
A BILL FOR AN ACT

RELATING TO INCOME TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. Section 235-51, Hawaii Revised Statutes, is
3 amended by amending subsections (a), (b), and (c) to read as
4 follows:

5 "(a) There is hereby imposed on the taxable income of
6 every:

7 (1) Taxpayer who files a joint return under section
8 235-93; and

9 (2) Surviving spouse,

10 a tax determined in accordance with the following table:

11 In the case of any taxable year beginning after December
12 31, 2017:

13	If the taxable income is:	The tax shall be:
14	Not over \$4,800	1.40% of taxable income
15	Over \$4,800 but	\$67.00 plus 3.20% of
16	not over \$9,600	excess over \$4,800
17	Over \$9,600 but	\$221.00 plus 5.50% of



1	not over \$19,200	excess over \$9,600
2	Over \$19,200 but	\$749.00 plus 6.40% of
3	not over \$28,800	excess over \$19,200
4	Over \$28,800 but	\$1,363.00 plus 6.80% of
5	not over \$38,400	excess over \$28,800
6	Over \$38,400 but	\$2,016.00 plus 7.20% of
7	not over \$48,000	excess over \$38,400
8	Over \$48,000 but	\$2,707.00 plus 7.60% of
9	not over \$72,000	excess over \$48,000
10	Over \$72,000 but	\$4,531.00 plus 7.90% of
11	not over \$96,000	excess over \$72,000
12	Over \$96,000 but	\$6,427.00 plus 8.25% of
13	not over \$300,000	excess over \$96,000
14	Over \$300,000 but	\$23,257.00 plus 9.00% of
15	not over \$350,000	excess over \$300,000
16	Over \$350,000 but	\$27,757.00 plus 10.00% of
17	not over \$400,000	excess over \$350,000
18	Over \$400,000	\$32,757.00 plus 11.00% of
19		excess over \$400,000.

20 In the case of any taxable year beginning after December
21 31, 2024:



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



1	not over \$350,000	excess over \$250,000
2	Over \$350,000 but	\$21,373.00 plus 7.60% of
3	not over \$450,000	excess over \$350,000
4	Over \$450,000 but	\$28,973.00 plus 7.90% of
5	not over \$550,000	excess over \$450,000
6	Over \$550,000 but	\$36,873.00 plus 8.25% of
7	not over \$650,000	excess over \$550,000
8	Over \$650,000 but	\$45,123.00 plus 9.00% of
9	not over \$800,000	excess over \$650,000
10	Over \$800,000 but	\$58,623.00 plus 10.00% of
11	not over \$950,000	excess over \$800,000
12	Over \$950,000	\$73,623.00 plus 11.00% of
13		excess over \$950,000.]

14 In the case of any taxable year beginning after December
15 31, 2026:

16	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
17	<u>Not over \$19,200</u>	<u>1.40% of taxable income</u>
18	<u>Over \$19,200 but</u>	<u>\$269.00 plus 3.20% of</u>
19	<u>not over \$28,800</u>	<u>excess over \$19,200</u>
20	<u>Over \$28,800 but</u>	<u>\$576.00 plus 5.50% of</u>
21	<u>not over \$38,400</u>	<u>excess over \$28,800</u>



1	<u>Over \$38,400 but</u>	<u>\$1,104.00 plus 6.40% of</u>
2	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
3	<u>Over \$48,000 but</u>	<u>\$1,718.00 plus 6.80% of</u>
4	<u>not over \$72,000</u>	<u>excess over \$48,000</u>
5	<u>Over \$72,000 but</u>	<u>\$3,350.00 plus 7.20% of</u>
6	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
7	<u>Over \$96,000 but</u>	<u>\$5,078.00 plus 7.60% of</u>
8	<u>not over \$250,000</u>	<u>excess over \$96,000</u>
9	<u>Over \$250,000 but</u>	<u>\$16,782.00 plus 7.90% of</u>
10	<u>not over \$350,000</u>	<u>excess over \$250,000</u>
11	<u>Over \$350,000 but</u>	<u>\$24,682.00 plus 8.25% of</u>
12	<u>not over \$450,000</u>	<u>excess over \$350,000</u>
13	<u>Over \$450,000 but</u>	<u>\$32,932.00 plus 10.00% of</u>
14	<u>not over \$550,000</u>	<u>excess over \$450,000</u>
15	<u>Over \$550,000 but</u>	<u>\$42,932.00 plus 11.00% of</u>
16	<u>not over \$650,000</u>	<u>excess over \$550,000</u>
17	<u>Over \$650,000</u>	<u>\$53,932.00 plus 12.00% of</u>
18		<u>excess over \$650,000.</u>

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



1 In the case of any taxable year beginning after December
2 31, 2017:

3	If the taxable income is:	The tax shall be:
4	Not over \$3,600	1.40% of taxable income
5	Over \$3,600 but	\$50.00 plus 3.20% of
6	not over \$7,200	excess over \$3,600
7	Over \$7,200 but	\$166.00 plus 5.50% of
8	not over \$14,400	excess over \$7,200
9	Over \$14,400 but	\$562.00 plus 6.40% of
10	not over \$21,600	excess over \$14,400
11	Over \$21,600 but	\$1,022.00 plus 6.80% of
12	not over \$28,800	excess over \$21,600
13	Over \$28,800 but	\$1,512.00 plus 7.20% of
14	not over \$36,000	excess over \$28,800
15	Over \$36,000 but	\$2,030.00 plus 7.60% of
16	not over \$54,000	excess over \$36,000
17	Over \$54,000 but	\$3,398.00 plus 7.90% of
18	not over \$72,000	excess over \$54,000
19	Over \$72,000 but	\$4,820.00 plus 8.25% of
20	not over \$225,000	excess over \$72,000
21	Over \$225,000 but	\$17,443.00 plus 9.00% of



1 Over \$187,500 but \$12,587.00 plus 7.90% of
 2 not over \$262,500 excess over \$187,500
 3 Over \$262,500 but \$18,512.00 plus 8.25% of
 4 not over \$337,500 excess over \$262,500
 5 Over \$337,500 but \$24,699.00 plus 9.00% of
 6 not over \$412,500 excess over \$337,500
 7 Over \$412,500 but \$31,449.00 plus 10.00% of
 8 not over \$487,500 excess over \$412,500
 9 Over \$487,500 \$38,949.00 plus 11.00% of
 10 excess over \$487,500.

11 ~~[In the case of any taxable year beginning after December~~
 12 ~~31, 2026:~~

13 ~~If the taxable income is: The tax shall be:~~
 14 ~~Not over \$21,600 1.40% of taxable income~~
 15 ~~Over \$21,600 but \$302.00 plus 3.20% of~~
 16 ~~not over \$28,800 excess over \$21,600~~
 17 ~~Over \$28,800 but \$533.00 plus 5.50% of~~
 18 ~~not over \$36,000 excess over \$28,800~~
 19 ~~Over \$36,000 but \$929.00 plus 6.40% of~~
 20 ~~not over \$54,000 excess over \$36,000~~
 21 ~~Over \$54,000 but \$2,081.00 plus 6.80% of~~



1	not over \$72,000	excess over \$54,000
2	Over \$72,000 but	\$3,305.00 plus 7.20% of
3	not over \$187,500	excess over \$72,000
4	Over \$187,500 but	\$11,621.00 plus 7.60% of
5	not over \$262,500	excess over \$187,500
6	Over \$262,500 but	\$17,321.00 plus 7.90% of
7	not over \$337,500	excess over \$262,500
8	Over \$337,500 but	\$23,246.00 plus 8.25% of
9	not over \$412,500	excess over \$337,500
10	Over \$412,500 but	\$29,433.00 plus 9.00% of
11	not over \$487,500	excess over \$412,500
12	Over \$487,500 but	\$36,183.00 plus 10.00% of
13	not over \$600,000	excess over \$487,500
14	Over \$600,000	\$47,433.00 plus 11.00% of
15		excess over \$600,000.

16 ~~In the case of any taxable year beginning after December~~
 17 ~~31, 2028:~~

18	If the taxable income is:	The tax shall be:
19	Not over \$28,800	1.40% of taxable income
20	Over \$28,800 but	\$403.00 plus 3.20% of
21	not over \$36,000	excess over \$28,800

1 In the case of any taxable year beginning after December
2 31, 2026:

3	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
4	<u>Not over \$14,400</u>	<u>1.40% of taxable income</u>
5	<u>Over \$14,400 but</u>	<u>\$202.00 plus 3.20% of</u>
6	<u>not over \$21,600</u>	<u>excess over \$14,400</u>
7	<u>Over \$21,600 but</u>	<u>\$432.00 plus 5.50% of</u>
8	<u>not over \$28,800</u>	<u>excess over \$21,600</u>
9	<u>Over \$28,800 but</u>	<u>\$828.00 plus 6.40% of</u>
10	<u>not over \$36,000</u>	<u>excess over \$28,800</u>
11	<u>Over \$36,000 but</u>	<u>\$1,289.00 plus 6.80% of</u>
12	<u>not over \$54,000</u>	<u>excess over \$36,000</u>
13	<u>Over \$54,000 but</u>	<u>\$2,513.00 plus 7.20% of</u>
14	<u>not over \$72,000</u>	<u>excess over \$54,000</u>
15	<u>Over \$72,000 but</u>	<u>\$3,809.00 plus 7.60% of</u>
16	<u>not over \$187,500</u>	<u>excess over \$72,000</u>
17	<u>Over \$187,500 but</u>	<u>\$12,587.00 plus 7.90% of</u>
18	<u>not over \$262,500</u>	<u>excess over \$187,500</u>
19	<u>Over \$262,500 but</u>	<u>\$18,512.00 plus 8.25% of</u>
20	<u>not over \$337,500</u>	<u>excess over \$262,500</u>
21	<u>Over \$337,500 but</u>	<u>\$24,699.00 plus 10.00% of</u>



1	<u>not over \$412,500</u>	<u>excess over \$337,500</u>
2	<u>Over \$412,500 but</u>	<u>\$32,199.00 plus 11.00% of</u>
3	<u>not over \$487,500</u>	<u>excess over \$412,500</u>
4	<u>Over \$487,500</u>	<u>\$40,449.00 plus 12.00% of</u>
5		<u>excess over \$487,500.</u>

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

12 In the case of any taxable year beginning after December
13 31, 2017:

14	If the taxable income is:	The tax shall be:
15	Not over \$2,400	1.40% of taxable income
16	Over \$2,400 but	\$34.00 plus 3.20% of
17	not over \$4,800	excess over \$2,400
18	Over \$4,800 but	\$110.00 plus 5.50% of
19	not over \$9,600	excess over \$4,800
20	Over \$9,600 but	\$374.00 plus 6.40% of
21	not over \$14,400	excess over \$9,600



1	Over \$14,400 but	\$682.00 plus 6.80% of
2	not over \$19,200	excess over \$14,400
3	Over \$19,200 but	\$1,008.00 plus 7.20% of
4	not over \$24,000	excess over \$19,200
5	Over \$24,000 but	\$1,354.00 plus 7.60% of
6	not over \$36,000	excess over \$24,000
7	Over \$36,000 but	\$2,266.00 plus 7.90% of
8	not over \$48,000	excess over \$36,000
9	Over \$48,000 but	\$3,214.00 plus 8.25% of
10	not over \$150,000	excess over \$48,000
11	Over \$150,000 but	\$11,629.00 plus 9.00% of
12	not over \$175,000	excess over \$150,000
13	Over \$175,000 but	\$13,879.00 plus 10.00% of
14	not over \$200,000	excess over \$175,000
15	Over \$200,000	\$16,379.00 plus 11.00% of
16		excess over \$200,000.

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

19	If the taxable income is	The tax shall be:
20	Not over \$9,600	1.40% of taxable income
21	Over \$9,600 but	\$134.00 plus 3.20% of



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



1 ~~[In the case of any taxable year beginning after December~~
2 ~~31, 2026:~~

3	If the taxable income is:	The tax shall be:
4	Not over \$14,400	1.40% of taxable income
5	Over \$14,400 but	\$202.00 plus 3.20% of
6	not over \$19,200	excess over \$14,400
7	Over \$19,200 but	\$355.00 plus 5.50% of
8	not over \$24,000	excess over \$19,200
9	Over \$24,000 but	\$619.00 plus 6.40% of
10	not over \$36,000	excess over \$24,000
11	Over \$36,000 but	\$1,387.00 plus 6.80% of
12	not over \$48,000	excess over \$36,000
13	Over \$48,000 but	\$2,203.00 plus 7.20% of
14	not over \$125,000	excess over \$48,000
15	Over \$125,000 but	\$7,747.00 plus 7.60% of
16	not over \$175,000	excess over \$125,000
17	Over \$175,000 but	\$11,547.00 plus 7.90% of
18	not over \$225,000	excess over \$175,000
19	Over \$225,000 but	\$15,497.00 plus 8.25% of
20	not over \$275,000	excess over \$225,000
21	Over \$275,000 but	\$19,622.00 plus 9.00% of



1	not over \$325,000	excess over \$275,000
2	Over \$325,000 but	\$24,122.00 plus 10.00% of
3	not over \$400,000	excess over \$325,000
4	Over \$400,000	\$31,622.00 plus 11.00% of
5		excess over \$400,000.
6	In the case of any taxable year beginning after December	
7	31, 2028:	
8	If the taxable income is:	The tax shall be:
9	Not over \$19,200	1.40% of taxable income
10	Over \$19,200 but	\$269.00 plus 3.20% of
11	not over \$24,000	excess over \$19,200
12	Over \$24,000 but	\$422.00 plus 5.50% of
13	not over \$36,000	excess over \$24,000
14	Over \$36,000 but	\$1,082.00 plus 6.40% of
15	not over \$48,000	excess over \$36,000
16	Over \$48,000 but	\$1,850.00 plus 6.80% of
17	not over \$125,000	excess over \$48,000
18	Over \$125,000 but	\$7,086.00 plus 7.20% of
19	not over \$175,000	excess over \$125,000
20	Over \$175,000 but	\$10,686.00 plus 7.60% of
21	not over \$225,000	excess over \$175,000



1	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
2	<u>Over \$36,000 but</u>	<u>\$1,675.00 plus 7.20% of</u>
3	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
4	<u>Over \$48,000 but</u>	<u>\$2,539.00 plus 7.60% of</u>
5	<u>not over \$125,000</u>	<u>excess over \$48,000</u>
6	<u>Over \$125,000 but</u>	<u>\$8,391.00 plus 7.90% of</u>
7	<u>not over \$175,000</u>	<u>excess over \$125,000</u>
8	<u>Over \$175,000 but</u>	<u>\$12,341.00 plus 8.25% of</u>
9	<u>not over \$225,000</u>	<u>excess over \$175,000</u>
10	<u>Over \$225,000 but</u>	<u>\$16,466.00 plus 10.00% of</u>
11	<u>not over \$275,000</u>	<u>excess over \$225,000</u>
12	<u>Over \$275,000 but</u>	<u>\$21,466.00 plus 11.00% of</u>
13	<u>not over \$325,000</u>	<u>excess over \$275,000</u>
14	<u>Over \$325,000</u>	<u>\$26,966.00 plus 12.00% of</u>
15		<u>excess over \$325,000."</u>

16 SECTION 2. Section 235-55.6, Hawaii Revised Statutes, is
 17 amended to read as follows:

18 "**§235-55.6 Expenses for household and dependent care**
 19 **services necessary for gainful employment.** (a) Allowance of
 20 credit.



1 (1) In general. For each resident taxpayer, who files an
2 individual income tax return for a taxable year, and
3 who is not claimed or is not otherwise eligible to be
4 claimed as a dependent by another taxpayer for federal
5 or Hawaii state individual income tax purposes, who
6 maintains a household which includes as a member one
7 or more qualifying individuals (as defined in
8 subsection (b) (1)), there shall be allowed as a credit
9 against the tax imposed by this chapter for the
10 taxable year an amount equal to the applicable
11 percentage of the employment-related expenses (as
12 defined in subsection (b) (2)) paid by the individual
13 during the taxable year. If the tax credit claimed by
14 a resident taxpayer exceeds the amount of income tax
15 payment due from the resident taxpayer, the excess of
16 the credit over payments due shall be refunded to the
17 resident taxpayer; provided that tax credit properly
18 claimed by a resident individual who has no income tax
19 liability shall be paid to the resident individual;
20 and provided further that no refunds or payment on



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

3 (2) Applicable percentage. For purposes of paragraph (1),
4 the taxpayer's applicable percentage shall be
5 determined as follows:

Adjusted gross income	Applicable percentage
Not over [\$25,000] <u>\$80,000</u>	[25%] <u>50%</u>
Over [\$25,000] <u>\$80,000</u> but	[24%] <u>45%</u>
not over [\$30,000] <u>\$90,000</u>	
Over [\$30,000] <u>\$90,000</u> but	[23%] <u>40%</u>
not over [\$35,000] <u>\$100,000</u>	
Over [\$35,000] <u>\$100,000</u> but	[22%] <u>35%</u>
not over [\$40,000] <u>\$110,000</u>	
Over [\$40,000] <u>\$110,000</u> but	[21%] <u>30%</u>
not over [\$45,000] <u>\$120,000</u>	
Over [\$45,000] <u>\$120,000</u> but	[20%] <u>25%</u>
not over [\$50,000] <u>\$130,000</u>	
Over [\$50,000] <u>\$130,000</u> but	[15%] <u>20%</u>
not over <u>\$140,000</u>	
Over <u>\$140,000</u> but	<u>15%</u>



1	<u>not over \$150,000</u>	
2	<u>Over \$150,000 but</u>	<u>10%</u>
3	<u>not over \$160,000</u>	
4	<u>Over \$160,000</u>	<u>5%.</u>

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

7 (1) Qualifying individual. The term "qualifying
8 individual" means:

9 (A) A dependent of the taxpayer who is under the age
10 of thirteen and with respect to whom the taxpayer
11 is entitled to a deduction under section 235-
12 54(a) [7];

13 (B) A dependent of the taxpayer who is physically or
14 mentally incapable of caring for oneself[7]; or

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

18 (2) Employment-related expenses.

19 (A) In general. The term "employment-related
20 expenses" means amounts paid for the following
21 expenses, but only if such expenses are incurred



1 to enable the taxpayer to be gainfully employed
2 for any period for which there are one or more
3 qualifying individuals with respect to the
4 taxpayer:

- 5 (i) Expenses for household services~~[7]~~i; and
- 6 (ii) Expenses for the care of a qualifying
7 individual.

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

12 (B) Exception. Employment-related expenses described
13 in subparagraph (A) which are incurred for
14 services outside the taxpayer's household shall
15 be taken into account only if incurred for the
16 care of:

- 17 (i) A qualifying individual described in
18 paragraph (1) (A) ~~[7]~~i; or
- 19 (ii) A qualifying individual (not described in
20 paragraph (1) (A)) who regularly spends at



1 least eight hours each day in the taxpayer's
2 household.

3 (C) Dependent care centers. Employment-related
4 expenses described in subparagraph (A) which are
5 incurred for services provided outside the
6 taxpayer's household by a dependent care center
7 (as defined in subparagraph (D)) shall be taken
8 into account only if:

9 (i) Such center complies with all applicable
10 laws, rules, and regulations of this State,
11 if the center is located within the
12 jurisdiction of this State; or

13 (ii) Such center complies with all applicable
14 laws, rules, and regulations of the
15 jurisdiction in which the center is located,
16 if the center is located outside the State;
17 and

18 (iii) The requirements of subparagraph (B) are
19 met.



1 (D) Dependent care center defined. For purposes of
2 this paragraph, the term "dependent care center"
3 means any facility [~~which~~] that:

4 (i) Provides care for more than six individuals
5 (other than individuals who reside at the
6 facility) [~~7~~]; and

7 (ii) Receives a fee, payment, or grant for
8 providing services for any of the
9 individuals (regardless of whether such
10 facility is operated for profit).

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

15 (1) \$10,000 if there is one qualifying individual with
16 respect to the taxpayer for such taxable year [~~7~~]; or

17 (2) \$20,000 if there are two or more qualifying
18 individuals with respect to the taxpayer for such
19 taxable year.

20 The amount determined under paragraph (1) or (2) (whichever is
21 applicable) shall be reduced by the aggregate amount excludable



1 from gross income under section 129 (with respect to dependent
2 care assistance programs) of the Internal Revenue Code for the
3 taxable year.

4 (d) Earned income limitation.

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

10 (A) In the case of an individual who is not married
11 at the close of such year, such individual's
12 earned income for such year~~7~~i; or

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

17 (2) Special rule for spouse who is a student or incapable
18 of caring for oneself. In the case of a spouse who is
19 a student or a qualified individual described in
20 subsection (b) (1) (C), for purposes of paragraph (1),
21 such spouse shall be deemed for each month during



1 which such spouse is a full-time student at an
2 educational institution, or is such a qualifying
3 individual, to be gainfully employed and to have
4 earned income of not less than:

5 (A) \$200 if subsection (c)(1) applies for the taxable
6 year~~[7]~~; or

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

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

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

13 (1) Maintaining household. An individual shall be treated
14 as maintaining a household for any period only if over
15 half the cost of maintaining the household for the
16 period is furnished by the individual (or, if the
17 individual is married during the period, is furnished
18 by the individual and the individual's spouse).

19 (2) Married couples must file joint return. If the
20 taxpayer is married at the close of the taxable year,
21 the credit shall be allowed under subsection (a) only



1 if the taxpayer and the taxpayer's spouse file a joint
2 return for the taxable year.

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

7 (4) Certain married individuals living apart. If:

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

10 (i) Maintains as the individual's home a
11 household that constitutes for more than
12 one-half of the taxable year the principal
13 place of abode of a qualifying
14 individual[7]; and

15 (ii) Furnishes over half of the cost of
16 maintaining the household during the taxable
17 year[7]; and

18 (B) During the last six months of the taxable year
19 the individual's spouse is not a member of the
20 household,

21 the individual shall not be considered as married.



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

3 (A) Paragraph (2) or (4) of section 152(e) of the
4 Internal Revenue Code of 1986, as amended,
5 applies to any child with respect to any calendar
6 year[~~7~~]; and

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

10 in the case of any taxable year beginning in the
11 calendar year, the child shall be treated as a
12 qualifying individual described in subsection
13 (b) (1) (A) or (B) (whichever is appropriate) with
14 respect to the custodial parent (within the meaning of
15 section 152(e) (1) of the Internal Revenue Code of
16 1986, as amended), and shall not be treated as a
17 qualifying individual with respect to the noncustodial
18 parent.

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



1 (A) With respect to whom, for the taxable year, a
 2 deduction under section 151(c) of the Internal
 3 Revenue Code of 1986, as amended (relating to
 4 deduction for personal exemptions for dependents)
 5 is allowable either to the taxpayer or the
 6 taxpayer's spouse[~~r~~]; or

7 (B) Who is a child of the taxpayer (within the
 8 meaning of section [~~151(e)(3)~~] 152(c)(1) of the
 9 Internal Revenue Code of 1986, as amended) who
 10 has not attained the age of nineteen at the close
 11 of the taxable year.

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

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

19 (8) Educational organization. The term "educational
 20 organization" means a school operated by the
 21 department of education under chapter 302A, an



1 educational organization described in section
2 170(b)(1)(A)(ii) of the Internal Revenue Code of 1986,
3 as amended, or a university, college, or community
4 college.

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

9 (A) The name, address, taxpayer identification
10 number, and general excise tax license number of
11 the person are included on the return claiming
12 the credit[7];

13 (B) If the person is located outside the State, the
14 name, address, and taxpayer identification
15 number, if any, of the person and a statement
16 indicating that the service provider is located
17 outside the State and that the general excise tax
18 license and, if applicable, the taxpayer
19 identification numbers are not required[7]; or

20 (C) If the person is an organization described in
21 section 501(c)(3) of the Internal Revenue Code



1 and exempt from tax under section 501(a) of the
2 Internal Revenue Code, the name and address of
3 the person are included on the return claiming
4 the credit.

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

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

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

18 (2) The period of two taxable years after the most recent
19 taxable year for which there was a final
20 administrative or judicial decision disallowing the
21 taxpayer's claim for credit.



1 income brackets. The legislature additionally finds that such
2 changes would promote equitable access to clean energy and help
3 offset federal actions taken to limit tax incentives for
4 renewable energy, helping to protect hundreds of jobs in the
5 State's energy industry.

6 Accordingly, the purpose of this part is to amend the
7 renewable energy technologies income tax credit by:

- 8 (1) Limiting claims for certain solar energy systems
9 installed and placed in service on a single-family
10 residential property to taxpayers with an adjusted
11 gross income of \$250,000 or less if filing as an
12 individual or \$350,000 or less if filing jointly;
- 13 (2) Removing certain cap amounts for solar energy systems
14 that are not third-party financed systems; and
- 15 (3) Increasing the adjusted gross income requirements for
16 an individual taxpayer to elect to have any excess
17 credits refunded and limiting refundability to systems
18 that are not third-party financed systems.

19 SECTION 5. Section 235-12.5, Hawaii Revised Statutes, is
20 amended as follows:

- 21 1. By amending subsections (a) to (c) to read:



1 "(a) Each individual or corporate taxpayer that files an
2 individual or corporate net income tax return for a taxable year
3 may claim a tax credit under this section against the Hawaii
4 state individual or corporate net income tax. The tax credit
5 may be claimed for every eligible renewable energy technology
6 system that is installed and placed in service in the State by a
7 taxpayer during the taxable year. No taxpayer may claim a tax
8 credit under this section for a solar energy system with the
9 primary purpose other than using energy from the sun to heat
10 water for household use that is installed and placed in service
11 on a single-family residential property unless the taxpayer's
12 adjusted gross income is \$250,000 or less if filing as an
13 individual or \$350,000 or less if filing jointly; provided that
14 this income restriction shall only apply to systems that are not
15 third-party financed systems. The tax credit may be claimed as
16 follows:

17 (1) For each solar energy system: thirty-five per cent of
18 the actual cost or the cap amount determined in
19 subsection (b); provided that:

20 (A) For taxable years beginning after December 31,
21 2019, and except as provided in subparagraphs (B)



1 and (C), no tax credit may be claimed for a solar
2 energy system that is five megawatts in total
3 output capacity or larger and requires a power
4 purchase agreement approved by the public
5 utilities commission;

6 (B) A solar energy system that is five megawatts in
7 total output capacity or larger, installed and
8 placed in service pursuant to a power purchase
9 agreement approved or pending approval by a
10 decision and order by the public utilities
11 commission prior to December 31, 2019, shall
12 continue to receive a tax credit equal to thirty-
13 five per cent of the actual cost, or \$500,000 per
14 solar energy system that has a total output
15 capacity of at least one thousand kilowatts per
16 system of direct current, whichever is less; and

17 (C) For each solar energy system integrated with a
18 pumped hydroelectric energy storage system, the
19 tax credit may be claimed for thirty-five per
20 cent of the actual cost or the cap amount
21 determined in subsection (b), whichever is less;



1 provided that applicable project approval filings
2 have been made to the public utilities commission
3 by December 31, 2021; or

4 (2) For each wind-powered energy system: twenty per cent
5 of the actual cost or the cap amount determined in
6 subsection (b), whichever is less;

7 provided further that multiple owners of a single system shall
8 be entitled to a single tax credit; and provided further that
9 the tax credit shall be apportioned between the owners in
10 proportion to their contribution to the cost of the system.

11 In the case of a partnership, S corporation, estate, or
12 trust, the tax credit allowable is for every eligible renewable
13 energy technology system that is installed and placed in service
14 in the State by the entity. The cost upon which the tax credit
15 is computed shall be determined at the entity level.

16 Distribution and share of credit shall be determined pursuant to
17 administrative rule.

18 (b) The amount of credit allowed for each eligible
19 renewable energy technology system shall not exceed the
20 applicable cap amount, which is determined as follows:



- 1 (1) If the primary purpose of the solar energy system is
2 to use energy from the sun to heat water for household
3 use, then the cap amounts shall be:
- 4 (A) \$2,250 per system for single-family residential
5 property;
- 6 (B) \$350 per unit per system for multi-family
7 residential property; and
- 8 (C) \$250,000 per system for commercial property;
- 9 (2) For all other solar energy systems, the cap amounts
10 shall be:
- 11 (A) [~~\$5,000 per system for~~] For single-family
12 residential property[+]:
- 13 (i) \$5,000 per third-party financed system; or
14 (ii) No cap for a system that is not a third-
15 party financed system;
- 16 provided that if all or a portion of the system
17 is used to fulfill the substitute renewable
18 energy technology requirement pursuant to section
19 196-6.5(a) (3), the credit shall be reduced by
20 thirty-five per cent of the actual system cost or
21 \$2,250, whichever is less;



1 (B) \$350 per unit per system for multi-family
2 residential property; and

3 (C) \$500,000 per system for commercial property; and

4 (3) For all wind-powered energy systems, the cap amounts
5 shall be:

6 (A) \$1,500 per system for single-family residential
7 property; provided that if all or a portion of
8 the system is used to fulfill the substitute
9 renewable energy technology requirement pursuant
10 to section 196-6.5(a)(3), the credit shall be
11 reduced by twenty per cent of the actual system
12 cost or \$1,500, whichever is less;

13 (B) \$200 per unit per system for multi-family
14 residential property; and

15 (C) \$500,000 per system for commercial property.

16 (c) For the purposes of this section:

17 "Actual cost" means costs related to the renewable energy
18 technology systems under subsection (a), including accessories
19 and installation, but not including the cost of consumer
20 incentive premiums unrelated to the operation of the system or



1 offered with the sale of the system and costs for which another
2 credit is claimed under this chapter.

3 "Household use" means any use to which heated water is
4 commonly put in a residential setting, including commercial
5 application of those uses.

6 "Renewable energy technology system" means a new system
7 that captures and converts a renewable source of energy, such as
8 solar or wind energy, into:

- 9 (1) A usable source of thermal or mechanical energy;
- 10 (2) Electricity; or
- 11 (3) Fuel.

12 "Solar or wind energy system" means any identifiable
13 facility, equipment, apparatus, or the like that converts solar
14 or wind energy to useful thermal or electrical energy for
15 heating, cooling, or reducing the use of other types of energy
16 that are dependent upon fossil fuel for their generation.

17 "Third-party financed system" means a renewable energy
18 technology system for which a tax credit under this section is
19 claimed by a taxpayer who is not the owner of the property on
20 which the system is installed and placed into service."

21 2. By amending subsection (h) to read:



1 "(h) Notwithstanding subsection (g), for any renewable
2 energy technology system, an individual taxpayer may elect to
3 have any excess of the credit over payments due refunded to the
4 taxpayer, if:

5 (1) All of the taxpayer's income is exempt from taxation
6 under section 235-7(a)(2) or (3); or

7 (2) The system is not a third-party financed system and
8 the taxpayer's adjusted gross income is ~~[\$20,000]~~
9 \$40,000 or less (or ~~[\$40,000]~~ \$60,000 or less if
10 filing a tax return as married filing jointly);

11 provided that tax credits properly claimed by a taxpayer who has
12 no income tax liability shall be paid to the taxpayer; ~~[and]~~
13 provided further that no refund on account of the tax credit
14 allowed by this section shall be made for amounts less than \$1.

15 ~~[A husband and wife]~~ Spouses who do not file a joint tax
16 return shall only be entitled to make this election to the
17 extent that they would have been entitled to make the election
18 had they filed a joint tax return.

19 The election required by this subsection shall be made in a
20 manner prescribed by the director on the taxpayer's return for
21 the taxable year in which the system is installed and placed in



1 service. A separate election may be made for each separate
2 system that generates a credit. An election once made is
3 irrevocable."

4 PART III

5 SECTION 6. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 7. This Act shall take effect on July 1, 3000;
8 provided that:

9 (1) Section 2 of this Act shall apply to taxable years
10 beginning after December 31, 2026;

11 (2) On December 31, 2032, section 2 of this Act shall be
12 repealed and section 235-55.6, Hawaii Revised
13 Statutes, shall be reenacted in the form in which it
14 read on the day prior to the effective date of Act
15 163, Session Laws of Hawaii 2023; and

16 (3) Part II of this Act shall apply to taxable years
17 beginning after December 31, 2026.



Report Title:

Income Tax; Income Tax Brackets; Household and Dependent Care Services Tax Credit; Disallowance Period; Earned Income Tax Credit; Food/Excise Tax Credit; Renewable Energy Technologies Income Tax Credit; Income Restriction; Solar Energy Systems; Third-party Financed Systems

Description:

PART I: Repeals future adjustments to income tax brackets. For taxable years beginning after 12/31/2026, adds an income tax bracket and increases the income tax rates for the three highest income tax brackets by one percentage point each. Increases a taxpayer's applicable percentage of employment-related expenses that is used to calculate the household and dependent care services tax credit and increases income eligibility thresholds for the credit. Establishes certain disallowance periods following a final decision that a claim for the credit was due to fraud and that the claim was disallowed. Extends the sunset for enhancements made by Act 163, SLH 2023, to the Household and Dependent Care Services Tax Credit, Earned Income Tax Credit, and Food/Excise Tax Credit to 12/31/2032. PART II: Amends the renewable energy technologies income tax credit by: for taxable years beginning after 12/31/26, 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 with an adjusted gross income of \$250,000 or less if filing as an individual or \$350,000 or less if filing jointly; removing certain cap amounts for solar energy systems that are not third-party financed systems; and increasing the maximum adjusted gross income an individual taxpayer must be below in order to be eligible to have any excess credits refunded and limiting credit refundability to systems that are not third-party financed systems. Effective 7/1/3000. (HD1)

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

