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# A BILL FOR AN ACT

RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS TAX CREDIT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that homelessness is a  
2 serious problem in Hawaii, due in part to the high cost of  
3 housing in the State. Since 1977, the State has made tax  
4 credits available to assist eligible renters; this tax credit is  
5 the third most commonly used tax credit among Hawaii residents.  
6 The income eligibility threshold for this tax credit was last  
7 adjusted in 1989 and the credit amount allowed was last adjusted  
8 in 1981. Since 1989, the cost of housing has increased by three  
9 hundred ninety per cent. Therefore, the legislature finds that  
10 it is appropriate to adjust the eligibility requirements for the  
11 income tax credit for low-income household renters.

12           The purpose of this Act is to:

- 13           (1) Adjust the eligibility requirements for the income tax  
14           credit for low-income household renters;
- 15           (2) More effectively target the tax credit toward lower-  
16           income taxpayers by creating tax brackets that will



1 phase out the credit as the taxpayer's income rises;

2 and

3 (3) Adjust the amount of the credit every three years by  
4 using a percentage based on the urban Hawaii consumer  
5 price index.

6 SECTION 2. Section 235-55.7, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 **"§235-55.7 Income tax credit for low-income household**  
9 **renters.** (a) As used in this section:

10 [~~1~~] "Adjusted gross income" [~~is defined by section 235-~~  
11 ~~1.~~] means federal adjusted gross income as defined and  
12 determined under the Internal Revenue Code.

13 "Consumer price index" means the urban Hawaii consumer  
14 price index for all urban consumers published by the United  
15 States Department of Labor, or a successor index.

16 [~~2~~] "Qualified exemption" includes those exemptions  
17 permitted under this chapter; provided that a person for whom  
18 exemption is claimed has physically resided in the State for  
19 more than nine months during the taxable year; [~~and~~] provided  
20 further that multiple [~~exemption~~] exemptions shall not be



1 granted because of deficiencies in vision, hearing, or other  
2 disability.

3       ~~[-3-]~~ "Rent" means the amount paid in cash in any taxable  
4 year for the occupancy of a dwelling place ~~[which]~~ that is used  
5 by a resident taxpayer or the resident taxpayer's immediate  
6 family as the principal residence in this State. ~~[Rent]~~ "Rent"  
7 is limited to the amount paid for the occupancy of the dwelling  
8 place only~~[,]~~ and is exclusive of charges for utilities, parking  
9 stalls, storage of goods, yard services, furniture, furnishings,  
10 and the like. ~~[Rent]~~ "Rent" shall not include any rental  
11 claimed as a deduction from gross income or adjusted gross  
12 income for income tax purposes~~[, any]~~; ground rental paid for  
13 use of land only~~[, and]~~; or any rent allowance or subsidies  
14 received.

15       (b) Each resident taxpayer who occupies and pays rent for  
16 real property within the State as the resident taxpayer's  
17 residence or the residence of the resident taxpayer's immediate  
18 family ~~[which]~~ that is ~~[not]~~ partially or wholly exempted from  
19 real property tax, who is not eligible to be claimed as a  
20 dependent for federal or state income taxes by another, and who  
21 files an individual net income tax return for a taxable year,



1 may claim a tax credit under this section against the resident  
2 taxpayer's Hawaii state individual net income tax.

3 (c) Each taxpayer [~~with an adjusted gross income of less~~  
4 ~~than \$30,000~~] who has paid more than \$1,000 in rent during the  
5 taxable year for which the credit is claimed may claim a tax  
6 credit of [~~\$50 multiplied by the number of qualified exemptions~~  
7 ~~to which the taxpayer is entitled;~~] in accordance with the table  
8 below; provided that each taxpayer sixty-five years of age or  
9 over may claim double the tax credit; [~~and~~] provided further  
10 that a resident individual who has no income or no income  
11 taxable under this chapter may also claim the tax credit as set  
12 forth in this section.

<u>Adjusted gross income</u>	<u>Credit per</u>
<u>for taxpayers filing</u>	<u>qualified exemption</u>
<u>a single return or married</u>	
<u>individuals filing</u>	
<u>separate returns</u>	
18 <u>Under \$20,000</u>	<u>\$200</u>
19 <u>\$20,000 under \$30,000</u>	<u>\$150</u>
20 <u>\$30,000 under \$40,000</u>	<u>\$100</u>
21 <u>\$40,000 and over</u>	<u>\$ 0.</u>



1	<u>Adjusted gross income</u>	<u>Credit per</u>
2	<u>for heads of household</u>	<u>qualified exemption</u>
3	<u>Under \$30,000</u>	<u>\$200</u>
4	<u>\$30,000 under \$45,000</u>	<u>\$150</u>
5	<u>\$45,000 under \$60,000</u>	<u>\$100</u>
6	<u>\$60,000 and over</u>	<u>\$ 0.</u>
7	<u>Adjusted gross income</u>	<u>Credit per</u>
8	<u>for taxpayers filing</u>	<u>qualified exemption</u>
9	<u>a joint return under</u>	
10	<u>section 235-93 or a</u>	
11	<u>surviving spouse</u>	
12	<u>Under \$40,000</u>	<u>\$200</u>
13	<u>\$40,000 under \$60,000</u>	<u>\$150</u>
14	<u>\$60,000 under \$80,000</u>	<u>\$100</u>
15	<u>\$80,000 and over</u>	<u>\$ 0.</u>
16	<u>(d) For the taxable year beginning after December 31,</u>	
17	<u>2023, and in every third taxable year thereafter, each dollar</u>	
18	<u>amount contained in the table in subsection (c) shall be</u>	
19	<u>increased by an amount equal to that dollar amount, multiplied</u>	
20	<u>by the percentage, if any, by which the consumer price index for</u>	
21	<u>June of the preceding calendar year exceeds the consumer price</u>	



1 index for June 2022 and June of the calendar year when the  
2 credit was last adjusted, rounded to the nearest whole dollar  
3 amount.

4 [~~d~~] (e) If a rental unit is occupied by two or more  
5 individuals, and more than one individual is able to qualify as  
6 a claimant, the claim for credit shall be based upon a pro rata  
7 share of the rent paid.

8 [~~e~~] (f) The tax credits shall be deductible from the  
9 taxpayer's individual net income tax for the tax year in which  
10 the credits are properly claimed; provided that [~~a husband and~~  
11 ~~wife~~] married individuals filing separate returns for a taxable  
12 year for which a joint return could have been made by them shall  
13 claim only the tax credits to which they would have been  
14 entitled had a joint return been filed. In the event the  
15 allowed tax credits exceed the amount of the income tax payments  
16 due from the taxpayer, the excess of credits over payments due  
17 shall be refunded to the taxpayer; provided that allowed tax  
18 credits properly claimed by an individual who has no income tax  
19 liability shall be paid to the individual; [~~and~~] provided  
20 further that no refunds or payments on account of the tax



1 credits allowed by this section shall be made for amounts less  
2 than \$1.

3        [~~(f)~~] (g) The director of taxation shall prepare and  
4 prescribe the appropriate form or forms to be used herein, may  
5 require proof of the claim for tax credits, and may adopt rules  
6 pursuant to chapter 91.

7        [~~(g)~~] (h) All of the provisions relating to assessments  
8 and refunds under this chapter and under section 231-23(c)(1)  
9 shall apply to the tax credits hereunder.

10        [~~(h)~~] (i) Claims for tax credits under this section,  
11 including any amended claims thereof, shall be filed on or  
12 before the end of the twelfth month following the taxable year  
13 for which the credit may be claimed."

14        SECTION 3. Statutory material to be repealed is bracketed  
15 and stricken. New statutory material is underscored.

16        SECTION 4. This Act shall take effect on July 1, 2050, and  
17 shall apply to taxable years beginning after December 31, 2021.

18



**Report Title:**

Income Tax Credit for Low-income Household Renters; Eligibility; Adjustments; Consumer Price Index

**Description:**

Increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets. Provides for inflation increases every three years based on the urban Hawaii consumer price index beginning with taxable years beginning after 12/31/2023. Effective 7/1/2050. (HD1)

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

