July 12, 2016

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai‘i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 12, 2016, the following bill was signed into law:

HB1702 HD1 SD1 CD1  
RELATING TO TAXATION  
ACT 235 (16)

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. Section 235-55.6, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Allowance of credit.

(1) In general. For each resident taxpayer, who files an individual 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 income tax purposes, who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1)); there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the applicable percentage of the employment-related expenses (as defined in subsection (b)(2)) paid by [such] the individual during the taxable year. If the tax credit claimed by a resident taxpayer exceeds the amount of income tax payment due from the resident taxpayer, the
excess of the credit over payments due shall be refunded to the resident taxpayer; provided that tax credit properly claimed by a resident individual who has no income tax liability shall be paid to the resident individual; and provided further that no refunds or payment on account of the tax credit allowed by this section shall be made for amounts less than $1.

(2) Applicable percentage [defined]. For purposes of paragraph (1), the [term "applicable percentage" means twenty-five per cent reduced (but not below fifteen per cent) by one percentage point of each $2,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $22,000.] taxpayer's applicable percentage shall be determined as follows:

<table>
<thead>
<tr>
<th>Adjusted gross income</th>
<th>Applicable percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $25,000</td>
<td>25%</td>
</tr>
<tr>
<td>Over $25,000 but not over $30,000</td>
<td>24%</td>
</tr>
<tr>
<td>Over $30,000 but</td>
<td>23%</td>
</tr>
</tbody>
</table>
not over $35,000

Over $35,000 but
not over $40,000

Over $40,000 but
not over $45,000

Over $45,000 but
not over $50,000

Over $50,000

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2015.

APPROVED this 12 day of JUL, 2016

GOVERNOR OF THE STATE OF HAWAII