

Honolulu, Hawaii

MAR 06, 2026

RE: H.B. No. 2306
H.D. 1

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

Madame:

Your Committee on Finance, to which was referred H.B. No. 2306 entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Repeal future adjustments to the standard deduction for taxable years beginning after December 31, 2027, and income tax brackets for taxable years beginning after December 31, 2026;
- (2) Amend provisions related to the Household and Dependent Care Services Tax Credit, including:
 - (A) Increasing the applicable percentage of the employment-related expenses for which the tax credit may be claimed;
 - (B) Providing for a disallowance period when there is a final administrative or judicial decision finding that the claim was due to fraud or disallowing the credit; and
 - (C) Defining "adjusted gross income"; and



- (3) Extend the sunset date to December 31, 2032, for amendments made by Act 163, Session Laws of Hawaii 2023, to the Household and Dependent Care Services Tax Credit, Earned Income Tax Credit, and Food/Excise Tax Credit.

Your Committee received testimony in support of this measure from the Office of the Governor; Department of Taxation; one member of the Maui County Council; Catholic Charities Hawai'i; Chamber of Sustainable Commerce; Hawaii Appleseed Center for Law & Economic Justice; Indivisible Hawai'i; Hawai'i Public Health Institute; Hawai'i Children's Action Network Speaks!; Kaua'i Women's Caucus; Hawai'i Tax Fairness Coalition; and numerous individuals. Your Committee received testimony in opposition to this measure from the Hawaii Food Industry Association; Grassroot Institute of Hawaii; and numerous individuals. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that the tax relief scheduled to take effect pursuant to Act 46, Session Laws of Hawaii 2024, particularly the income tax bracket amendments, would provide significant benefits to a broad base of taxpayers but create substantial, recurring reductions in general revenues during a time of mounting fiscal pressures. By repealing portions of the scheduled income tax relief at this time, this measure protects the State's long-term fiscal stability. Your Committee further finds that this measure proposes instead tailored tax relief to low- and moderate-income families by enhancing and extending previous enhancements to the Household and Dependent Care Services Tax Credit and extending enhancements to the Earned Income Tax Credit and Food/Excise Tax Credit.

Your Committee has amended this measure by:

- (1) Removing the repeal of future adjustments to the standard deduction;
- (2) Increasing the income tax rates for the top three highest income tax brackets in each filing category by one percentage point each for taxable years beginning after December 31, 2026;



- (3) Increasing eligibility for and the amount of the Household and Dependent Care Services Tax Credit claimable by amending the applicable percentage used to calculate the credit;
- (4) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2306, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2306, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



CHRIS TODD, Chair



