal stability.

Upon further consideration, your Committee on Conference based its conference draft primarily on the contents of S.B. No. 3125, S.D. 1, which:



- (1) Repeal certain future adjustments to income tax brackets and changes income tax rates;
- (2) Amend the Household and Dependent Care Services Tax Credit by:
 - (A) Increasing the applicable percentage of the employment-related expenses for which the credit may be claimed;
 - (B) Providing 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
 - (C) Defining "adjusted gross income" for purposes of the credit as adjusted gross income as defined by the Internal Revenue Code of 1986, as amended;
- (3) Change to an unspecified date the sunset date for enhancements made by Act 163, Session Laws of Hawaii 2023, to the Household and Dependent Care Services Tax Credit, Earned Income Tax Credit, and Food/Excise Tax Credit; and
- (4) Beginning January 1, 2029, repeal the Renewable Energy Technologies Income Tax Credit, Capital Goods Excise Tax Credit, High Technology Business Investment Tax Credit, Renewable Fuels Production Tax Credit, Technology Infrastructure Renovation Tax Credit, Ship Repair Industry Tax Credit, and Tax Credit for Research Activities.

Your Committee on Conference then amended the Senate Draft provisions by:

- (1) Changing certain income tax rates;
- (2) Deleting language amending the Household and Dependent Care Services Tax Credit;
- (3) Deleting language changing the sunset date for enhancements made by Act 163, Session Laws of Hawaii 2023, to the Household and Dependent Care Services Tax Credit, Earned Income Tax Credit, and Food/Excise Tax Credit;



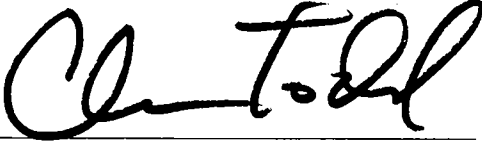
- (4) Deleting language repealing the Renewable Energy Technologies Income Tax Credit, Capital Goods Excise Tax Credit, Renewable Fuels Production Tax Credit, and Ship Repair Industry Tax Credit;
- (5) Amending the Renewable Energy Technologies Income Tax Credit by:
 - (A) Adding an aggregate cap amount;
 - (B) Setting income thresholds;
 - (C) Adding a requirement that the credit be certified by the Hawaii State Energy Office of the Department of Business, Economic Development, and Tourism; and
 - (D) Making it unavailable for taxable years beginning after December 31, 2030;
- (6) Amending the Capital Goods Excise Tax Credit by making it unavailable for taxable years beginning after December 31, 2027;
- (7) Amending the Renewable Fuels Production Tax Credit by making it unavailable for taxable years beginning after December 31, 2028;
- (8) Specifying that the Technology Infrastructure Renovation Tax Credit shall be repealed on January 1, 2028;
- (9) Specifying that the High Technology Business Investment Tax Credit and Tax Credit for Research Activities shall be repealed on January 1, 2029;
- (10) Changing the measure's effective date from July 1, 2050, to upon approval; and
- (11) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 3125, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 3125, S.D. 1, H.D. 1, C.D. 1.



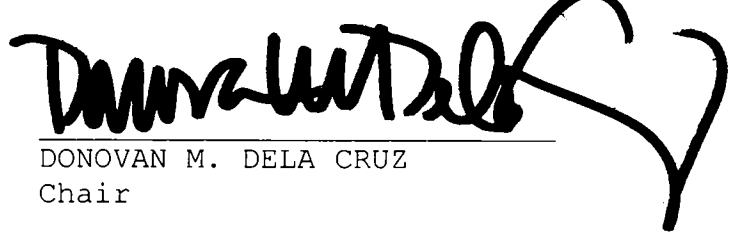
Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE



CHRIS TODD
Chair

ON THE PART OF THE SENATE



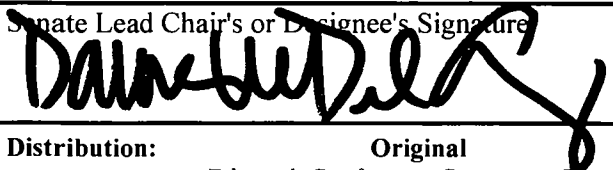
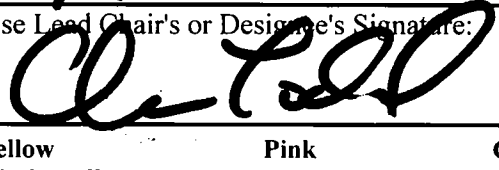
DONOVAN M. DELA CRUZ
Chair



Hawai'i State Legislature

Record of Votes of a Conference Committee

CCR 114-26

Bill / Concurrent Resolution No.: SB 3125 SPI HD1					Date/Time: 4/28/2026 9:06 p.m.				
☒ The recommendation of the House and Senate managers is to pass with amendments (CD).									
☐ The Committee is reconsidering its previous decision.									
☐ The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					☐ The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.				
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
Donovan Dela Cruz ^{chr}	☒				Chris Todd, chr	☒			
Sharon Moriwaki	☒				Jenna Takenouchi	☒			
Kurt Ferrell	☒				Joe Gedeon			☒	
TOTAL	3	0	0	0	TOTAL	2	0	1	0
A = Aye		WR = Aye with Reservations		N = Nay		E = Excused			
Senate Recommendation is:					House Recommendation is:				
☒ Adopted ☐ Not Adopted					☒ Adopted ☐ Not Adopted				
Senate Lead Chair's or Designee's Signature:					House Lead Chair's or Designee's Signature:				
									
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		File with Conference Committee Report	House Clerk's Office	Senate Clerk's Office	Drafting Agency				