
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 Hawaii has the
2 highest cost of living in the nation. The general excise tax is
3 levied on nearly every economic activity, which, due to the
4 highly regressive structure of the tax, disproportionately
5 affects low- and middle-income families. This regressive nature
6 makes it difficult for some families to afford basic life
7 necessities, such as diapers. Diapers are a large expense for
8 Hawaii families with small children and are essential to babies'
9 and toddlers' health as they each require about fifty diaper
10 changes per week, or roughly two hundred diaper changes per
11 month. However, according to the National Diaper Bank Network,
12 one in two families struggles to afford clean diapers for their
13 children.

14 Hawaii children who come from low-income families are at-
15 risk to meet their diaper needs. According to the National
16 Diaper Bank Facts on Hawaii, nine per cent of Hawaii families
17 are recipients of supplemental nutrition assistance program



1 benefits with children under the age of five; twenty-one per
2 cent of Hawaii families are women, infants, and children program
3 benefit recipients with infant children; and twenty-eight per
4 cent of Hawaii families receive temporary assistance for needy
5 families benefits with at least one child under the age of
6 three. The maximum amount a family of one parent and two
7 children can receive in temporary assistance for needy families
8 benefits is \$763. It is estimated that ten and a half per cent
9 of this maximum benefit goes toward diaper needs. Additionally,
10 thirty-four per cent of Hawaii families have births covered by
11 medicaid. This data shows that there is a significant number of
12 families who are at risk of not having enough financial
13 resources to provide necessities, such as diapers, for their
14 children.

15 The legislature further finds that many child care
16 facilities require parents to provide diapers for their
17 children. Families who do not have access to clean diapers
18 cannot access child care and often miss work, reducing their
19 monthly income. Hawaii currently has two National Diaper Bank
20 Network member diaper banks that provide diapers to families;
21 however, this does not meet the needs of all families who



1 struggle to provide clean diapers for their children. According
2 to the National Diaper Bank Network, Hawaii families spend an
3 average monthly cost of \$80 to more than \$100 on diapers. The
4 State is also the most expensive state to raise a child,
5 requiring approximately \$36,000 a year. On average, Hawaii
6 families spend a little more than twenty-five per cent of their
7 income on child-related expenses.

8 The legislature also finds that dirty diapers put healthy
9 children at risk of various diseases due to parasites, bacteria,
10 and viruses linked to dirty diapers. Dirty diapers can cause
11 diaper rash or diaper dermatitis, including *Candida*, a type of
12 yeast infection, and *Seborrhea*, a type of infectious skin
13 condition caused when skin is exposed to moisture, friction,
14 urine, stool, or other skin irritants. Other germs found in
15 dirty diapers are salmonella, listeria, and norovirus, which can
16 cause a healthy child to quickly fall ill. Hepatitis A is the
17 most common viral infection found in dirty diapers, which can
18 lead to other hepatitis-related infections, according to the
19 American Academy of Pediatrics. The American Academy of
20 Pediatrics also notes that certain diaper dermatitis can lead to



1 bladder infections that can cause urinary tract infections,
2 which more commonly affect girls.

3 Accordingly, the purpose of this Act is to help alleviate
4 the burden on local families and individuals by establishing a
5 refundable diaper tax credit.

6 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
7 amended by adding a new section to part VI to be appropriately
8 designated and to read as follows:

9 "§235- Refundable diaper tax credit. (a) There shall
10 be allowed to each eligible taxpayer subject to the taxes
11 imposed by this chapter a refundable diaper tax credit equal to
12 \$50 per qualifying child for the taxable year.

13 (b) The credit allowed under this section shall be claimed
14 against the net income tax liability for the taxable year. If
15 the tax credit claimed by the taxpayer under this section
16 exceeds the amount of the income tax payments due from the
17 taxpayer, the excess of credit over payments due shall be
18 refunded to the taxpayer; provided that the tax credit properly
19 claimed by a taxpayer who has no income tax liability shall be
20 paid to the taxpayer; provided further that no refunds or



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

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

9 (d) The director of taxation:

10 (1) Shall prepare such forms as may be necessary to claim
11 a credit under this section;

12 (2) May require proof of the claim for the tax credit; and

13 (3) May adopt rules pursuant to chapter 91 necessary to
14 carry out the purpose of this section.

15 (e) For purposes of this section:

16 "Diaper expenses" means amounts paid by the taxpayer for
17 the purchase of diapers, including disposable diapers, washable
18 diapers, and diaper covers.

19 "Eligible taxpayer" means an individual taxpayer who:

20 (1) Files a:



1 (A) Head of household return with federal adjusted
2 gross income of less than \$90,000; or

3 (B) Joint return or return of surviving spouse with
4 federal adjusted gross income of less than
5 \$120,000;

6 (2) Has one or more qualifying child; and

7 (3) Incurred at least \$250 in diaper expense during the
8 taxable year for one or more dependent children in the
9 household.

10 "Eligible taxpayer" does not include a married couple
11 filing separate tax returns for a taxable year for which a joint
12 return could have been filed.

13 "Qualifying child" means a dependent, as defined by section
14 152 of the Internal Revenue Code, who is under five years of age
15 at any time during the taxable year and who resides with the
16 eligible taxpayer in the State."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act, upon its approval, shall apply to
19 taxable years beginning after December 31, 2025.



Report Title:

Refundable Diaper Tax Credit

Description:

Establishes a refundable diaper tax credit. (HD1)

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