

ACT 21

H.B. NO. 2596

A Bill for an Act Relating to Tax Credits.

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

SECTION 1. The purpose of this measure is ensure the efficient administration of Hawaii tax credits, as well as to ensure budgeting certainty. This measure clarifies the ordering of credit claims relative to the use of refundable and nonrefundable credits. Currently, there is no statutory framework for the overall use of the differing credit types. Administratively, credits are claimed based upon when in time the credit became law. This measure clarifies that refundable credits must be used first, followed by nonrefundable credits.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

“§235- Income tax credits; ordering of credit claims. Notwithstanding any other law to the contrary providing for the use of an income tax credit under this chapter, in the offsetting of a taxpayer’s income tax liability, tax credits that may be refunded or paid to the taxpayer who has no income tax liability shall be used first, followed by nonrefundable tax credits that may be used as credit against taxes in subsequent years until exhausted.”

SECTION 3. New statutory material is underscored.¹

SECTION 4. This Act shall take effect upon its approval and apply to taxable years beginning on or after January 1, 2010.

(Approved April 14, 2010.)

Note

1. Edited pursuant to HRS §23G-16.5.