

ACT 229

H. B. 82.

A Bill for an Act Relating to Income Taxation and Amending Chapter 121, Revised Laws of Hawaii 1955.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Subsection (a) of section 121-12.1, Revised Laws of Hawaii 1955, is hereby amended to read as follows:

“(a) **Tax credits against individual net income taxes.** Each resident taxpayer who files an individual net income tax return for a taxable year and who is not claimed or is not otherwise eligible to be claimed as a dependent by another taxpayer for federal or Hawaii state individual net income tax purposes may claim tax credits against his individual net income tax liability or as otherwise provided below for the taxable year for which the individual net income tax return is being filed; provided that a husband and wife filing separate returns for a taxable year for which a joint return could have been made by them shall claim only the tax credit to which they would have been entitled had a joint return been filed; and provided that a resident individual who has no income or no income taxable under the provisions of this chapter and who is not claimed or is not otherwise eligible to be claimed as a dependent by a taxpayer for federal or Hawaii state individual net income tax purposes may also claim tax credits as set forth in this section.”

SECTION 2. Subsection (b) of section 121-12.1, Revised Laws of Hawaii 1955, is hereby amended to read as follows:

“(b) **Modified adjusted gross income.** Each resident taxpayer who claims tax credits as set forth in this section shall declare in addition to his income taxable under this chapter, the following income presently exempt from income taxation: social security benefits, unemployment compensation benefits, workmen’s compensation benefits, interest on tax-free securities, public assistance payments, pensions and annuities, cost of living allowances paid to federal employees and proceeds from life insurance. The modified gross income of a resident taxpayer for the purposes of this section shall be the sum of his adjusted gross income for income tax purposes, if any, and the income exempt from income taxation, if any, declared pursuant to the provisions of this subsection.”

SECTION 3. Subsection (e) of section 121-12.1, Revised Laws of Hawaii 1955, is hereby amended to read as follows:

“(e) **Tax credits to be deducted from income tax liability, if any; refunds.** The tax credits by a resident taxpayer pursuant to the provisions of this section shall be deductible from the resident taxpayer’s individual net income tax liability, if any, for the tax year in which they are properly

claimed. In the event the tax credits claimed by a resident taxpayer, and allowed, exceed the amount of income tax payment due from the resident taxpayer, the excess of credits over payments due shall be refunded to the resident taxpayer, provided that tax credits properly claimed by a resident individual who has no income tax liability, and allowed, shall be paid to such resident individual; and further provided that no refunds or payment on account of the tax credits allowed by this section shall be made for amounts less than \$1.00."

SECTION 4. Subsection (c) of section 121-12.1, Revised Laws of Hawaii 1955, is hereby amended by amending the schedule therein to read as follows:

"Modified Adjusted Gross Income Brackets	Tax Credits per Qualified Exemption
"Under \$1,000	\$20
"\$1,000 to \$1,999	15
" 2,000 to 2,999	10
" 3,000 to 3,999	5
" 4,000 to 4,999	3
" 5,000 to 6,999	1"

SECTION 5. Section 121-12.1, Revised Laws of Hawaii 1955, is hereby amended by adding a new subsection (h) to read as follows:

"(h) **Time for filing.** Claims for tax credits under this section, including any amended claims thereof, must be filed on or before the end of the twelfth month following the close of the taxable year for which the credits may be claimed. Tax credits allowable under this section for taxable years 1965 and 1966 must be claimed by proper application or amended application on or before December 31, 1967. Failure to comply with the foregoing provisions shall constitute and be deemed a waiver of the right to claim or recover the credit hereunder."

SECTION 6. Section 121-12.2, Revised Laws of Hawaii 1955, is hereby amended to read as follows:

**"Section 121-12.2. Tax credits for students attending institutions of higher education and for dependent children attending school in grades kindergarten to twelve.** (a) For purposes of this section, an institution of higher education is defined to include technical schools, institutes, junior colleges, colleges, universities, and like institutions offering a formal educational program of a professional, academic or occupational nature beyond the high school level.

"(b) For each person, constituting a personal exemption allowed a taxpayer under the Internal Revenue Code and section 121-11, who was duly registered and in attendance as a student in an institution of higher education for not less than one-half of the course work of a full-time student at such institution and for not less than four months of the taxable year for which an individual net income tax return was filed, or who was enrolled and in attend-

ance as a student at school in grades kindergarten through twelve for not less than four months of the taxable year for which an individual net income tax return was filed, there shall be allowed to such resident taxpayer claiming such exemption, tax credits in the amount indicated for each adjusted gross income tax bracket as shown in the table below; provided, that no person who is claimed, or is eligible to be claimed as a dependent, for federal or Hawaii state individual net income tax purposes by another shall be allowed to claim the tax credit as provided in this section.

Adjusted Gross Income Brackets	Tax Credits Per Exemption Attending:	
	K-12	An Institution of Higher Education
Under \$3,000	\$20	\$50
\$3,000 to \$3,999	15	30
4,000 to 4,999	10	20
5,000 to 5,999	5	10
6,000 to 6,999	2	5

“(c) The tax credits claimed by a resident taxpayer pursuant to the provisions of this section shall be deductible from the taxpayer’s individual net income tax liability, if any, for the tax year in which they are properly claimed, provided that a husband and wife filing separate returns for a taxable year for which a joint return could have been made by them shall claim only the tax credits to which they would have been entitled had a joint return been filed. In the event the tax credits claimed by a resident taxpayer, and allowed, exceed the amount of the income tax payments due from the resident taxpayer, the excess of credits over payments due shall be refunded to the resident taxpayer; provided that tax credits properly claimed by a resident individual who has no income tax liability, and allowed, shall be paid to the resident individual; and further provided that no refunds or payments on account of the tax credits allowed by this section shall be made for amounts less than \$1.00.

“(d) Time for filing. Claims for tax credits under this section, including any amended claims thereof, must be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Tax credits allowable under this section for taxable years 1965 and 1966 must be claimed by proper application or amended application on or before December 31, 1967. Failure to comply with the foregoing provisions shall constitute a waiver of the right to claim or recover the credits hereunder.

“(e) The director of taxation shall prepare and prescribe the appropriate form or forms to be used by taxpayers in filing claims for tax credits hereunder. He may also require that the taxpayer furnish reasonable information in order that he may ascertain the validity of the claims for tax credits made pursuant to the provisions of this section and promulgate any other rules and regulations as may be necessary to effectuate the purposes of this section pursuant to chapter 6C.

“(f) All of the provisions relating to assessments and refunds under this chapter and under section 115-28(c) shall be made applicable hereto and shall apply with equal force to the tax credits hereunder.”

SECTION 7. This Act, upon its approval, shall apply with respect to the individual net income tax return filed in the year 1968 on account of income earned during the calendar year 1967 and thereafter.

(Approved June 6, 1967.)