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# 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  
12 December 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  
21 December 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           ~~Over \$450,000 but~~                           ~~\$30,994.00 plus 8.25% of~~  
2                           ~~not over \$550,000~~                           ~~excess over \$450,000~~  
3           ~~Over \$550,000 but~~                           ~~\$39,244.00 plus 9.00% of~~  
4                           ~~not over \$650,000~~                           ~~excess over \$550,000~~  
5           ~~Over \$650,000 but~~                           ~~\$48,244.00 plus 10.00% of~~  
6                           ~~not over \$800,000~~                           ~~excess over \$650,000~~  
7           ~~Over \$800,000~~                           ~~\$63,244.00 plus 11.00% of~~  
8   ~~excess over \$800,000].~~

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

11	If the taxable income is:	The tax shall be:
12	Not over \$38,400	1.40% of taxable income
13	Over \$38,400 but	\$538.00 plus 3.20% of
14	not over \$48,000	excess over \$38,400
15	Over \$48,000 but	\$845.00 plus 5.50% of
16	not over \$72,000	excess over \$48,000
17	Over \$72,000 but	\$2,165.00 plus 6.40% of
18	not over \$96,000	excess over \$72,000
19	Over \$96,000 but	\$3,701.00 plus 6.80% of
20	not over \$250,000	excess over \$96,000
21	Over \$250,000 but	\$14,173.00 plus 7.20% of



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

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

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

19	If the taxable income is:	The tax shall be:
20	Not over \$3,600	1.40% of taxable income
21	Over \$3,600 but	\$50.00 plus 3.20% of



1	not over \$7,200	excess over \$3,600
2	Over \$7,200 but	\$166.00 plus 5.50% of
3	not over \$14,400	excess over \$7,200
4	Over \$14,400 but	\$562.00 plus 6.40% of
5	not over \$21,600	excess over \$14,400
6	Over \$21,600 but	\$1,022.00 plus 6.80% of
7	not over \$28,800	excess over \$21,600
8	Over \$28,800 but	\$1,512.00 plus 7.20% of
9	not over \$36,000	excess over \$28,800
10	Over \$36,000 but	\$2,030.00 plus 7.60% of
11	not over \$54,000	excess over \$36,000
12	Over \$54,000 but	\$3,398.00 plus 7.90% of
13	not over \$72,000	excess over \$54,000
14	Over \$72,000 but	\$4,820.00 plus 8.25% of
15	not over \$225,000	excess over \$72,000
16	Over \$225,000 but	\$17,443.00 plus 9.00% of
17	not over \$262,500	excess over \$225,000
18	Over \$262,500 but	\$20,818.00 plus 10.00% of
19	not over \$300,000	excess over \$262,500
20	Over \$300,000	\$24,568.00 plus 11.00% of
21		excess over \$300,000.



1           In the case of any taxable year beginning after  
2 December 31, 2024:

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 \$21,600	excess over \$14,400
7	Over \$21,600 but	\$432.00 plus 5.50% of
8	not over \$28,800	excess over \$21,600
9	Over \$28,800 but	\$828.00 plus 6.40% of
10	not over \$36,000	excess over \$28,800
11	Over \$36,000 but	\$1,289.00 plus 6.80% of
12	not over \$54,000	excess over \$36,000
13	Over \$54,000 but	\$2,513.00 plus 7.20% of
14	not over \$72,000	excess over \$54,000
15	Over \$72,000 but	\$3,809.00 plus 7.60% of
16	not over \$187,500	excess over \$72,000
17	Over \$187,500 but	\$12,587.00 plus 7.90% of
18	not over \$262,500	excess over \$187,500
19	Over \$262,500 but	\$18,512.00 plus 8.25% of
20	not over \$337,500	excess over \$262,500
21	Over \$337,500 but	\$24,699.00 plus 9.00% of







1	not over \$187,500	excess over \$72,000
2	Over \$187,500 but	\$10,630.00 plus 7.20% of
3	not over \$262,500	excess over \$187,500
4	<del>[Over \$262,500 but</del>	<del>\$16,030.00 plus 7.60% of</del>
5	<del>not over \$337,500</del>	<del>excess over \$262,500</del>
6	<del>Over \$337,500 but</del>	<del>\$21,730.00 plus 7.90% of</del>
7	<del>not over \$412,500</del>	<del>excess over \$337,500</del>
8	<del>Over \$412,500 but</del>	<del>\$27,655.00 plus 8.25% of</del>
9	<del>not over \$487,500</del>	<del>excess over \$412,500</del>
10	<del>Over \$487,500 but</del>	<del>\$33,842.00 plus 9.00% of</del>
11	<del>not over \$600,000</del>	<del>excess over \$487,500</del>
12	<del>Over \$600,000 but</del>	<del>\$43,967.00 plus 10.00% of</del>
13	<del>not over \$712,500</del>	<del>excess over \$600,000</del>
14	<del>Over \$712,500</del>	<del>\$55,217.00 plus 11.00% of</del>
15		<del>excess over \$712,500].</del>

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



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

3	If the taxable income is:	The tax shall be:
4	Not over \$2,400	1.40% of taxable income
5	Over \$2,400 but	\$34.00 plus 3.20% of
6	not over \$4,800	excess over \$2,400
7	Over \$4,800 but	\$110.00 plus 5.50% of
8	not over \$9,600	excess over \$4,800
9	Over \$9,600 but	\$374.00 plus 6.40% of
10	not over \$14,400	excess over \$9,600
11	Over \$14,400 but	\$682.00 plus 6.80% of
12	not over \$19,200	excess over \$14,400
13	Over \$19,200 but	\$1,008.00 plus 7.20% of
14	not over \$24,000	excess over \$19,200
15	Over \$24,000 but	\$1,354.00 plus 7.60% of
16	not over \$36,000	excess over \$24,000
17	Over \$36,000 but	\$2,266.00 plus 7.90% of
18	not over \$48,000	excess over \$36,000
19	Over \$48,000 but	\$3,214.00 plus 8.25% of
20	not over \$150,000	excess over \$48,000
21	Over \$150,000 but	\$11,629.00 plus 9.00% of





1	Over \$125,000 but	\$8,391.00 plus 7.90% of
2	not over \$175,000	excess over \$125,000
3	Over \$175,000 but	\$12,341.00 plus 8.25% of
4	not over \$225,000	excess over \$175,000
5	Over \$225,000 but	\$16,466.00 plus 9.00% of
6	not over \$275,000	excess over \$225,000
7	Over \$275,000 but	\$20,966.00 plus 10.00% of
8	not over \$325,000	excess over \$275,000
9	Over \$325,000	\$25,966.00 plus 11.00% of
10		excess over \$325,000.

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

13	If the taxable income is:	The tax shall be:
14	Not over \$14,400	1.40% of taxable income
15	Over \$14,400 but	\$202.00 plus 3.20% of
16	not over \$19,200	excess over \$14,400
17	Over \$19,200 but	\$355.00 plus 5.50% of
18	not over \$24,000	excess over \$19,200
19	Over \$24,000 but	\$619.00 plus 6.40% of
20	not over \$36,000	excess over \$24,000
21	Over \$36,000 but	\$1,387.00 plus 6.80% of



1	not over \$48,000	excess over \$36,000
2	Over \$48,000 but	\$2,203.00 plus 7.20% of
3	not over \$125,000	excess over \$48,000
4	Over \$125,000 but	\$7,747.00 plus 7.60% of
5	not over \$175,000	excess over \$125,000
6	<del>Over \$175,000 but</del>	<del>\$11,547.00 plus 7.90% of</del>
7	<del>not over \$225,000</del>	<del>excess over \$175,000</del>
8	<del>Over \$225,000 but</del>	<del>\$15,497.00 plus 8.25% of</del>
9	<del>not over \$275,000</del>	<del>excess over \$225,000</del>
10	<del>Over \$275,000 but</del>	<del>\$19,622.00 plus 9.00% of</del>
11	<del>not over \$325,000</del>	<del>excess over \$275,000</del>
12	<del>Over \$325,000 but</del>	<del>\$24,122.00 plus 10.00% of</del>
13	<del>not over \$400,000</del>	<del>excess over \$325,000</del>
14	<del>Over \$400,000</del>	<del>\$31,622.00 plus 11.00% of</del>
15		<del>excess over \$400,000].</del>

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

18	If the taxable income is:	The tax shall be:
19	Not over \$19,200	1.40% of taxable income
20	Over \$19,200 but	\$269.00 plus 3.20% of
21	not over \$24,000	excess over \$19,200



1 Over \$24,000 but \$422.00 plus 5.50% of  
2 not over \$36,000 excess over \$24,000  
3 Over \$36,000 but \$1,082.00 plus 6.40% of  
4 not over \$48,000 excess over \$36,000  
5 Over \$48,000 but \$1,850.00 plus 6.80% of  
6 not over \$125,000 excess over \$48,000  
7 Over \$125,000 but \$7,086.00 plus 7.20% of  
8 not over \$175,000 excess over \$125,000  
9 ~~Over \$175,000 but \$10,686.00 plus 7.60% of~~  
10 ~~not over \$225,000 excess over \$175,000~~  
11 ~~Over \$225,000 but \$14,486.00 plus 7.90% of~~  
12 ~~not over \$275,000 excess over \$225,000~~  
13 ~~Over \$275,000 but \$18,436.00 plus 8.25% of~~  
14 ~~not over \$325,000 excess over \$275,000~~  
15 ~~Over \$325,000 but \$22,561.00 plus 9.00% of~~  
16 ~~not over \$400,000 excess over \$325,000~~  
17 ~~Over \$400,000 but \$29,311.00 plus 10.00% of~~  
18 ~~not over \$475,000 excess over \$400,000~~  
19 ~~Over \$475,000 \$36,811.00 plus 11.00% of~~  
20 ~~excess over \$475,000]."~~



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

3 **"§235-55.6 Expenses for household and dependent care**  
4 **services necessary for gainful employment.** (a) Allowance of  
5 credit.

6 (1) In general. For each resident taxpayer, who files an  
7 individual income tax return for a taxable year, and  
8 who is not claimed or is not otherwise eligible to be  
9 claimed as a dependent by another taxpayer for federal  
10 or Hawaii state individual income tax purposes, who  
11 maintains a household which includes as a member one  
12 or more qualifying individuals (as defined in  
13 subsection (b)(1)), there shall be allowed as a credit  
14 against the tax imposed by this chapter for the  
15 taxable year an amount equal to the applicable  
16 percentage of the employment-related expenses (as  
17 defined in subsection (b)(2)) paid by the individual  
18 during the taxable year. If the tax credit claimed by  
19 a resident taxpayer exceeds the amount of income tax  
20 payment due from the resident taxpayer, the excess of  
21 the credit over payments due shall be refunded to the



1 resident taxpayer; provided that tax credit properly  
 2 claimed by a resident individual who has no income tax  
 3 liability shall be paid to the resident individual;  
 4 and provided further that no refunds or payment on  
 5 account of the tax credit allowed by this section  
 6 shall be made for amounts less than \$1.

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

10	<del>Adjusted gross income</del>	<del>Applicable percentage</del>
11	<del>Not over \$25,000</del>	<del>25%</del>
12	<del>Over \$25,000 but</del>	<del>24%</del>
13	<del>not over \$30,000</del>	
14	<del>Over \$30,000 but</del>	<del>23%</del>
15	<del>not over \$35,000</del>	
16	<del>Over \$35,000 but</del>	<del>22%</del>
17	<del>not over \$40,000</del>	
18	<del>Over \$40,000 but</del>	<del>21%</del>
19	<del>not over \$45,000</del>	
20	<del>Over \$45,000 but</del>	<del>20%</del>
21	<del>not over \$50,000</del>	





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

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

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

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

- 20 (i) A qualifying individual described in  
21 paragraph (1)(A), or



- 1           (ii) A qualifying individual (not described in  
2           paragraph (1)(A)) who regularly spends at  
3           least eight hours each day in the taxpayer's  
4           household.
- 5           (C) Dependent care centers. Employment-related  
6           expenses described in subparagraph (A) which are  
7           incurred for services provided outside the  
8           taxpayer's household by a dependent care center  
9           (as defined in subparagraph (D)) shall be taken  
10          into account only if:
- 11          (i) Such center complies with all applicable  
12          laws, rules, and regulations of this State,  
13          if the center is located within the  
14          jurisdiction of this State; or
- 15          (ii) Such center complies with all applicable  
16          laws, rules, and regulations of the  
17          jurisdiction in which the center is located,  
18          if the center is located outside the State;  
19          and
- 20          (iii) The requirements of subparagraph (B) are  
21          met.



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

4 (i) Provides care for more than six individuals  
5 (other than individuals who reside at the  
6 facility), 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, 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, 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, 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 individual,  
14 and

15 (ii) Furnishes over half of the cost of  
16 maintaining the household during the taxable  
17 year, 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, the individual shall not be considered  
21 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, 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, or

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

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, 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 ~~Hawaii state individual or corporate net income tax. The tax~~  
2 ~~credit may be claimed for every eligible renewable energy~~  
3 ~~technology system that is installed and placed in service in the~~  
4 ~~State by a taxpayer during the taxable year. The tax credit may~~  
5 ~~be claimed as follows:~~

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

9           ~~(A) For taxable years beginning after December 31,~~  
10           ~~2019, and except as provided in subparagraphs (B)~~  
11           ~~and (C), no tax credit may be claimed for a solar~~  
12           ~~energy system that is five megawatts in total~~  
13           ~~output capacity or larger and requires a power~~  
14           ~~purchase agreement approved by the public~~  
15           ~~utilities commission;~~

16           ~~(B) A solar energy system that is five megawatts in~~  
17           ~~total output capacity or larger, installed and~~  
18           ~~placed in service pursuant to a power purchase~~  
19           ~~agreement approved or pending approval by a~~  
20           ~~decision and order by the public utilities~~  
21           ~~commission prior to December 31, 2019, shall~~



1 ~~continue to receive a tax credit equal to thirty-~~  
2 ~~five per cent of the actual cost, or \$500,000 per~~  
3 ~~solar energy system that has a total output~~  
4 ~~capacity of at least one thousand kilowatts per~~  
5 ~~system of direct current, whichever is less; and~~  
6 ~~(C) For each solar energy system integrated with a~~  
7 ~~pumped hydroelectric energy storage system, the~~  
8 ~~tax credit may be claimed for thirty-five per~~  
9 ~~cent of the actual cost or the cap amount~~  
10 ~~determined in subsection (b), whichever is less;~~  
11 ~~provided that applicable project approval filings~~  
12 ~~have been made to the public utilities commission~~  
13 ~~by December 31, 2021; or~~  
14 ~~(2) For each wind powered energy system: twenty per cent~~  
15 ~~of the actual cost or the cap amount determined in~~  
16 ~~subsection (b), whichever is less;~~  
17 ~~provided further that multiple owners of a single system shall~~  
18 ~~be entitled to a single tax credit; and provided further that~~  
19 ~~the tax credit shall be apportioned between the owners in~~  
20 ~~proportion to their contribution to the cost of the system.~~



1 ~~In the case of a partnership, S corporation, estate, or~~  
2 ~~trust, the tax credit allowable is for every eligible renewable~~  
3 ~~energy technology system that is installed and placed in service~~  
4 ~~in the State by the entity. The cost upon which the tax credit~~  
5 ~~is computed shall be determined at the entity level.~~

6 ~~Distribution and share of credit shall be determined pursuant to~~  
7 ~~administrative rule.~~

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

11 ~~(1) If the primary purpose of the solar energy system is~~  
12 ~~to use energy from the sun to heat water for household~~  
13 ~~use, then the cap amounts shall be:~~

14 ~~(A) \$2,250 per system for single family residential~~  
15 ~~property;~~

16 ~~(B) \$350 per unit per system for multi-family~~  
17 ~~residential property; and~~

18 ~~(C) \$250,000 per system for commercial property;~~

19 ~~(2) For all other solar energy systems, the cap amounts~~  
20 ~~shall be:~~



- 1           ~~(A) \$5,000 per system for single-family residential~~
- 2           ~~property; provided that if all or a portion of~~
- 3           ~~the system is used to fulfill the substitute~~
- 4           ~~renewable energy technology requirement pursuant~~
- 5           ~~to section 196-6.5(a)(3), the credit shall be~~
- 6           ~~reduced by thirty-five per cent of the actual~~
- 7           ~~system cost or \$2,250, whichever is less;~~
- 8           ~~(B) \$350 per unit per system for multi-family~~
- 9           ~~residential property; and~~
- 10          ~~(C) \$500,000 per system for commercial property; and~~
- 11          ~~(3) For all wind-powered energy systems, the cap amounts~~
- 12          ~~shall be:~~
- 13          ~~(A) \$1,500 per system for single-family residential~~
- 14          ~~property; provided that if all or a portion of~~
- 15          ~~the system is used to fulfill the substitute~~
- 16          ~~renewable energy technology requirement pursuant~~
- 17          ~~to section 196-6.5(a)(3), the credit shall be~~
- 18          ~~reduced by twenty per cent of the actual system~~
- 19          ~~cost or \$1,500, whichever is less;~~
- 20          ~~(B) \$200 per unit per system for multi-family~~
- 21          ~~residential property; and~~



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

2           ~~(c) For the purposes of this section:~~

3           ~~"Actual cost" means costs related to the renewable energy~~  
4 ~~technology systems under subsection (a), including accessories~~  
5 ~~and installation, but not including the cost of consumer~~  
6 ~~incentive premiums unrelated to the operation of the system or~~  
7 ~~offered with the sale of the system and costs for which another~~  
8 ~~credit is claimed under this chapter.~~

9           ~~"Household use" means any use to which heated water is~~  
10 ~~commonly put in a residential setting, including commercial~~  
11 ~~application of those uses.~~

12           ~~"Renewable energy technology system" means a new system~~  
13 ~~that captures and converts a renewable source of energy, such as~~  
14 ~~solar or wind energy, into:~~

15           ~~(1) A usable source of thermal or mechanical energy;~~

16           ~~(2) Electricity; or~~

17           ~~(3) Fuel.~~

18           ~~"Solar or wind energy system" means any identifiable~~  
19 ~~facility, equipment, apparatus, or the like that converts solar~~  
20 ~~or wind energy to useful thermal or electrical energy for~~



1 ~~heating, cooling, or reducing the use of other types of energy~~  
2 ~~that are dependent upon fossil fuel for their generation.~~

3 ~~(d) For taxable years beginning after December 31, 2005,~~  
4 ~~the dollar amount of any utility rebate shall be deducted from~~  
5 ~~the cost of the qualifying system and its installation before~~  
6 ~~applying the state tax credit.~~

7 ~~(e) The director of taxation shall prepare any forms that~~  
8 ~~may be necessary to claim a tax credit under this section,~~  
9 ~~including forms identifying the technology type of each tax~~  
10 ~~credit claimed under this section, whether for solar or wind.~~  
11 ~~The director may also require the taxpayer to furnish reasonable~~  
12 ~~information to ascertain the validity of the claim for credit~~  
13 ~~made under this section and may adopt rules necessary to~~  
14 ~~effectuate the purposes of this section pursuant to chapter 91.~~

15 ~~(f) If the tax credit under this section exceeds the~~  
16 ~~taxpayer's income tax liability, the excess of the credit over~~  
17 ~~liability may be used as a credit against the taxpayer's income~~  
18 ~~tax liability in subsequent years until exhausted, unless~~  
19 ~~otherwise elected by the taxpayer pursuant to subsection (g) or~~  
20 ~~(h). All claims for the tax credit under this section,~~  
21 ~~including amended claims, shall be filed on or before the end of~~



1 ~~the twelfth month following the close of the taxable year for~~  
2 ~~which the credit may be claimed. Failure to comply with this~~  
3 ~~subsection shall constitute a waiver of the right to claim the~~  
4 ~~credit.~~

5 ~~(g) For solar energy systems, a taxpayer may elect to~~  
6 ~~reduce the eligible credit amount by thirty per cent and if this~~  
7 ~~reduced amount exceeds the amount of income tax payment due from~~  
8 ~~the taxpayer, the excess of the credit amount over payments due~~  
9 ~~shall be refunded to the taxpayer; provided that tax credit~~  
10 ~~amounts properly claimed by a taxpayer who has no income tax~~  
11 ~~liability shall be paid to the taxpayer; and provided further~~  
12 ~~that no refund on account of the tax credit allowed by this~~  
13 ~~section shall be made for amounts less than \$1.~~

14 ~~The election required by this subsection shall be made in a~~  
15 ~~manner prescribed by the director on the taxpayer's return for~~  
16 ~~the taxable year in which the system is installed and placed in~~  
17 ~~service. A separate election may be made for each separate~~  
18 ~~system that generates a credit. An election once made is~~  
19 ~~irrevocable.~~

20 ~~(h) Notwithstanding subsection (g), for any renewable~~  
21 ~~energy technology system, an individual taxpayer may elect to~~



1 ~~have any excess of the credit over payments due refunded to the~~  
2 ~~taxpayer, if:~~

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

5 ~~(2) The taxpayer's adjusted gross income is \$20,000 or~~  
6 ~~less (or \$40,000 or less if filing a tax return as~~  
7 ~~married filing jointly);~~

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

12 ~~A husband and wife who do not file a joint tax return shall~~  
13 ~~only be entitled to make this election to the extent that they~~  
14 ~~would have been entitled to make the election had they filed a~~  
15 ~~joint tax return.~~

16 ~~The election required by this subsection shall be made in a~~  
17 ~~manner prescribed by the director on the taxpayer's return for~~  
18 ~~the taxable year in which the system is installed and placed in~~  
19 ~~service. A separate election may be made for each separate~~  
20 ~~system that generates a credit. An election once made is~~  
21 ~~irrevocable.~~



1       ~~(i) No taxpayer shall be allowed a credit under this~~  
2 ~~section for the portion of the renewable energy technology~~  
3 ~~system required by section 196-6.5 that is installed and placed~~  
4 ~~in service on any newly constructed single-family residential~~  
5 ~~property authorized by a building permit issued on or after~~  
6 ~~January 1, 2010.~~

7       ~~(j) To the extent feasible, using existing resources to~~  
8 ~~assist the energy efficiency policy review and evaluation, the~~  
9 ~~department shall assist with data collection on the following~~  
10 ~~for each taxable year:~~

11       ~~(1) The number of renewable energy technology systems that~~  
12 ~~have qualified for a tax credit during the calendar~~  
13 ~~year by:~~

14       ~~(A) Technology type; and~~

15       ~~(B) Taxpayer type (corporate and individual); and~~

16       ~~(2) The total cost of the tax credit to the State during~~  
17 ~~the taxable year by:~~

18       ~~(A) Technology type; and~~

19       ~~(B) Taxpayer type.~~



1       ~~(k) This section shall apply to eligible renewable energy~~  
2 ~~technology systems that are installed and placed in service on~~  
3 ~~or after July 1, 2009." ]~~

4       SECTION 5. Section 235-110.7, Hawaii Revised Statutes, is  
5 repealed.

6       ~~["§235-110.7 Capital goods excise tax credit. (a) There~~  
7 ~~shall be allowed to each taxpayer subject to the tax imposed by~~  
8 ~~this chapter a capital goods excise tax credit, which shall be~~  
9 ~~deductible from the taxpayer's net income tax liability, if any,~~  
10 ~~imposed by this chapter for the taxable year in which the credit~~  
11 ~~is properly claimed.~~

12       ~~The amount of the tax credit shall be four per cent of the~~  
13 ~~cost of the eligible depreciable tangible personal property used~~  
14 ~~by the taxpayer in a trade or business and placed in service~~  
15 ~~within Hawaii after December 31, 2009.~~

16       ~~In the case of a partnership, S corporation, estate, or~~  
17 ~~trust, the tax credit allowable is for eligible depreciable~~  
18 ~~tangible personal property that is placed in service by the~~  
19 ~~entity. The cost upon which the tax credit is computed shall be~~  
20 ~~determined at the entity level. Distribution and share of~~  
21 ~~credit shall be determined by rules.~~



1 ~~In the case of eligible depreciable tangible personal~~  
2 ~~property for which a credit for sales or use taxes paid to~~  
3 ~~another state is allowable under section 238-3(i), the amount of~~  
4 ~~the tax credit allowed under this section shall not exceed the~~  
5 ~~amount of use tax actually paid under chapter 238 relating to~~  
6 ~~the tangible personal property.~~

7 ~~If a deduction is taken under section 179 (with respect to~~  
8 ~~election to expense certain depreciable business assets) of the~~  
9 ~~Internal Revenue Code of 1954, as amended, no tax credit shall~~  
10 ~~be allowed for that portion of the cost of property for which~~  
11 ~~the deduction was taken.~~

12 ~~(b) If the capital goods excise tax credit allowed under~~  
13 ~~subsection (a) exceeds the taxpayer's net income tax liability,~~  
14 ~~the excess of credit over liability shall be refunded to the~~  
15 ~~taxpayer; provided that no refunds or payment on account of the~~  
16 ~~tax credit allowed by this section shall be made for amounts~~  
17 ~~less than \$1.~~

18 ~~All claims for tax credits under this section, including~~  
19 ~~any amended claims, must be filed on or before the end of the~~  
20 ~~twelfth month following the close of the taxable year for which~~  
21 ~~the credits may be claimed. Failure to comply with the~~



1 ~~foregoing provision shall constitute a waiver of the right to~~  
2 ~~claim the credit.~~

3 ~~(c) Application for the capital goods excise tax credit~~  
4 ~~shall be upon forms provided by the department of taxation.~~

5 ~~(d) Sections 47 (with respect to dispositions of section~~  
6 ~~38 property and the recapture percentages) of the Internal~~  
7 ~~Revenue Code of 1954, as amended, as of December 31, 1984, and~~  
8 ~~280F as operative for this chapter (with respect to limitation~~  
9 ~~on investment tax credit and depreciation for luxury~~  
10 ~~automobiles; limitation where certain property used for personal~~  
11 ~~purposes) of the Internal Revenue Code of 1954, as amended,~~  
12 ~~shall be operative for purposes of this section.~~

13 ~~(e) As used in this section, the definition of section 38~~  
14 ~~property (with respect to investment in depreciable tangible~~  
15 ~~personal property) as defined by section 48(a)(1)(A), (a)(1)(B),~~  
16 ~~(a)(3), (a)(4), (a)(7), (a)(8), (a)(10)(A), (b), (c), (f), (l),~~  
17 ~~(m), and (s) of the Internal Revenue Code of 1954, as amended as~~  
18 ~~of December 31, 1984, is operative for the purposes of this~~  
19 ~~section only.~~

20 ~~(f) As used in this section:~~

21 ~~"Cost" means the:~~



1 ~~(1) Actual invoice price of the tangible personal~~  
2 ~~property; or~~  
3 ~~(2) Basis from which depreciation is taken under section~~  
4 ~~167 (with respect to depreciation) or from which a~~  
5 ~~deduction may be taken under section 168 (with respect~~  
6 ~~to accelerated cost recovery system) of the Internal~~  
7 ~~Revenue Code of 1954, as amended,~~  
8 ~~whichever is less.~~

9 ~~"Eligible depreciable tangible personal property" is~~  
10 ~~section 38 property as defined by the operative provisions of~~  
11 ~~section 48 and having a depreciable life under section 167 or~~  
12 ~~for which a deduction may be taken under section 168 of the~~  
13 ~~Internal Revenue Code of 1954, as amended.~~

14 ~~"Placed in service" means the earliest of the following~~  
15 ~~taxable years:~~

16 ~~(1) The taxable year in which, under the:~~  
17 ~~(A) Taxpayer's depreciation practice, the period for~~  
18 ~~depreciation; or~~  
19 ~~(B) Accelerated cost recovery system, a claim for~~  
20 ~~recovery allowances,~~  
21 ~~with respect to the property begins; or~~



1       ~~(2) The taxable year in which the property is placed in a~~  
2           ~~condition or state of readiness and availability for a~~  
3           ~~specifically assigned function.~~

4       ~~"Purchase" means an acquisition of property.~~

5       ~~"Tangible personal property" means tangible personal~~  
6       ~~property that is placed in service within Hawaii after December~~  
7       ~~31, 1987, and the purchase or importation of which resulted in a~~  
8       ~~transaction that was subject to the imposition and payment of~~  
9       ~~tax at the rate of four per cent under chapter 237 or 238.~~

10       ~~"Tangible personal property" does not include tangible personal~~  
11       ~~property that is an integral part of a building or structure or~~  
12       ~~tangible personal property used in a foreign trade zone, as~~  
13       ~~defined under chapter 212." ]~~

14       SECTION 6. Section 235-110.9, Hawaii Revised Statutes, is  
15       repealed.

16       ~~["§235-110.9 High technology business investment tax~~  
17       ~~credit. (a) There shall be allowed to each taxpayer subject to~~  
18       ~~the taxes imposed by this chapter a high technology business~~  
19       ~~investment tax credit that shall be deductible from the~~  
20       ~~taxpayer's net income tax liability, if any, imposed by this~~  
21       ~~chapter for the taxable year in which the investment was made~~



1 ~~and the following four years provided the credit is properly~~  
2 ~~claimed. The tax credit shall be as follows:~~

3 ~~(1) In the year the investment was made, thirty-five per~~  
4 ~~cent;~~

5 ~~(2) In the first year following the year in which the~~  
6 ~~investment was made, twenty-five per cent;~~

7 ~~(3) In the second year following the investment, twenty~~  
8 ~~per cent;~~

9 ~~(4) In the third year following the investment, ten per~~  
10 ~~cent; and~~

11 ~~(5) In the fourth year following the investment, ten per~~  
12 ~~cent;~~

13 ~~of the investment made by the taxpayer in each qualified high~~  
14 ~~technology business, up to a maximum allowed credit in the year~~  
15 ~~the investment was made, \$700,000; in the first year following~~  
16 ~~the year in which the investment was made, \$500,000; in the~~  
17 ~~second year following the year in which the investment was made,~~  
18 ~~\$400,000; in the third year following the year in which the~~  
19 ~~investment was made, \$200,000; and in the fourth year following~~  
20 ~~the year in which the investment was made, \$200,000.~~



1       ~~(b) The credit allowed under this section shall be claimed~~  
2 ~~against the net income tax liability for the taxable year. For~~  
3 ~~the purpose of this section, "net income tax liability" means~~  
4 ~~net income tax liability reduced by all other credits allowed~~  
5 ~~under this chapter.~~

6       ~~(c) If the tax credit under this section exceeds the~~  
7 ~~taxpayer's income tax liability for any of the five years that~~  
8 ~~the credit is taken, the excess of the tax credit over liability~~  
9 ~~may be used as a credit against the taxpayer's income tax~~  
10 ~~liability in subsequent years until exhausted. Every claim,~~  
11 ~~including amended claims, for a tax credit under this section~~  
12 ~~shall be filed on or before the end of the twelfth month~~  
13 ~~following the close of the taxable year for which the credit may~~  
14 ~~be claimed. Failure to comply with the foregoing provision~~  
15 ~~shall constitute a waiver of the right to claim the credit.~~

16       ~~(d) If at the close of any taxable year in the five-year~~  
17 ~~period in subsection (a):~~

18       ~~(1) The business no longer qualifies as a qualified high~~  
19 ~~technology business;~~



1       ~~(2) The business or an interest in the business has been~~  
2           ~~sold by the taxpayer investing in the qualified high~~  
3           ~~technology business; or~~

4       ~~(3) The taxpayer has withdrawn the taxpayer's investment~~  
5           ~~wholly or partially from the qualified high technology~~  
6           ~~business;~~

7       ~~the credit claimed under this section shall be recaptured. The~~  
8       ~~recapture shall be equal to ten per cent of the amount of the~~  
9       ~~total tax credit claimed under this section in the preceding two~~  
10       ~~taxable years. The amount of the credit recaptured shall apply~~  
11       ~~only to the investment in the particular qualified high~~  
12       ~~technology business that meets the requirements of paragraph~~  
13       ~~(1), (2), or (3). The recapture provisions of this subsection~~  
14       ~~shall not apply to a tax credit claimed for a qualified high~~  
15       ~~technology business that does not fall within the provisions of~~  
16       ~~paragraph (1), (2), or (3). The amount of the recaptured tax~~  
17       ~~credit determined under this subsection shall be added to the~~  
18       ~~taxpayer's tax liability for the taxable year in which the~~  
19       ~~recapture occurs under this subsection.~~

20       ~~(c) Every taxpayer, before March 31 of each year in which~~  
21       ~~an investment in a qualified high technology business was made~~



1 ~~in the previous taxable year, shall submit a written, certified~~  
2 ~~statement to the director of taxation identifying:~~

3 ~~(1) Qualified investments, if any, expended in the~~  
4 ~~previous taxable year; and~~

5 ~~(2) The amount of tax credits claimed pursuant to this~~  
6 ~~section, if any, in the previous taxable year.~~

7 ~~(f) The department shall:~~

8 ~~(1) Maintain records of the names and addresses of the~~  
9 ~~taxpayers claiming the credits under this section and~~  
10 ~~the total amount of the qualified investment costs~~  
11 ~~upon which the tax credit is based;~~

12 ~~(2) Verify the nature and amount of the qualifying~~  
13 ~~investments;~~

14 ~~(3) Total all qualifying and cumulative investments that~~  
15 ~~the department certifies; and~~

16 ~~(4) Certify the amount of the tax credit for each taxable~~  
17 ~~year and cumulative amount of the tax credit.~~

18 ~~Upon each determination made under this subsection, the~~  
19 ~~department shall issue a certificate to the taxpayer verifying~~  
20 ~~information submitted to the department, including qualifying~~  
21 ~~investment amounts, the credit amount certified for each taxable~~



1 ~~year, and the cumulative amount of the tax credit during the~~  
2 ~~credit period. The taxpayer shall file the certificate with the~~  
3 ~~taxpayer's tax return with the department.~~

4 ~~The director of taxation may assess and collect a fee to~~  
5 ~~offset the costs of certifying tax credits claims under this~~  
6 ~~section. All fees collected under this section shall be~~  
7 ~~deposited into the tax administration special fund established~~  
8 ~~under section 235-20.5.~~

9 ~~(g) As used in this section:~~

10 ~~"Investment tax credit allocation ratio" means, with~~  
11 ~~respect to a taxpayer that has made an investment in a qualified~~  
12 ~~high technology business, the ratio of:~~

13 ~~(1) The amount of the credit under this section that is,~~  
14 ~~or is to be, received by or allocated to the taxpayer~~  
15 ~~over the life of the investment, as a result of the~~  
16 ~~investment; to~~

17 ~~(2) The amount of the investment in the qualified high~~  
18 ~~technology business.~~

19 ~~"Qualified high technology business" means a business,~~  
20 ~~employing or owning capital or property, or maintaining an~~  
21 ~~office, in this State; provided that:~~



- 1       ~~(1) More than fifty per cent of its total business~~  
2           ~~activities are qualified research; and provided~~  
3           ~~further that the business conducts more than seventy-~~  
4           ~~five per cent of its qualified research in this State;~~  
5           ~~or~~
- 6       ~~(2) More than seventy-five per cent of its gross income is~~  
7           ~~derived from qualified research; and provided further~~  
8           ~~that this income is received from:~~
- 9           ~~(A) Products sold from, manufactured in, or produced~~  
10           ~~in this State; or~~
- 11          ~~(B) Services performed in this State.~~
- 12        ~~"Qualified research" means the same as defined in section~~  
13        ~~235-7.3.~~
- 14        ~~(h) Common law principles, including the doctrine of~~  
15        ~~economic substance and business purpose, shall apply to any~~  
16        ~~investment. There exists a presumption that a transaction~~  
17        ~~satisfies the doctrine of economic substance and business~~  
18        ~~purpose to the extent that the special allocation of the high~~  
19        ~~technology business tax credit has an investment tax credit~~  
20        ~~ratio of 1.5 or less of credit for every dollar invested.~~



1       ~~Transactions for which an investment tax credit allocation~~  
2 ~~ratio greater than 1.5 but not more than 2.0 of credit for every~~  
3 ~~dollar invested and claimed may be reviewed by the department~~  
4 ~~for applicable doctrines of economic substance and business~~  
5 ~~purpose.~~

6       ~~Businesses claiming a tax credit for transactions with~~  
7 ~~investment tax credit allocation ratios greater than 2.0 of~~  
8 ~~credit for every dollar invested shall substantiate economic~~  
9 ~~merit and business purpose consistent with this section.~~

10       ~~(i) For investments made on or after May 1, 2009,~~  
11 ~~notwithstanding any other law to the contrary, no allocations,~~  
12 ~~special or otherwise, of credits under this section may exceed~~  
13 ~~the amount of the investment made by the taxpayer ultimately~~  
14 ~~claiming this credit; and investment tax credit allocation~~  
15 ~~ratios greater than 1.0 of credit for every dollar invested~~  
16 ~~shall not be allowed. In addition, the credit shall be allowed~~  
17 ~~only in accordance with subsection (a).~~

18       ~~(j) This section shall not apply to taxable years~~  
19 ~~beginning after December 31, 2010." ]~~

20       SECTION 7. Section 235-110.32, Hawaii Revised Statutes, is  
21 repealed.



1           ~~["§235-110.32] Renewable fuels production tax credit.~~

2   ~~(a) Each year during the credit period, there shall be allowed~~  
3   ~~to each taxpayer subject to the taxes imposed by this chapter a~~  
4   ~~renewable fuels production tax credit that shall be applied to~~  
5   ~~the taxpayer's net income tax liability, if any, imposed by this~~  
6   ~~chapter for the taxable year in which the credit is properly~~  
7   ~~claimed.~~

8           ~~For each taxpayer producing renewable fuels, the annual~~  
9   ~~dollar amount of the renewable fuels production tax credit~~  
10   ~~during the ten-year credit period shall be equal to 20 cents per~~  
11   ~~seventy-six thousand British thermal units of renewable fuels~~  
12   ~~using the lower heating value sold for distribution in the~~  
13   ~~State; provided that the taxpayer's production of renewable~~  
14   ~~fuels is not less than two billion five hundred million British~~  
15   ~~thermal units of renewable fuels per calendar year; provided~~  
16   ~~further that the amount of the tax credit claimed under this~~  
17   ~~section by a taxpayer shall not exceed \$3,500,000 per taxable~~  
18   ~~year; provided further that the tax credit shall only be claimed~~  
19   ~~for fuels with lifecycle emissions below that of fossil fuels.~~  
20   ~~No other tax credit may be claimed under this chapter for the~~  
21   ~~costs incurred to produce the renewable fuels that are used to~~



1 ~~properly claim a tax credit under this section for the taxable~~  
2 ~~year.~~

3 ~~Each taxpayer, together with all of its related entities as~~  
4 ~~determined under section 267(b) of the Internal Revenue Code and~~  
5 ~~all business entities under common control, as determined under~~  
6 ~~sections 414(b), 414(c), and 1563(a) of the Internal Revenue~~  
7 ~~Code, shall not be eligible for more than a single ten-year~~  
8 ~~credit period.~~

9 ~~(b) In the case of a partnership, S corporation, estate,~~  
10 ~~or trust, distribution and share of the renewable fuels~~  
11 ~~production tax credit shall be determined pursuant to section~~  
12 ~~704(b) (with respect to a partner's distributive share) of the~~  
13 ~~Internal Revenue Code of 1986, as amended. For a fiscal year~~  
14 ~~taxpayer, the taxpayer shall report the credit in the taxable~~  
15 ~~year in which the calendar year end is included.~~

16 ~~(c) No later than thirty days following the close of the~~  
17 ~~calendar year, every taxpayer claiming a credit under this~~  
18 ~~section shall complete and file an independent, third party~~  
19 ~~certified statement, at the taxpayer's sole expense, with and in~~  
20 ~~the form prescribed by the Hawaii state energy office, providing~~  
21 ~~the following information:~~



- 1       ~~(1) The type, quantity, and British thermal unit value,~~  
2           ~~using the lower heating value, of each qualified fuel,~~  
3           ~~broken down by the type of fuel, produced and sold~~  
4           ~~during the previous calendar year;~~
- 5       ~~(2) The feedstock used for each type of qualified fuel;~~
- 6       ~~(3) The proposed total amount of credit to which the~~  
7           ~~taxpayer is entitled for each calendar year and the~~  
8           ~~cumulative amount of the tax credit the taxpayer~~  
9           ~~received during the credit period;~~
- 10       ~~(4) The number of full-time and number of part-time~~  
11           ~~employees of the facility and those employees' states~~  
12           ~~of residency, totaled per state;~~
- 13       ~~(5) The number and location of all renewable fuel~~  
14           ~~production facilities within and outside of the State;~~  
15           ~~and~~
- 16       ~~(6) The lifecycle greenhouse gas emissions per British~~  
17           ~~thermal units for each type of qualified fuel~~  
18           ~~produced.~~
- 19       ~~(d) Within thirty calendar days after the due date of the~~  
20       ~~statement required under subsection (c), the Hawaii state energy~~  
21       ~~office shall:~~



- 1       ~~(1) Acknowledge, in writing, receipt of the statement;~~
- 2       ~~(2) Issue a certificate to the taxpayer reporting the~~
- 3           ~~amount of renewable fuels produced and sold, the~~
- 4           ~~amount of credit that the taxpayer is entitled to~~
- 5           ~~claim for the previous calendar year, and the~~
- 6           ~~cumulative amount of the tax credit during the credit~~
- 7           ~~period; and~~
- 8       ~~(3) Provide the taxpayer with a determination of whether~~
- 9           ~~the lifecycle greenhouse gas emissions for each type~~
- 10          ~~of qualified fuel produced is lower than that of~~
- 11          ~~fossil fuels.~~

12       ~~(e) The taxpayer shall file the certificate issued under~~

13 ~~subsection (d) with the taxpayer's tax return with the~~

14 ~~department of taxation. The director of taxation may audit and~~

15 ~~adjust the certification to conform to the facts.~~

16       ~~(f) The total amount of tax credits allowed under this~~

17 ~~section shall not exceed \$20,000,000 for all eligible taxpayers~~

18 ~~in any calendar year. In the event that the credit claims under~~

19 ~~this section exceed \$20,000,000 for all eligible taxpayers in~~

20 ~~any given calendar year, the \$20,000,000 shall be divided~~

21 ~~between all eligible taxpayers for that year in proportion to~~



1 ~~the total amount of renewable fuels produced by all eligible~~  
2 ~~taxpayers. Upon reaching \$20,000,000 in the aggregate, the~~  
3 ~~Hawaii state energy office shall immediately discontinue issuing~~  
4 ~~certificates and notify the department of taxation. In no~~  
5 ~~instance shall the total dollar amount of certificates issued~~  
6 ~~exceed \$20,000,000 per calendar year.~~

7 ~~(g) Notwithstanding any other law to the contrary, the~~  
8 ~~information collected and compiled by the Hawaii state energy~~  
9 ~~office under subsections (c) and (d) for the purposes of the~~  
10 ~~renewable fuels production tax credit shall be available for~~  
11 ~~public inspection and dissemination, subject to chapter 92F.~~

12 ~~(h) If the credit under this section exceeds the~~  
13 ~~taxpayer's net income tax liability, the excess of the credit~~  
14 ~~over liability may be used as a credit against the taxpayer's~~  
15 ~~net income tax liability in subsequent years until exhausted,~~  
16 ~~unless otherwise elected by the taxpayer pursuant to subsections~~  
17 ~~(i) or (j). All claims for a credit under this section shall be~~  
18 ~~properly filed on or before the end of the twelfth month~~  
19 ~~following the close of the taxable year for which the credit may~~  
20 ~~be claimed. Failure to comply with the foregoing provision or~~



1 ~~to provide the certified statement required under subsection (c)~~  
2 ~~shall constitute a waiver of the right to claim the credit.~~

3 ~~(i) A taxpayer may elect to reduce the eligible credit~~  
4 ~~amount by thirty per cent and if this reduced amount exceeds the~~  
5 ~~amount of income tax payment due from the taxpayer, the excess~~  
6 ~~of the credit amount over payments due shall be refunded to the~~  
7 ~~taxpayer; provided that tax credit amounts properly claimed by a~~  
8 ~~taxpayer who has no income tax liability shall be paid to the~~  
9 ~~taxpayer; provided further that no refund on account of the tax~~  
10 ~~credit allowed by this section shall be made for amounts less~~  
11 ~~than \$1.~~

12 ~~The election required by this subsection shall be made in a~~  
13 ~~manner prescribed by the director on the taxpayer's return for~~  
14 ~~the taxable year in which the credit is claimed. An election~~  
15 ~~once made is irrevocable.~~

16 ~~(j) Notwithstanding subsection (i), an individual taxpayer~~  
17 ~~may elect to have any excess of the credit over payments due~~  
18 ~~refunded to the taxpayer, if:~~

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



1       ~~(2) The taxpayer's adjusted gross income is \$20,000 or~~  
2           ~~less (or \$40,000 or less if filing a tax return as~~  
3           ~~married filing jointly);~~  
4       ~~provided that tax credits properly claimed by a taxpayer who has~~  
5       ~~no income tax liability shall be paid to the taxpayer; provided~~  
6       ~~further that no refund on account of the tax credit allowed by~~  
7       ~~this section shall be made for amounts less than \$1.~~

8           ~~A married couple who does not file a joint tax return shall~~  
9       ~~only be entitled to make this election to the extent that they~~  
10       ~~would have been entitled to make the election had they filed a~~  
11       ~~joint tax return.~~

12           ~~The election required by this subsection shall be made in a~~  
13       ~~manner prescribed by the director on the taxpayer's return for~~  
14       ~~the taxable year in which the credit is claimed. An election~~  
15       ~~once made is irrevocable.~~

16           ~~(k) Before the production of any renewable fuels for the~~  
17       ~~calendar year, the taxpayer shall provide written notice of the~~  
18       ~~taxpayer's intention to begin production of renewable fuels.~~  
19       ~~The written notice shall be provided to the department of~~  
20       ~~taxation and the Hawaii state energy office and shall include~~  
21       ~~information on the taxpayer, facility location, facility~~



1 ~~production capacity, anticipated production start date, and the~~  
2 ~~taxpayer's contact information. Notwithstanding any other law~~  
3 ~~to the contrary, the written notice described in this~~  
4 ~~subsection, including taxpayer and facility information, shall~~  
5 ~~be available for public inspection and dissemination, subject to~~  
6 ~~chapter 92F.~~

7 ~~(l) The taxpayer shall provide written notice to the~~  
8 ~~director of taxation and the chief energy officer of the Hawaii~~  
9 ~~state energy office within thirty days following the start of~~  
10 ~~production. The notice shall include the production start date~~  
11 ~~and expected renewable fuels production for the next twelve~~  
12 ~~months. Notwithstanding any other law to the contrary, the~~  
13 ~~written notice described in this subsection shall be available~~  
14 ~~for public inspection and dissemination, subject to chapter 92F.~~

15 ~~(m) Following each calendar year in which a credit under~~  
16 ~~this section has been claimed, the chief energy officer of the~~  
17 ~~Hawaii state energy office shall submit a written report to the~~  
18 ~~governor and legislature regarding the production and sale of~~  
19 ~~renewable fuels. The report shall include:~~



- 1       ~~(1) The number and location of renewable fuels production~~  
2       ~~facilities in the State and outside the State that~~  
3       ~~have claimed a credit under this section;~~
- 4       ~~(2) The total number of British thermal units of renewable~~  
5       ~~fuels, itemized by type of fuel produced and sold~~  
6       ~~during the previous calendar year; and~~
- 7       ~~(3) The projected number of British thermal units of~~  
8       ~~renewable fuels production for the succeeding year.~~
- 9       ~~(n) The director of taxation:~~
- 10      ~~(1) Shall prepare any forms that may be necessary to claim~~  
11      ~~a tax credit under this section;~~
- 12      ~~(2) May require the taxpayer to furnish reasonable~~  
13      ~~information to ascertain the validity of the claim for~~  
14      ~~the tax credit made under this section; and~~
- 15      ~~(3) May adopt rules pursuant to chapter 91 necessary to~~  
16      ~~effectuate the purposes of this section.~~
- 17      ~~(o) As used in this section:~~
- 18      ~~"Credit period" means a maximum period of ten consecutive~~  
19      ~~years, beginning from the first taxable year in which a taxpayer~~  
20      ~~begins renewable fuels production at a level of at least two~~



1 ~~billion five hundred million British thermal units of renewable~~  
2 ~~fuels per calendar year.~~

3 ~~"Net income tax liability" means income tax liability~~  
4 ~~reduced by all other credits allowed under this chapter.~~

5 ~~"Renewable feedstocks" means:~~

- 6 ~~(1) Biomass crops and other renewable organic material,~~  
7 ~~including but not limited to logs, wood chips, wood~~  
8 ~~pellets, and wood bark;~~
- 9 ~~(2) Agricultural residue;~~
- 10 ~~(3) Oil crops, including but not limited to algae, canola,~~  
11 ~~jatropha, palm, soybean, and sunflower;~~
- 12 ~~(4) Sugar and starch crops, including but not limited to~~  
13 ~~sugar cane and cassava;~~
- 14 ~~(5) Other agricultural crops;~~
- 15 ~~(6) Grease and waste cooking oil;~~
- 16 ~~(7) Food wastes;~~
- 17 ~~(8) Municipal solid wastes and industrial wastes;~~
- 18 ~~(9) Water, including wastewater; and~~
- 19 ~~(10) Animal residues and wastes,~~
- 20 ~~that can be used to generate energy.~~



1       ~~"Renewable fuels" means fuels produced from renewable~~  
2 ~~feedstocks; provided that the fuel:~~

3       ~~(1) Is sold as a fuel in the State; and~~  
4       ~~(2) Meets the relevant ASTM International specifications~~  
5       ~~or other industry specifications for the particular~~  
6       ~~fuel, including but not limited to:~~

7       ~~(A) Methanol, ethanol, or other alcohols;~~  
8       ~~(B) Hydrogen;~~  
9       ~~(C) Biodiesel or renewable diesel;~~  
10       ~~(D) Biogas;~~  
11       ~~(E) Other biofuels;~~  
12       ~~(F) Renewable jet fuel or renewable gasoline; or~~  
13       ~~(G) Logs, wood chips, wood pellets, or wood bark." ]~~

14       SECTION 8. Section 235-110.51, Hawaii Revised Statutes, is  
15 repealed.

16       ~~["§235-110.51 Technology infrastructure renovation tax~~  
17 ~~credit. (a) There shall be allowed to each taxpayer subject to~~  
18 ~~the taxes imposed by this chapter, an income tax credit which~~  
19 ~~shall be deductible from the taxpayer's net income tax~~  
20 ~~liability, if any, imposed by this chapter for the taxable year~~  
21 ~~in which the credit is properly claimed.~~



1       ~~(b) The amount of the credit shall be four per cent of the~~  
2       ~~renovation costs incurred during the taxable year for each~~  
3       ~~commercial building located in Hawaii.~~

4       ~~(c) In the case of a partnership, S corporation, estate,~~  
5       ~~trust, or any developer of a commercial building, the tax credit~~  
6       ~~allowable is for renovation costs incurred by the entity for the~~  
7       ~~taxable year. The cost upon which the tax credit is computed~~  
8       ~~shall be determined at the entity level. Distribution and share~~  
9       ~~of credit shall be determined pursuant to section 235-110.7(a).~~

10       ~~(d) If a deduction is taken under section 179 (with~~  
11       ~~respect to election to expense depreciable business assets) of~~  
12       ~~the Internal Revenue Code, no tax credit shall be allowed for~~  
13       ~~that portion of the renovation cost for which the deduction is~~  
14       ~~taken.~~

15       ~~(e) The basis of eligible property for depreciation or~~  
16       ~~accelerated cost recovery system purposes for state income taxes~~  
17       ~~shall be reduced by the amount of credit allowable and claimed.~~  
18       ~~In the alternative, the taxpayer shall treat the amount of the~~  
19       ~~credit allowable and claimed as a taxable income item for the~~  
20       ~~taxable year in which it is properly recognized under the method~~  
21       ~~of accounting used to compute taxable income.~~



1       ~~(f) The credit allowed under this section shall be claimed~~  
2 ~~against the net income tax liability for the taxable year.~~

3       ~~(g) If the tax credit under this section exceeds the~~  
4 ~~taxpayer's income tax liability, the excess of credit over~~  
5 ~~liability may be carried forward until exhausted.~~

6       ~~(h) The tax credit allowed under this section shall not be~~  
7 ~~available for taxable years beginning after December 31, 2010.~~

8       ~~(i) As used in this section:~~

9       ~~"Net income tax liability" means income tax liability~~  
10 ~~reduced by all other credits allowed under this chapter.~~

11       ~~"Renovation costs" means costs incurred after December 31,~~  
12 ~~2000, to plan, design, install, construct, and purchase~~  
13 ~~technology-enabled infrastructure equipment to provide a~~  
14 ~~commercial building with technology-enabled infrastructure.~~

15       ~~"Technology-enabled infrastructure" means:~~

16       ~~(1) High speed telecommunications systems that provide~~  
17 ~~Internet access, direct satellite communications~~  
18 ~~access, and videoconferencing facilities;~~

19       ~~(2) Physical security systems that identify and verify~~  
20 ~~valid entry to secure spaces, detect invalid entry or~~  
21 ~~entry attempts, and monitor activity in these spaces;~~



1       ~~(3) Environmental systems to include heating, ventilation,~~  
2           ~~air conditioning, fire detection and suppression, and~~  
3           ~~other life safety systems; and~~

4       ~~(4) Backup and emergency electric power systems.~~

5       ~~(j) No taxpayer that claims a credit under this section~~  
6       ~~shall claim any other credit under this chapter." ]~~

7       SECTION 9. Section 235-110.65, Hawaii Revised Statutes, is  
8       repealed.

9       ~~["~~§235-110.65~~ Ship repair industry tax credit. (a)~~

10       ~~There shall be allowed to each taxpayer subject to the taxes~~  
11       ~~imposed by this chapter a ship repair industry tax credit that~~  
12       ~~shall be deductible from the taxpayer's net income tax~~  
13       ~~liability, if any, imposed by this chapter.~~

14       ~~(b) The amount of the tax credit shall be equal to thirty~~  
15       ~~per cent of the ship repair industry costs paid or incurred by~~  
16       ~~the qualified entity to design and construct the purpose-built~~  
17       ~~floating [drydock] to be used by the United States Navy in Pearl~~  
18       ~~Harbor; provided that:~~

19       ~~(1) A qualified entity may form a special purpose entity~~  
20       ~~for the purposes of raising investor capital and~~  
21       ~~claiming the credit on behalf of the qualified entity;~~



1       ~~(2) The qualified entity, together with all of its special~~  
2       ~~purpose entities, including all partners and members~~  
3       ~~of the qualified entity and its special purpose~~  
4       ~~entities, shall not claim any credit in any one~~  
5       ~~taxable year that exceeds \$6,000,000; however, if the~~  
6       ~~total amount of credits applied for in any particular~~  
7       ~~year exceeds the aggregate amount of credits allowed~~  
8       ~~for such year under this section, the excess shall be~~  
9       ~~treated as having been applied for in the subsequent~~  
10       ~~year and shall be claimed in such year; provided that~~  
11       ~~no excess shall be allowed to be claimed after~~  
12       ~~December 31, 2026; and~~

13       ~~(3) In no event shall a qualified entity or any of its~~  
14       ~~special purpose entities or any other taxpayer claim a~~  
15       ~~credit under this section prior to January 1, 2022, or~~  
16       ~~after December 31, 2026.~~

17       ~~A qualified entity shall become eligible to claim a credit under~~  
18       ~~this section only after construction of the floating drydock has~~  
19       ~~been completed and the floating drydock has been placed into~~  
20       ~~service.~~



1 ~~(c) In the case of an entity taxed as a partnership,~~  
2 ~~credit shall be determined at the entity level, but distribution~~  
3 ~~and share of the credit may be determined notwithstanding~~  
4 ~~sections 704 or 706 of the Internal Revenue Code.~~

5 ~~(d) The credit allowed under this section shall be claimed~~  
6 ~~against the net income tax liability for the taxable year. If~~  
7 ~~the tax credit under this section exceeds the taxpayer's income~~  
8 ~~tax liability, the excess of the tax credit over liability may~~  
9 ~~be used as a credit against the taxpayer's net income tax~~  
10 ~~liability in subsequent years until exhausted. All claims,~~  
11 ~~including amended claims, for a tax credit under this section~~  
12 ~~shall be filed on or before the end of the twelfth month~~  
13 ~~following the close of the taxable year for which the credit may~~  
14 ~~be claimed. Failure to comply with the foregoing provision~~  
15 ~~shall constitute a waiver of the right to claim the credit.~~

16 ~~(e) The director of taxation shall prepare any forms that~~  
17 ~~may be necessary to claim a credit under this section. The~~  
18 ~~director may also require the taxpayer to furnish information to~~  
19 ~~ascertain the validity of the claim for credit made under this~~  
20 ~~section. The director of taxation may adopt rules to effectuate~~  
21 ~~the purposes of this section pursuant to chapter 91.~~



1       ~~(f) Any taxpayer claiming a tax credit under this section,~~  
2 ~~within ninety days of the end of the calendar year in which the~~  
3 ~~credit is properly claimable, shall submit the following~~  
4 ~~information to the department of taxation:~~

5           ~~(1) The amount of the eligible costs for which the tax~~  
6           ~~credit may be claimed; and~~

7           ~~(2) The qualified entity that incurred the costs.~~

8 ~~Failure to timely submit the information shall be subject to a~~  
9 ~~penalty of \$5,000 per month or a fraction thereof, not to exceed~~  
10 ~~\$25,000.~~

11       ~~(g) This section shall not apply to taxable years~~  
12 ~~beginning after December 31, 2026.~~

13       ~~(h) For the purpose of this section:~~

14           ~~"Net income tax liability" means income tax liability~~  
15 ~~reduced by all other credits allowed under this chapter.~~

16           ~~"Qualified entity" means an entity with the principal~~  
17 ~~purpose of facilitating and enhancing the ship repair business~~  
18 ~~in the State and that is involved in the design and construction~~  
19 ~~of a purpose-built floating drydock to be used by the United~~  
20 ~~States Navy in Pearl Harbor.~~





1           SECTION 12. This Act shall take effect on July 1, 2050;  
2 provided that section 2 of this Act shall apply to taxable years  
3 beginning after December 31, 2026; provided further that on  
4 December 31, 2032, section 2 of this Act shall be repealed and  
5 section 235-55.6, Hawaii Revised Statutes, shall be reenacted in  
6 the form in which it read on the day prior to the effective date  
7 of Act 163, Session Laws of Hawaii 2023; provided further that  
8 part II shall take effect on January 1, 2029.

9



**Report Title:**

Income Tax; Income Tax Brackets; Child and Dependent Care Tax Credit; Renewable Energy Technologies 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; Tax Credit for Research Activities; Repeal

**Description:**

PART I: Repeals certain future adjustments to income tax brackets. Changes the applicable percentage of the employment-related expenses for which the child and dependent care tax credit may be claimed to an unspecified percentage; 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 to an unspecified date.

PART II: Beginning 1/1/2029, repeals the following tax credits: Renewable Energy Technologies 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. Effective 7/1/2050. (Proposed SD1)

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

