

ACT 210

S.B. NO. 148

A Bill for an Act Relating to Income Tax Credit.

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

SECTION 1. The legislature finds that Article VII, section 6, of the Constitution of the State of Hawaii requires the legislature to provide a tax refund or tax credit when certain factors are met. The legislature finds that these factors have been met for the second year in a row and that the legislature is constitutionally required to provide a tax credit or tax refund to taxpayers.

The purpose of this Act is to provide for a one-time income tax credit to satisfy constitutionally mandated requirements.

SECTION 2. (a) There shall be allowed for each resident individual taxpayer for the taxable year 2007, a refundable one-time general income tax credit that shall be deducted from income tax liability computed under chapter 235, Hawaii Revised Statutes; provided that no refunds or payments on account of the tax credits allowed by this section shall be made for amounts less than \$1.

(b) There shall be allowed to a husband and wife who file a joint return a one-time general income tax credit in accordance with the following table:

If the adjusted gross income is:	The credit shall be:
Under \$5,000	\$160
\$5,000 and over but under \$10,000	150
\$10,000 and over but under \$15,000	140
\$15,000 and over but under \$20,000	130
\$20,000 and over but under \$30,000	120
\$30,000 and over but under \$40,000	110
\$40,000 and over but under \$50,000	100
\$50,000 and over but under \$60,000	90
\$60,000 and over	0.

(c) There shall be allowed to every taxpayer filing a head of household tax return a one-time general income tax credit in accordance with the following table:

If the adjusted gross income is:	The credit shall be:
Under \$5,000	\$140
\$5,000 and over but under \$10,000	130
\$10,000 and over but under \$15,000	120
\$15,000 and over but under \$20,000	110
\$20,000 and over but under \$30,000	100
\$30,000 and over but under \$40,000	90
\$40,000 and over but under \$50,000	80
\$50,000 and over but under \$60,000	70
\$60,000 and over	0.

(d) There shall be allowed to every (1) unmarried individual (other than a surviving spouse, or the head of household) and (2) married individual filing a separate tax return a one-time general income tax credit in accordance with the following table:

If the adjusted gross income is:	The credit shall be:
Under \$5,000	\$65
\$5,000 and over but under \$10,000	55
\$10,000 and over but under \$15,000	45

If the adjusted gross income is:	The credit shall be:
\$15,000 and over but under \$20,000	\$35
\$20,000 and over but under \$30,000	25
\$30,000 and over	0.

SECTION 3. (a) Each taxpayer that claims the one-time general income tax credit shall have been a resident of the state, as defined in section 235-1, Hawaii Revised Statutes, for at least nine months regardless of whether the resident was physically in the state for nine months.

(b) The one-time general income tax credit shall not be available to:

- (1) Any person who has been convicted of a felony and who has been committed to prison and has been physically confined for the full taxable year;
- (2) Any person who would otherwise be eligible to be claimed as a dependent but who has been committed to a youth correctional facility and has resided at the facility for the full taxable year; or
- (3) Any misdemeanor who has been committed to jail and has been physically confined for the full taxable year.

(c) The tax credit claimed by a resident taxpayer pursuant to this Act shall be deductible from the taxpayer's individual income tax liability for the taxable year 2007. If the tax credit claimed by a resident taxpayer exceeds 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 a tax credit properly claimed by a resident individual who has no income tax liability shall be paid to the resident individual.

(d) All claims for tax credits under this Act, including any amended claims, shall 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. Failure to comply with this filing requirement shall constitute a waiver of the right to claim the credit.

(e) A husband and wife who do not file a joint tax return, shall only be entitled to claim the one-time general income tax credit to the extent that they would have been entitled to the one-time general income tax credit had they filed a joint tax return.

(f) The tax refund paid to a resident taxpayer pursuant to this Act shall not be included in the resident taxpayer's gross income.

(g) For the purpose this Act, "adjusted gross income" means adjusted gross income as defined by the Internal Revenue Code.

SECTION 4. This Act implements the provisions of article VII, section 6, of the Constitution of the State of Hawaii, enacted by the 1978 constitutional convention, which reads as follows:

“DISPOSITION OF EXCESS REVENUES

Section 6. Whenever the state general fund balance at the close of each of two successive fiscal years exceeds five percent of general fund revenues for each of the two fiscal years, the legislature in the next regular session shall provide for a tax refund or tax credit to the taxpayers of the State, as provided by law.”

SECTION 5. This Act shall take effect upon its approval and shall apply to the taxable year beginning after December 31, 2006.

(Approved June 26, 2007.)