

---

# **Tax Credits**

**Claimed by Hawaii Taxpayers**

# **2005**

---

**Department of Taxation  
State of Hawaii**

STATE OF HAWAII

Linda Lingle, Governor

DEPARTMENT OF TAXATION

Kurt Kawafuchi, Director

Sandra Yahiro, Deputy Director

TAX RESEARCH & PLANNING OFFICE

Tu Duc Pham, Tax Research & Planning Officer

---

# **Tax Credits**

**Claimed by Hawaii Taxpayers**

# **2005**

---

**Department of Taxation**

**State of Hawaii**

**December 2007**

Web Site: <http://www.hawaii.gov/tax>



# TABLE OF CONTENTS

## TAX CREDITS CLAIMED BY HAWAII TAXPAYERS - 2005

	<u>Page</u>
INTRODUCTION .....	1
DATA SOURCE AND METHODOLOGY .....	2
OVERVIEW .....	5
DESCRIPTIONS OF THE TAX CREDITS AND ANALYSIS OF THE DATA.....	11
Low-Income Refundable Tax Credit.....	11
Low-Income Household Renter's Tax Credit.....	12
Child and Dependent Care Expenses Tax Credit.....	13
Child Passenger Restraint System Tax Credit .....	14
Capital Goods Excise Tax Credit .....	14
Fuel Tax Credit for Commercial Fishers.....	15
Motion Picture and Film Production Income Tax Credit .....	15
Hotel Construction and Remodeling Tax Credit .....	15
Energy Conservation Tax Credit .....	15
Renewable Energy Technologies Income Tax Credit .....	16
Employment of Vocational Rehabilitation Referrals Tax Credit.....	17
Enterprise Zone Tax Credit .....	17
High Technology Business Investment Tax Credit.....	17
Technology Infrastructure Renovation Tax Credit .....	19
Credit for Income Tax Paid to Another State or Foreign Country .....	19
Low-Income Housing Tax Credit .....	19
Residential Construction and Remodeling Tax Credit.....	20
School Repair and Maintenance Tax Credit.....	20
Drought Mitigation Tax Credit.....	20
Research Activities Tax Credit .....	20
Individual Development Account Contribution Tax Credit .....	21
Ethanol Facility Tax Credit .....	21
Other Refundable Tax Credits.....	22
Ko Olina Resort and Marina Attractions & Educational Facilities Tax Credit.....	22
Lifeline Telephone Service Tax Credit .....	22

## APPENDIX I - STATISTICAL TABLES

### TABLE

A-1	Dollar Amounts of Tax Credits Claimed by Type of Credit and by Type of Taxpayer .....	27
A-2	Number of Returns Claiming Selected Tax Credits by Type of Credit and by Taxation District.....	28
A-3	Dollar Amounts of Tax Credits Claimed by Individuals by District and by Type of Credit.....	29

<u>TABLE</u>	<u>Page</u>
A-4 Number of Individual Returns Claiming Tax Credits by Size of Credits Per Return and by Adjusted Gross Income .....	30
A-5 Number of Individual Returns Claiming Tax Credits by Geographical Areas .....	31
A-6 Number Claiming Renter's Tax Credit, Number of Exemptions, and Tax Credits Claimed, by Adjusted Gross Income.....	32
A-7 Total Individual Returns Filed and Low-Income Tax Credits Claimed by Adjusted Gross Income.....	33
A-8 Comparative Data on Individual Returns Filed, Showing Number and Percentage Claiming the Low-Income Tax Credit.....	34
A-9 Number Claiming Dependent Care Tax Credit, Dependent Care Expenses Allowed, and Tax Credit Claimed, by Adjusted Gross Income .....	35
A-10 Number Claiming Dependent Care Tax Credits by Adjusted Gross Income and by Expenses Allowed .....	36
A-11 Number Claiming Capital Goods Excise Tax Credit, Amount of Capital Assets Purchased, and Tax Credit Claimed – Individual Returns .....	37
A-12 Number Claiming Capital Goods Excise Tax Credit, Amount of Capital Assets Purchased, and Tax Credit Claimed – Corporation and Financial Corporation Returns.....	38
A-13 Individual Returns Claiming Residential Construction and Remodeling Tax Credit, Qualified Construction Costs, and Tax Credit Claimed, by Adjusted Gross Income.....	39
<b>APPENDIX II - OUTLINE OF TAX CREDIT HISTORY BY YEAR OF ENACTMENT .....</b>	<b>41</b>

## INTRODUCTION

Tax credits reduce tax liability dollar for dollar, as opposed to a deduction, which merely reduces the amount of income subject to tax. Nonrefundable tax credits may reduce tax liability to zero, after which any excess credit either cannot be used or may be carried over to future tax years until exhausted. Refundable tax credits also may reduce tax liability to zero, but any excess credit is returned to the taxpayer in the form of a refund.

Two credits were introduced in 1965 to temper the tax burden on low-income taxpayers. Since then, other credits were established to fulfill economic and social goals. By tax year 2002, the number of tax credits had increased to a peak at twenty-five. In tax year 2005, there were twenty-three tax credits available.

The first two studies on tax credits were prepared by the Department of Taxation for tax years 1965 and 1970. Their purpose was to evaluate the effectiveness of the tax credits in accomplishing the goals of the Legislature. Beginning with the 1977 tax year, the Department has published annual studies in order to provide current information on tax credits claimed and to assess the impacts of law changes on tax credits. Prior to the 1986 tax year, the studies analyzed credits claimed by individuals only. Since tax year 1986, the studies have had a special section to cover the lifeline telephone service tax credit, which benefits low-income elderly and handicapped residential telephone users but is claimed by the telephone public utility. Beginning with tax year 1997, the studies were expanded to cover credits claimed by nonfinancial corporations<sup>1</sup>, and beginning with tax year 2000, the studies have included financial corporations. Insurance underwriters and fiduciaries (trusts and estates) were added in tax year 2001. Beginning with tax year 2003, exempt organizations were added to the study.

The current study analyzes the following twenty-one tax credits<sup>2</sup> available in the 2005 tax year and three expired tax credits:

- Low-Income Refundable Tax Credit
- Low-Income Household Renter's Tax Credit
- Child and Dependent Care Expenses Tax Credit
- Child Passenger Restraint System Tax Credit
- Capital Goods Excise Tax Credit
- Fuel Tax Credit For Commercial Fishers
- Motion Picture and Film Production Income Tax Credit
- Hotel Construction and Remodeling Tax Credit
- Energy Conservation Tax Credit (expired)
- Renewable Energy Technologies Income Tax Credit

---

<sup>1</sup> Throughout this study, corporations are the business entities who file Form N-30. Financial corporations who file Form F-1 are reported separately.

<sup>2</sup> The tax credit from a regulated investment company and the tax credit for the pro rata share of taxes withheld and paid by a partnership, estate, trust, or S corporation on the sale of Hawaii real property interests are not discussed in the text. However, the number of claims and the amounts claimed for these tax credits are included in the category "Other Refundable Credits."

- Employment of Vocational Rehabilitation Referrals Tax Credit
- Enterprise Zone Tax Credit
- High Technology Business Investment Tax Credit
- Technology Infrastructure Renovation Tax Credit
- Income tax paid to another state or to a foreign country
- Low-Income Housing Tax Credit
- Residential Construction and Remodeling Tax Credit (expired)
- School Repair and Maintenance Tax Credit
- Drought Mitigating Water Storage Facility Tax Credit
- Research Activities Tax Credit
- Individual Development Account Contribution Tax Credit (expired)
- Ethanol Facility Tax Credit
- Lifeline Telephone Service Credit
- Ko Olina Resort and Marina Attractions & Educational Facilities Tax Credit

### **DATA SOURCE AND METHODOLOGY**

The primary data source for this study is the Department of Taxation's computerized Integrated Tax Information Management System (ITIMS). Data from individual income tax returns (Forms N-11, N-12, N-13 and N-15), corporation income tax returns (Form N-30), fiduciary income tax returns (Form N-40), and exempt organization income tax returns (Form N-70NP) are extracted directly from the ITIMS. The data for individuals, corporations, fiduciaries and exempt organizations are from income tax returns filed for tax year 2005 and processed by March 2007. The data for corporations exclude those with no income, no tax credit, and only minimal expenses.

Paper returns were used if computerized data were not available. Franchise tax returns (Form F-1) filed by financial corporations are not included in the ITIMS. Data on Form F-1 were collected manually from paper returns. The data for financial corporations include tax returns filed for tax year 2005.

The lifeline telephone service tax credit is claimed on public service company (PSC) tax returns (Form U-6) by the telephone public utility. Data from Form U-6 are not available from the ITIMS and must be retrieved manually. Form U-6 is excluded from the total return count throughout this study, but the study includes the amount of lifeline telephone service tax credits claimed on PSC tax returns filed for tax year 2005.

Data on insurance premium tax returns were provided by the Insurance Division of the Department of Commerce and Consumer Affairs (DCCA), which handles insurance underwriters' tax returns. The data on insurance underwriters include tax returns filed for tax year 2005.

This study draws on a total of 652,295 tax returns that were filed for tax year 2005. A stratified sample was drawn from the returns filed by individuals. The sample of individual tax returns include every return with a tax credit other than the Low-Income



Tax Credit and the Low-Income Renter's Tax Credit. Tax returns with only the Low-Income Tax Credit or the Low-Income Renter's Tax Credit, or with no tax credits were chosen by a random sampling. In addition, the sample includes every return of a corporation, financial corporation, fiduciary, exempt organization or insurance underwriter.

In total, 84,999 tax returns are included in the sample. Table 1 shows the number and percentage of tax returns sampled by taxation district and type of return. The State of Hawaii has four taxation districts: the First District is the island of Oahu; the Second District includes the islands of Maui, Molokai and Lanai; the Third District is the island of Hawaii; and the Fourth District includes the islands of Kauai and Niihau.

Table 1  
Number and Portion of Tax Returns Sampled by Taxation District  
Tax Year 2005

	State	Taxation District			
		First	Second	Third	Fourth
<b>Returns in Population</b>					
N-11	504,562	361,151	56,860	61,194	25,357
N-12	11,648	8,707	1,015	1,407	519
N-13	38,264	27,254	3,221	5,849	1,940
N-15	68,494	63,904	1,870	2,057	663
N-30	14,256	11,890	1,036	1,002	328
N-40	13,647	12,181	582	640	244
N-70NP	258	221	19	10	8
F-1	199	171	13	11	4
Insurance	967	967			
Total	652,295	486,446	64,616	72,170	29,063
<b>Returns in Sample</b>					
N-11	51,204	36,428	6,055	6,285	2,436
N-12	534	414	31	68	21
N-13	1,187	828	130	175	54
N-15	2,747	2,510	96	109	32
N-30	14,256	11,890	1,036	1,002	328
N-40	13,647	12,181	582	640	244
N-70NP	258	221	19	10	8
F-1	199	171	13	11	4
Insurance	967	967			
Total	84,999	65,610	7,962	8,300	3,127
<b>Percent of Returns Sampled (%)</b>					
N-11	10.1%	10.1%	10.6%	10.3%	9.6%
N-12	4.6%	4.8%	3.1%	4.8%	4.0%
N-13	3.1%	3.0%	4.0%	3.0%	2.8%
N-15	4.0%	3.9%	5.1%	5.3%	4.8%
N-30	100.0%	100.0%	100.0%	100.0%	100.0%
N-40	100.0%	100.0%	100.0%	100.0%	100.0%
N-70NP	100.0%	100.0%	100.0%	100.0%	100.0%
F-1	100.0%	100.0%	100.0%	100.0%	100.0%
Insurance	100.0%	100.0%	0.0%	0.0%	0.0%
Total	13.0%	13.5%	12.3%	11.5%	10.8%

## OVERVIEW

The 2005 legislature enacted only one measure related to tax credits. Act 196, Session Laws of Hawaii (SLH) 2005, increased the low income housing tax credit from 30 percent to 50 percent of the federal tax credit for buildings put into service after June 30, 2005. It also created the Hawaii Housing Finance and Development Administration and made it responsible for administering the low-income housing tax credit.

Also new for tax year 2005, the Ko Olina Resort and Marina Attractions and Educational Facilities Tax Credit became claimable. Although enacted in the 2003 legislative session, by statute the tax credit was not claimable until tax years after December 31, 2004.

The present study analyzes: twenty-one of the twenty-three tax credits available in tax year 2005 and three expired tax credits that were available to individuals, corporations, financial corporations, public service companies, fiduciaries, insurance underwriters or exempt organizations. Of the 652,295 total tax returns covered in this study, it is estimated that 35.7% claimed one or more tax credits. Tax credit claims totaled \$199.9 million in tax year 2005, for an increase of 11.9% over the \$178.7 million claimed in tax year 2004.

As shown in Figure 1, individuals claimed \$109.9 million in tax credits in tax year 2005, or 55.0% of the total. Corporations claimed 26.7% of the total, insurance underwriters claimed 13.1%, financial corporations claimed 3.7%, fiduciaries claimed 1.5%, and tax-exempt organizations claimed less than 0.1%. Compared to the previous year, all taxpayer types showed an increase in tax credit claims except financial corporations. Tax credits claimed by financial corporations fell from \$16.1 million in tax year 2004 to \$7.4 million in tax year 2005. Tax credits claimed by individuals rose from \$95.9 million to \$109.9 million, claims by corporations rose from \$42.7 million to \$53.5 million, and claims by insurance underwriters rose from \$21.5 million to \$26.1 million, and claims by exempt organizations rose from \$58,671 to \$146,247.

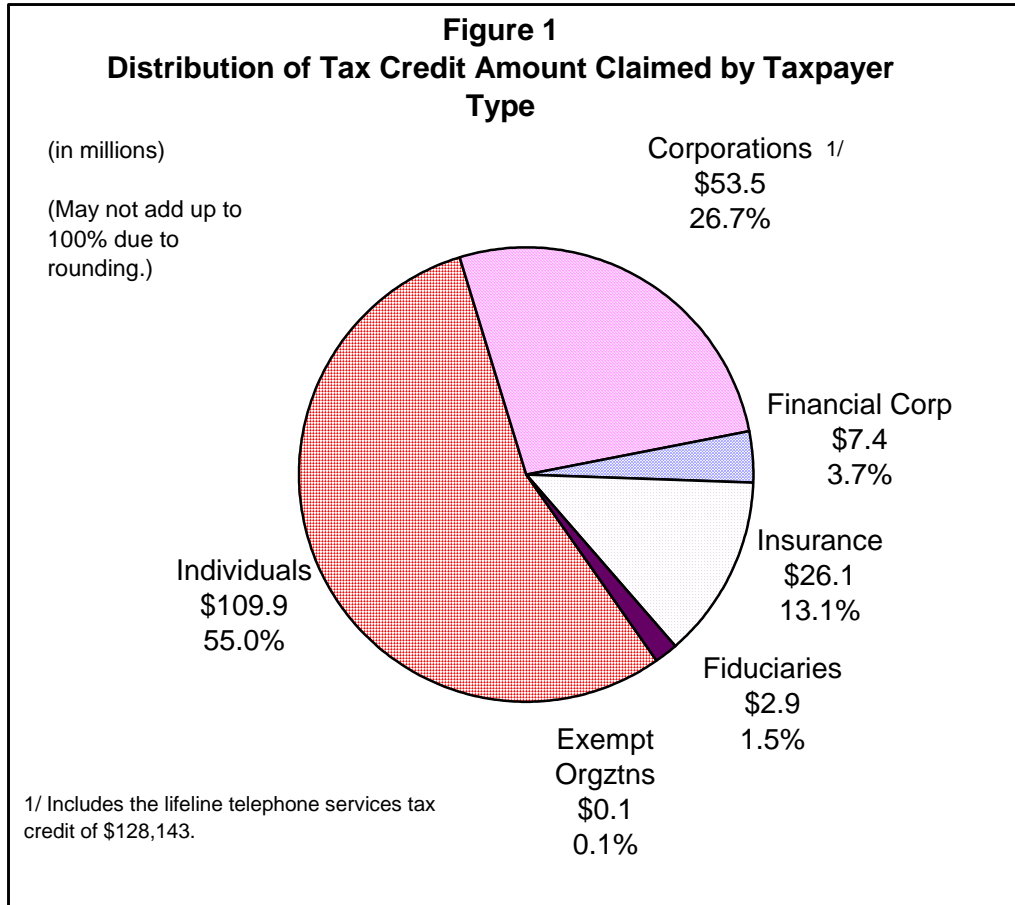


Table 2 compares selected tax credits by taxpayer type for tax years 2004 and 2005. As shown in the table, the main source of growth in tax credits to individuals from tax year 2004 to tax year 2005 is the increase in high technology tax credits claimed. The high technology credit also accounted for virtually all of the growth in credits claimed by insurance companies. The main source of growth in tax credits to corporations is the increase in the residential remodeling credit, whereas the main reason for the decline in tax credits to financial corporations is the decline in claims (by 100%) of the energy conservation tax credit due to its expiration in 2003.

Table 2  
Comparison of Selected Tax Credits and Taxpayer Type  
Tax Years 2004 and 2005

Taxpayer Type and Credit	2005	2004	Difference	
			Amount	% change
<b>Individuals</b>				
Total Credits	\$109,891,545	\$95,870,131	\$14,021,414	14.6
High Technology	38,285,058	26,858,573	11,426,485	42.6
Taxes Paid to Other Jurisdictions	32,477,679	26,425,841	6,051,838	22.9
Residential Remodeling	2,503,215	4,741,162	(2,237,947)	(47.2)
Research Activities	1,008,432	2,036,809	(1,028,377)	(50.5)
<b>Corporations 1/</b>				
Total Credits	\$53,465,922	\$42,744,672	\$10,721,250	25.1
High Technology	3,428,405	994,571	2,433,834	244.7
Residential Remodeling	5,370,783	309,443	5,061,340	1635.6
Research Activities	12,095,784	10,110,532	1,985,252	19.6
Capital Goods	14,659,282	18,372,523	(3,834,453)	(20.9)
Hotel Remodeling	13,261,261	10,486,689	2,774,572	26.5
Low-Income Housing	2,131,897	1,003,152	1,128,745	112.5
<b>Financial Corporations</b>				
Total Credits	\$7,387,020	\$16,075,914	(\$8,688,894)	(54.0)
High Technology	2,286,892	1,599,658	687,234	43.0
Capital Goods	2,685,353	3,581,043	(895,690)	(25.0)
Low-Income Housing	2,414,775	315,213	2,099,562	666.1
Energy Conservation	-	10,580,000	(10,580,000)	(100.0)
<b>Insurance</b>				
Total Credits	\$26,130,743	\$21,547,993	\$4,582,750	21.3
High Technology	25,293,046	20,714,206	4,578,840	22.1

1/ Includes the lifeline telephone service tax credit.

Table 3 shows the tax credits claimed by type of credit. The low-income refundable tax credit was the most frequently claimed credit in tax year 2005 and appeared on 74.9% of tax returns with credits. The amount of the credit totaled \$7.5 million, representing 3.8% of the total for all credits. The second most frequently claimed credit was the low-income household renter's tax credit, which appeared on 23.9% of tax returns with credits and accounted for 2.9% of total credit dollars. The high technology business investment tax credit had the largest dollar value of any credits, amounting to \$70.0 million or 35.0% of the total for all credits. Despite the large dollar amount, the number of claims for the high technology tax credit was only 1,219, or 0.5% of all tax returns with credits. The credit for taxes paid to other jurisdictions had the second largest dollar amount, \$34.6 million. A total of 6,388 returns, or 2.7% of all tax returns with credits, claimed this credit.

**Table 3**  
**Distribution of Tax Credits in Tax Year 2005**

	Number of Returns	% of Total Returns	% of Total w/ Credits	Amount of Credit	
				\$1,000	% of Total
All Returns	652,295	100.00%			
Returns with Tax Credits	233,128	35.74%	100.00%	\$ 199,939.5	100.00%
High Technology Bus. Investment	1,219	0.19%	0.52%	70,000.8	35.01%
Taxes Paid to Other Jurisdictions	6,388	0.98%	2.74%	34,580.7	17.30%
Capital Goods	5,594	0.86%	2.40%	23,522.1	11.76%
Hotel Remodeling	212	0.03%	0.09%	15,318.2	7.66%
Research Activities	224	0.03%	0.10%	13,237.6	6.62%
Dependent Care	27,358	4.19%	11.74%	8,857.1	4.43%
Resid. Constrctn & Remodeling 1/	867	0.13%	0.37%	7,874.8	3.94%
Low Income Refundable	174,638	26.77%	74.91%	7,535.9	3.77%
Low-Inc. Househld Renter	55,776	8.55%	23.93%	5,762.7	2.88%
Low-Income Housing	39	0.01%	0.02%	5,428.6	2.72%
Renewable Energy Technologies	2,280	0.35%	0.98%	2,615.4	1.31%
Motion Picture	70	0.01%	0.03%	2,178.0	1.09%
Enterprise Zone	82	0.01%	0.04%	1,558.8	0.78%
Other Refundable Credits 2/	106	0.02%	0.05%	705.9	0.35%
Energy Conservation 1/	473	0.07%	0.20%	422.1	0.21%
Fuel Credit for Fishing	175	0.03%	0.08%	62.6	0.03%
Indv Development Acct Contribution 1/	*	0.00%	0.00%	*	*
Lifeline Telephone Service	N/A	N/A	N/A	128.1	0.06%
Child Car Seat	4,078	0.63%	1.75%	102.0	0.05%
Drought Mitigation	*	0.00%	0.00%	14.6	0.01%
Technology Infrastructure	*	0.00%	0.00%	19.9	0.01%
Vocational Rehabilitation Job	11	0.00%	0.00%	9.3	0.00%
Minor School Repair & Maintenance	*	0.00%	0.00%	4.3	0.00%

\* Data suppressed to protect taxpayer confidentiality.

1/ Expired Credit

2/ Includes the credit from a regulated investment company and the credit for tax withheld or paid by a partnership, estate, trust, or S corporation on the sale of Hawaii real property interests.

Figure 2 shows per capita amounts of selected tax credits claimed by individuals in various Hawaii adjusted gross income (AGI) brackets. The amounts were generated by dividing the dollar amount of each type of tax credit by the number of individuals within each AGI bracket. The number of individuals was calculated by adding the number of exemptions for taxpayers, spouses, and dependents claimed on all tax returns in each respective AGI bracket. In addition, minor children who received more than half their support from public agencies, such as the State Department of Human Services, are also included in the total. These children cannot be claimed as dependents, but they are included as qualified exemptions for purposes of the low-income tax credit.

The Low-Income Household Renter's Tax Credit was distributed fairly evenly among the different eligible AGI groups (those with AGI below \$30,000), whereas the Low-Income Refundable Tax Credit dropped as AGI increased and recipients were phased out of the credit (the credit is generally not available for taxpayers with AGI of over \$20,000). Per

capita claims for the Child and Dependent Care Tax Credit were greater in the higher AGI groups.

**Figure 2**  
Average Per Capita Amounts for Selected Credits in Tax Year 2005

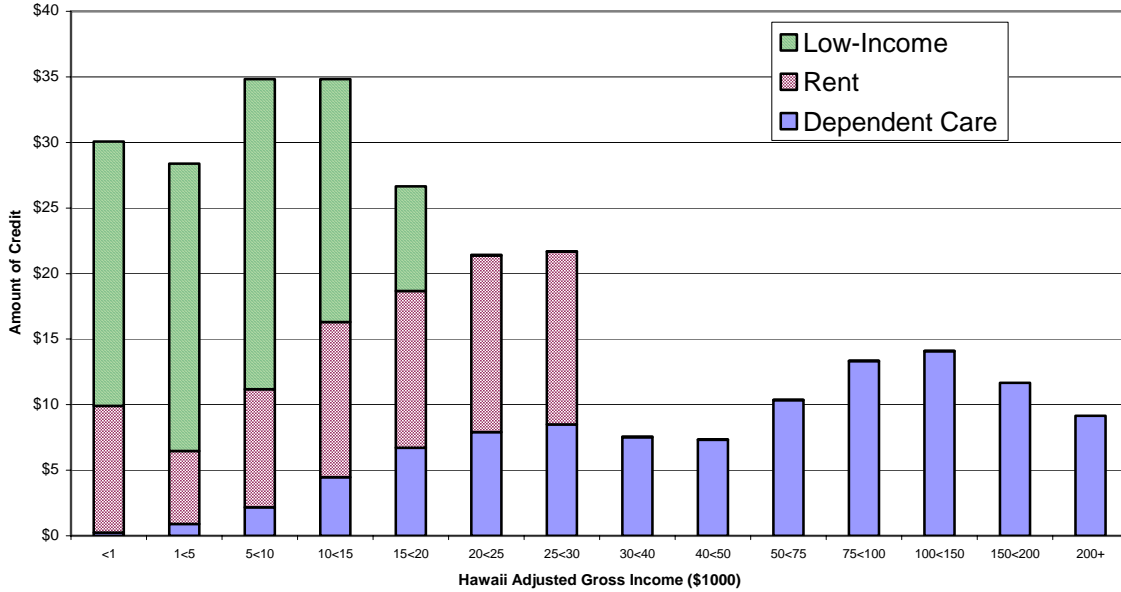


Table 4 gives a brief history of tax credits in Hawaii. There were just two tax credits to assist low-income taxpayers in 1965: the inversely graduated consumer-type tax credit to mitigate the general excise tax burden and the education tax credit to promote education. That number grew to the twenty-three tax credits available for the 2005 tax year as new tax credits were added to provide economic incentives and for various other purposes. Qualifying individuals were eligible for all of the tax credits available for tax year 2005, except the Lifeline Telephone Service Tax Credit. Qualifying businesses (corporations, financial corporations, insurance underwriters, exempt organizations, and public service companies) were eligible for eighteen of the tax credits. The tax credits not allowed to businesses are the low-income tax credit, the low-income renter's credit, the dependent care tax credit, the child passenger restraint credit, and the credit for taxes paid to other jurisdictions.





## DESCRIPTIONS OF THE TAX CREDITS AND ANALYSIS OF THE DATA

This section provides brief descriptions of the twenty-three tax credits available for the 2005 tax year and the three expired tax credits for which unused credits may still be taken. Many tax credits require that taxpayers complete a specific tax form to compute the credit and to provide specific information or evidence to support the claim for the credit. While some tax credits may be claimed directly on tax returns, a number of them must first be summarized on Schedule CR before being transferred to the tax return.

Tax forms used for this study and their instructions, are available on the Department's website at <http://www.hawaii.gov/tax>, or through the Department's Forms by Fax/Mail Service at 808-587-7572 or toll-free at 1-800-222-7572. The forms and instructions may also be obtained at any district tax office.

### Low-Income Refundable Tax Credit (HRS §235-55.85)

The low-income refundable tax credit was introduced in tax year 1999 to replace the food tax credit. The food tax credit was previously part of the combined food/excise tax credit, the excise portion of which was eliminated after tax year 1994.

To claim the tax credit, the taxpayer must be a Hawaii resident with Hawaii adjusted gross income (AGI) of \$20,000 or less who is not claimed or eligible to be claimed as a dependent by another taxpayer. The tax credit is computed by multiplying the allowable tax credit by the number of qualified exemptions. Qualified exemptions are those personal exemptions permitted under Hawaii law, except the additional exemption for being age 65 or older. However, the persons for whom the tax credit is being claimed must have physically resided in Hawaii for more than nine months of the taxable year and they may not have been in jail, prison or a youth correctional facility for the full taxable year. Married persons filing separate tax returns must combine their AGI to determine their eligibility for the tax credit.

Minor children, who cannot be claimed as dependents by another taxpayer because they receive more than half their support from public agencies, such as the State Department of Human Services, are eligible for the maximum \$35 tax credit amount. The tax credit for these minor children is claimed on tax returns filed by their parents or guardians. The allowable tax credit amounts are based on the taxpayer's AGI as shown below:

<u>Hawaii Adjusted Gross Income</u>	<u>Tax Credit Per Qualified Exemption</u>
Under \$10,000	\$35
\$10,000 under \$15,000	25
\$15,000 to \$20,000	10
Over \$20,000	0

Despite the income limit, the Low-Income Refundable Tax Credit was the most commonly claimed tax credit. The tax credit appeared on 28.0% or 174,638 of the 622,968 tax returns filed by individuals in tax year 2005. The total tax credits claimed amounted to \$7.5 million in tax year 2005, which is less than the \$8.1 million claimed in tax year 2004.

#### Low-Income Household Renter's Tax Credit (HRS §235-55.7)

Resident taxpayers who rented residential real property during the taxable year may qualify for the refundable Low-Income Household Renter's Tax Credit. To claim the tax credit, the taxpayer must be a Hawaii resident with AGI of less than \$30,000, who is not claimed or eligible to be claimed as a dependent by another taxpayer, and who paid more than \$1,000 in annual rent for real property in Hawaii that was the taxpayer's residence or the residence of the taxpayer's immediate family and that was not wholly or partially exempt from the real property tax. Married persons filing separate tax returns must combine their AGI to determine their eligibility for the tax credit. If a rental unit is shared with another person, the individual's portion of rent determines his or her eligibility.

The tax credit is computed by multiplying \$50 by the number of qualified exemptions. Qualified exemptions are those personal exemptions permitted under Hawaii law, including the additional exemption for being age 65 or older. However, the persons for whom the tax credit is being claimed must have physically resided in Hawaii for more than nine months of the taxable year.

The renter's tax credit appeared on 55,776 tax returns in tax year 2005, and claims for the tax credit totaled \$5.8 million, which is 6.5% less than the total in tax year 2004 (\$6.2 million). It was the second most commonly claimed tax credit by individuals. Elderly taxpayers claiming at least one additional exemption for being age 65 or older filed 10,277 returns for the tax credit, accounting for 18.4% of the total number of returns that claimed the credit, and for 23.2% of the total dollar value of the credit. As shown in Table 5, 17.3% of individual taxpayers with AGI under \$30,000 (excluding dependent filers) claimed the tax credit.

Table 5  
Tax Returns with Renter's Tax Credit by Adjusted Gross Income  
In Tax Year 2005

Hawaii Adjusted Gross Income	Number of Returns*	Returns with Credit	% with Credit	Credit Amount
< \$ 1,000	60,593	8,833	14.6%	\$ 932,550
\$ 1,000 < 5,000	47,746	4,395	9.2%	425,550
5,000 < 10,000	48,390	7,589	15.7%	730,650
10,000 < 15,000	45,453	8,991	19.8%	901,550
15,000 < 20,000	41,645	8,390	20.1%	850,300
20,000 < 25,000	41,451	9,204	22.2%	1,005,000
25,000 < 30,000	37,503	8,374	22.3%	917,050
<b>TOTAL</b>	<b>322,781</b>	<b>55,776</b>	<b>17.3%</b>	<b>\$ 5,762,650</b>

\* Excludes tax returns filed by dependents.

#### Child and Dependent Care Expenses Tax Credit (HRS §235-55.6)

A resident taxpayer who pays for the care of a child under 13 years of age or for a spouse or dependent incapable of self care may qualify for this tax credit if the taxpayer is gainfully employed.

The tax credit is refundable, and the amount ranges from 15% to 25% of qualified care expenses and decreases as AGI increases. The tax credit schedule in tax year 2005 is shown below.

<u>Hawaii Adjusted Gross Income</u>	<u>Percent of Allowable Expenses</u>
Up to \$22,000	25%
\$22,001 - \$24,000	24%
\$24,001 - \$26,000	23%
\$26,001 - \$28,000	22%
\$28,001 - \$30,000	21%
\$30,001 - \$32,000	20%
\$32,001 - \$34,000	19%
\$34,001 - \$36,000	18%
\$36,001 - \$38,000	17%
\$38,001 - \$40,000	16%
\$40,001 and over	15%

The tax credit can be taken for care expenses of up to \$2,400 for one qualified individual and \$4,800 for two or more qualified individuals. Allowable expenses may not exceed the taxpayer's earned income; for joint tax returns, the amount may not exceed the income of the spouse with the lower earned income. For example, if a couple with two qualifying children paid \$4,000 for care expenses and one spouse earned \$50,000 while the other earned \$3,000, the eligible expense amount would be \$3,000. Since the couple's AGI is more than \$40,000, the amount of tax credit is 15% of \$3,000 or \$450.

For tax year 2005, the dependent care tax credit was reported on 27,358 tax returns and the total tax credits claimed amounted to \$8.9 million. The total claimed in tax year 2004 was \$8.6 million.

#### Child Passenger Restraint System Tax Credit (HRS §235-15)

Any taxpayer who purchases one or more new child passenger restraint systems that comply with the federal motor vehicle safety standards in effect at the time of purchase may claim this tax credit, which is refundable. The tax credit was enacted in 1982 to encourage the voluntary purchase of child restraint systems, but car seats became mandatory in the following year. The tax credit is \$25 per tax return regardless of the cost or the number of restraint systems purchased during the year.

A total of 4,078 claims were filed for the tax credit in tax year 2005 and a total of \$101,950 was claimed, a decrease of 6.6% from the previous year's total of \$109,175.

#### Capital Goods Excise Tax Credit (HRS §235-110.7)

Hawaii businesses may claim the Capital Goods Excise Tax Credit for the purchase of eligible depreciable tangible personal property used in a trade or business. The depreciable property must have a useful life of three years or more, be placed in service in Hawaii, and be subject to either the general excise or use tax. This tax credit is refundable and is equal to 4% of the qualifying cost of such property provided that the property was not also used to claim the Hotel Construction and Remodeling Tax Credit, the Motion Picture and Film Production Income Tax Credit, or the Technology Infrastructure Renovation Tax Credit.

A total of \$23.5 million of the tax credit was claimed in tax year 2005 on 5,594 tax returns, down from \$27.8 million claimed on 6,112 tax returns in the previous year. Claims by corporations decreased by \$3.6 million, from \$18.4 million in tax year 2004 to \$14.7 million in tax year 2005. Individual claims increased from \$5.8 million to \$6.1 million, and financial corporation claims decreased from \$3.6 million to \$2.7 million.

Fuel Tax Credit for Commercial Fishers (HRS §235-110.6)

The principal operator of a commercial fishing vessel may claim this refundable tax credit for certain fuel taxes paid during the taxable year. The tax credit amount is equal to the fuel taxes imposed under section 243-4(a), Hawaii Revised Statutes (HRS).

In tax year 2005, a total of 175 taxpayers claimed \$62,603 for this tax credit, whereas 200 taxpayers claimed \$63,611 for this tax credit in tax year 2004.

Motion Picture and Film Production Income Tax Credit (HRS §235-17)

Any taxpayer who produces a motion picture or television film that benefits Hawaii's economy may claim this refundable tax credit in an amount equal to 4% of the production costs incurred in Hawaii plus 7.25% of transient accommodations costs incurred in Hawaii for producing the film.

Seventy taxpayers claimed the motion picture tax credit in tax year 2005, and their claims totaled \$2.2 million, compared to \$750,748 claimed by 19 taxpayers in tax year 2004.

Hotel Construction and Remodeling Tax Credit (HRS §235-110.4)

Act 108, SLH 1997, provided a refundable hotel remodeling tax credit of 4% of hotel remodeling costs incurred in the taxable year. The purpose of the tax credit was to encourage hotel owners to improve their facilities. Act 195, SLH 2000, expanded the tax credit to include new construction. After the 2001 terrorist attack, Act 10, SLH 2001, Third Special Session, temporarily changed the tax credit to a nonrefundable 10% tax credit through June 30, 2003; the previous 4% refundable tax credit provisions were automatically reenacted effective July 1, 2003. Claims for this tax credit increased from \$12.7 million in tax year 2004 to \$15.3 million in tax year 2005.

Energy Conservation Tax Credit (HRS §235-12)

Taxpayers who installed an energy conservation device (solar system, wind energy system, heat pump, or ice storage system) could claim this tax credit, which was nonrefundable. The tax credit applied only to the actual cost of the systems, including accessories and installation, but did not include the cost of repairs to existing systems.

The tax credit was equal to 35% of the cost of solar systems, 20% of the cost of wind energy systems and heat pumps, and 50% of the cost of ice storage systems. For single-family residential buildings, the tax credit was limited to \$1,750 for solar systems

and \$400 for heat pumps. For multi-unit buildings used primarily for residential purposes, the tax credit was limited to \$350 per unit for solar systems and \$200 per unit for heat pumps. There were no limits for hotels, commercial buildings, or industrial facilities, or for wind energy systems or ice storage systems.

The Energy Conservation Tax Credit expired on June 30, 2003. However, any unused tax credit may be carried over to subsequent years until exhausted.

For tax year 2005, the energy conservation tax credit was claimed on 473 tax returns and totaled \$422,066.

#### Renewable Energy Technologies Income Tax Credit (HRS §235-12.5)

Taxpayers who installed a renewable energy technology system (solar thermal energy system, wind powered energy system, or photovoltaic energy system) and placed it in service after June 30, 2003, may claim this nonrefundable tax credit, which applies only to the actual cost of the system, including the accessories and installation, but not the cost of consumer incentive premiums that are unrelated to the operation of the system or that are offered with the sale of the system.

The tax credit amount is 35% of the cost of the solar thermal systems, 20% of the cost of wind powered energy systems, and 35% of the cost of photovoltaic energy systems. For single-family residential properties, the tax credit is limited to \$1,750 for solar thermal systems, \$1,500 for wind powered energy systems, and \$1,750 for photovoltaic energy systems. For multi-family residential property, the tax credit is limited to \$350 for solar thermal energy systems, \$200 for wind-powered energy systems and \$350 for photovoltaic energy systems. For commercial properties, the tax credit is limited to \$250,000 for solar thermal, wind-powered, and photovoltaic energy systems.

Table 6 shows the number of returns and credit amount of the renewable energy technologies income tax credit by category. Of the indicated returns that claimed credit, 1,844 indicated the installment of solar thermal energy devices, 16 indicated wind powered energy systems, 185 indicated photovoltaic energy systems and 104 indicated multiple energy systems. The type of energy system installed was unspecified for 125 returns of individuals and for 6 returns of all other taxpayers. It is important to note that due to the nature of the tax credit, the number of returns claiming the credit in a year may not correspond to the number of new systems installed that year.

The tax credit was claimed on 2,280 returns in tax year 2005, and totaled \$2.6 million.

**Table 6**  
**Renewable Energy Technologies Income Tax Credit by Category**  
**In Tax Year 2005**

Energy Device	Number of Returns			Credit Amount (In Dollars)		
	Individuals	All Others*	Total	Individuals	All Others*	Total
Solar	1,844	-	1,844	\$ 2,034,477	\$ -	\$ 2,034,477
Wind	16	-	16	14,102	-	14,102
Photov	185	-	185	187,656	-	187,656
Multiple	104	-	104	220,315	-	220,315
Unknown	125	6	131	158,275	562	158,837
<b>Total</b>	<b>2,274</b>	<b>6</b>	<b>2,280</b>	<b>\$ 2,614,825</b>	<b>\$ 562</b>	<b>\$ 2,615,387</b>

\*All Others include Corporations, Financial Corporations, Insurance Underwriters, Fiduciaries & Exempt Organizations

### Employment of Vocational Rehabilitation Referrals Tax Credit (HRS §235-55.91)

A taxpayer who employs a vocational rehabilitation referral, or who employs an individual who is certified by the State Department of Human Services, Vocational Rehabilitation and Services for the Blind Division as having a physical or mental disability that results in a substantial handicap to employment may qualify for this tax credit. The tax credit is nonrefundable and is equal to 20% of the qualifying first-year wages for that taxable year, up to \$6,000. The tax credit was claimed on 11 returns in tax year 2005 and totaled \$9,331.

### Enterprise Zone Tax Credit (HRS §209E-10, §209E-11)

A business located in a designated enterprise zone may claim a tax credit equal to a percentage of its net income tax liability and of the unemployment insurance premiums it paid for employees actually located in the enterprise zone. In the first year, the tax credit is 80% of the qualified amounts, decreasing by 10% each year, down to 20% in the seventh year. The tax credit is nonrefundable and any unused tax credit may not be carried forward.

The tax credit was claimed on 82 tax returns in tax year 2005 and totaled \$1.6 million. In tax year 2004, the tax credit was claimed on 76 tax returns and totaled \$1.2 million.

### High Technology Business Investment Tax Credit (HRS §235-110.9)

Taxpayers were allowed to claim this tax credit for tax years beginning after December 31, 1998. As originally enacted, the tax credit was nonrefundable and equal to 10% of investments made on or after July 1, 1999, in a qualified high technology business, up to a maximum of \$500,000. Act 221, SLH 2001, expanded the tax credit to 100% of the qualified investment, up to a maximum of \$2 million per investment, claimed over five years as follows:

<u>Tax Credit Percentage</u>		<u>Tax Credit Limitation</u>
Year investment made	35%	\$700,000
Year 2	25%	\$500,000
Year 3	20%	\$400,000
Year 4	10%	\$200,000
Year 5	10%	\$200,000

Taxpayers who had previously claimed the 10% investment tax credit for the 1999 or 2000 tax years were able to claim the tax credit for tax years 2001 and later as applicable under the amended law.

Table 7 compares claims for the high technology credit by taxpayer type for tax years 1999 to 2005. The total claims for the high technology credit among individuals and insurance underwriters have increased every year since 2001. The total claims for all taxpayers have also increased significantly each year since 1999. Tax credits claimed for the 1999 and 2000 tax years were \$162,208 and \$393,633, respectively, and grew dramatically thereafter to \$9.6 million in tax year 2001, \$26.2 million in tax year 2002, \$38.9 million in tax year 2003, \$50.5 million in tax year 2004, and \$70.0 million in tax year 2005. The number of claims also increased: there were 23 claims in tax year 1999, 103 in tax year 2000, 268 in tax year 2001, 493 in tax year 2002, 652 in tax year 2003, 1,040 in tax year 2004, and 1,219 in tax year 2005.

In tax year 2005, claims made by individuals increased by \$11.4 million, claims made by insurance underwriters increased by \$4.6 million and claims made by corporations increased by \$2.4 million.



Table 7  
Amount of High Technology Investment Claimed  
Tax Years 1999 to 2005 (\$1,000s)

Tax Year	Total	Individuals	Corporations	Financial Corps	Insurance	Fiduciaries
1999	\$ 162.2	n/a	n/a	n/a	n/a	n/a
2000	393.6	n/a	n/a	n/a	n/a	n/a
2001	9,579.9	3,334.3	225.2	4.2	6,013.8	2.5
2002	26,185.2	11,191.0	1,710.0	0.0	13,057.9	226.2
2003	38,870.3	13,360.2	3,855.2	2,100.7	19,391.8	162.5
2004	50,543.3	26,858.6	994.6	1,599.7	20,714.2	376.3
2005	70,000.8	38,285.1	3,428.4	2,286.9	25,293.0	700.8

n/a=data not available

#### Technology Infrastructure Renovation Tax Credit (HRS §235-110.51)

This tax credit is nonrefundable and is equal to 4% of costs incurred after December 31, 2000, to plan, design, install, construct, and purchase equipment to provide a commercial building with certain technology infrastructure. Claims for the tax credit dropped 93.5%, from \$306,402 in tax year 2004 to \$19,900 in tax year 2005.

#### Credit for Income Tax Paid to Another State or Foreign Country (HRS §235-55)

If a resident individual has out-of-state income that is taxed by another state or foreign country and that is also taxed by Hawaii and the federal government, the taxpayer may claim a tax credit against Hawaii income tax for the net income tax paid to other states or foreign countries if the income was from a source outside Hawaii and earned while the taxpayer was a Hawaii resident. In addition, if the income is foreign income, it cannot be exempt from federal income tax and the federal foreign tax credit may not be claimed. No tax credit is allowed for city or local income taxes paid to another state.

A total of 6,388 taxpayers claimed \$34.6 million for this tax credit in tax year 2005. In tax year 2004, 6,171 taxpayers claimed \$28.3 million for the tax credit.

#### Low-Income Housing Tax Credit (HRS §235-110.8)

Owners of residential buildings who provide low-income housing may claim this tax credit, which is nonrefundable and equal to a percentage of the applicable federal low-income housing tax credit under section 42 of the Internal Revenue Code. This

percentage is 30% for buildings placed in service prior to July 1, 2005, and 50% for buildings placed in service after June 30, 2005.

The tax credit was enacted in tax year 1988. It was expanded to the financial corporations in tax year 1992 and to the insurance underwriters in tax year 1999.

Claims for the tax credit totaled \$5.4 million in tax year 2005, which was 148.1 percent more than the \$2.2 million claimed in tax year 2004. Claims by financial corporations increased from \$315,213 in tax year 2004 to \$2.4 million in tax year 2005.

#### Residential Construction and Remodeling Tax Credit (HRS §235-110.45)

Act 10, SLH 2001, Third Special Session, provided a nonrefundable tax credit equal to 4% of home construction or renovation costs incurred after December 31, 2000, up to a maximum of \$250,000.

The Residential Construction and Remodeling Tax Credit expired on June 30, 2003. However, any unused tax credit may be carried over to subsequent years until exhausted.

The tax credit was claimed on 867 tax returns in tax year 2005, down from 2,081 claims in tax year 2004, while the total amount claimed increased from \$5.1 million to \$7.9 million.

#### School Repair and Maintenance Tax Credit (HRS §235-110.2)

Act 309, SLH 2001, allows licensed contractors to claim a 10% nonrefundable tax credit, up to \$4,000, on the fair-market value of repair and maintenance services provided at no cost to public schools. Claims for the tax credit decreased from \$8,129 in tax year 2004 to \$4,317 in tax year 2005.

#### Drought Mitigation Tax Credit (HRS §235-110.92)

To assist those suffering from drought, Act 293, SLH 2001, provided a refundable tax credit to farmers and ranchers for the construction or repair of a qualifying water storage facility through tax year 2005. The tax credit amount was equal to 4% of qualifying costs. Tax credits claims totaled \$14,595 in tax year 2005. There were no claims for this tax credit in tax year 2004.

#### Research Activities Tax Credit (HRS §235-110.91)

As originally enacted by Act 178, SLH 1999, the research activities tax credit was a nonrefundable tax credit equal to 2.5% of qualifying research costs over a base amount,

computed in the same manner as the comparable 20% federal research tax credit. Act 297, SLH 2000, increased the tax credit from 2.5% to 20% to match the federal tax credit and made it refundable. Act 221, SLH 2001, subsequently eliminated the provision that limited the tax credit to a percentage of costs in excess of a base amount. That is, the tax credit now applies to all qualified research expenditures rather than to only the amount by which they are increased. This enhanced Hawaii's research credit to beyond the federal credit. Thus, taxpayers who do not increase their qualified expenditures can now claim the tax credit.

As a result of the 2001 legislative changes, more taxpayers claimed the tax credit and the amount claimed increased dramatically from \$1.8 million in tax year 2000 to \$12.4 million in tax year 2001. Claims fell to \$9.2 million in tax year 2002, before growing to \$11.5 million in tax year 2003. In tax year 2004, claims increased by 6.3% to \$12.2 million. Claims increased by 8.5% to \$13.2 million in tax year 2005.

#### Individual Development Account Contribution Tax Credit (HRS §235-5.6)

The Individual Development Account (IDA) program is intended to encourage people with low income to save towards specific long-term goals that include obtaining a post-secondary education, buying a first home, and starting a small business. Program participants enroll with a fiduciary organization, which provides matching funds for their deposits. A nonrefundable tax credit is allowed persons donating money to the fiduciary organization for use as matching funds. The tax credit is equal to 50% of the amount donated. Donations qualifying for the tax credit may not be claimed as a deduction for charitable contributions. The tax credit was effective for taxable years 2000 to 2004 with an aggregate limit of \$1 million.

Due to taxpayer confidentiality reasons, the number and dollar amount of IDA credits claimed in tax year 2005 cannot be disclosed. However, both values are extremely minimal in size.

#### Ethanol Facility Tax Credit (HRS §235-110.3)

This refundable tax credit was intended to encourage the construction of operational, large-capacity ethanol production facilities, by changing the ethanol investment tax credit to a facility tax credit.

The amount of the tax credit is equal to 30% of the ethanol production facility's nameplate capacity<sup>3</sup> if the nameplate capacity is greater than 500,000 but less than 15 million gallons<sup>4</sup>. It is limited to 100% of the total of all investments made by the taxpayer in the qualifying ethanol production facility during the eight-year tax credit period. The

<sup>3</sup> The nameplate capacity is the stated annual production design capacity of a facility, measured in gallons, based on an operating year of 350 days.

<sup>4</sup> The prior law contained a 16-tiered credit schedule, which capped the credit at varying dollar amounts, depending on the nameplate capacity of the facility.

facility must also meet certain production requirements. Taxpayers are prohibited from claiming or receiving any other tax credit for the same taxable year and the total amount of credits available is capped at \$12 million per year. The tax credit was effective for taxable years beginning after December 31, 2003. No ethanol facility tax credits were claimed in tax year 2005. A total of \$8,078 of the tax credit was claimed in tax year 2004.

### Other Refundable Tax Credits

This category includes the tax credit from a regulated investment company and the tax credit for the pro rata share of taxes withheld and paid by a partnership, estate, trust, or S corporation on the sale of Hawaii real property interests. Claims for these tax credits increased from \$686,383 in tax year 2004 to \$705,913 in tax year 2005.

### Ko Olina Resort and Marina Attractions and Educational Facilities Tax Credit (HRS §235-110.46)

Act 100, SLH 2003, established a nonrefundable, carry-forward tax credit for qualified costs incurred for the development of attractions and educational facilities at the Ko Olina Resort and Marina; or for the development of a training and educational facility at the Makaha Resort.

There were no claims for this tax credit in tax year 2005.

### Lifeline Telephone Service Tax Credit (HRS §239-6.5)

Lifeline telephone service is available to elderly and disabled residential telephone subscribers with an annual income less than \$10,000. The Public Utilities Commission determines and certifies the lifeline service costs. The telephone public utility may claim a nonrefundable tax credit equal to the sum of foregone revenues and the administrative costs of providing the telephone service to the eligible individuals.

The total tax credit claimed by the public utility was \$128,143 in tax year 2005, up from \$142,135 in tax year 2004. Table 8 shows the number of subscribers and the amount of the tax credit claimed since its inception in tax year 1986.

Table 8  
 Lifeline Tax Credit and Number of Subscribers  
 Since the Inception of the Tax Credit in 1986

Tax Year	No. Subscribers At Year End	Amount Of Credit
1986 *	4,520	\$ 98,108
1987	5,561	191,332
1988	6,013	210,932
1989	6,473	225,392
1990	6,166	247,064
1991	5,982	219,464
1992	7,677	232,166
1993	6,500	257,062
1994	6,666	247,579
1995	6,952	266,713
1996	7,318	274,828
1997	7,267	365,926
1998	7,572	169,158
1999	8,090	168,884
2000	7,815	171,218
2001	7,681	171,212
2002	7,532	162,414
2003	6,701	144,819
2004	6,437	142,134
2005	5,664	128,143

\* In effect seven months.



# **APPENDIX I**

# **STATISTICAL TABLES**





TABLE A-1  
DOLLAR AMOUNTS OF TAX CREDITS CLAIMED  
BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2005

Type of Credit	ALL	TAXPAYER TYPE						
		Individuals	Corporations	Financial Corporations	Insurance Underwriters	Fiduciaries	Exempt Organizations	
Low-Income Credit	\$ 7,535,925	\$ 7,535,925	\$ -	\$ -	\$ -	\$ -	\$ -	
Renter's Credit	5,762,650	5,762,650	-	-	-	-	-	
Dependent Care Credit	8,857,085	8,857,085	-	-	-	-	-	
Child Car Seat Credit	101,950	101,950	-	-	-	-	-	
Capital Goods Excise Credit	23,522,063	6,107,472	14,659,282	2,685,353	60,012	9,944		
Fuel Credit for Fishing	62,603	55,295	7,308	-	-	-	-	
Motion Picture Credit	2,177,966	646,300	1,531,654	-	2	-	-	
Hotel Remodeling Credit	15,318,215	2,007,754	13,261,261	-	49,200	-	-	
Energy Conservation	422,066	345,329	76,737	-	-	-	-	
Renewable Energy Technologies	2,615,387	2,614,825	-	-	562	-	-	
Vocational Rehabilitation Job Credit	9,331	4,108	5,223	-	-	-	-	
Enterprise Zone Credit	1,558,853	823,758	735,095	-	-	-	-	
High Technology Credit	70,000,770	38,285,058	3,428,405	2,286,892	700,845	6,524		
Technology Infrastructure Credit	19,900	1,360	18,540	-	-	-	-	
Taxes Paid to Other Jurisdictions	34,580,716	32,477,679	-	-	2,103,037	-	-	
Low-Income Housing Credit	5,428,604	44,235	2,131,897	2,414,775	837,697	-	-	
Residential Remodeling Credit	7,874,760	2,503,215	5,370,783	-	762	-	-	
School Repair & Maintenance	4,317	317	4,000	-	-	-	-	
Research Activities Credit	13,237,569	1,008,432	12,095,784	-	3,574	129,779		
Indv Development Acct Contribution	*	*	-	-	-	-	-	
Drought Mitigation Credit	14,595	2,785	11,810	-	-	-	-	
Other Refundable Credits**	705,913	705,913	-	-	-	-	-	
Lifeline Telephone Service Credit	128,143	-	128,143	-	-	-	-	
<b>GRAND TOTAL</b>	<b>\$ 199,939,471</b>	<b>\$ 109,891,545</b>	<b>\$ 53,465,922</b>	<b>\$ 7,387,020</b>	<b>\$ 26,130,743</b>	<b>\$ 2,917,994</b>	<b>\$ 146,247</b>	

\* Data suppressed to protect taxpayer confidentiality.

\*\* Includes the tax credit from a regulated investment company and the tax credit for the pro rata share of taxes withheld and paid by a partnership, estate, trust, or S corporation on the sale of Hawaii real property interests.

TABLE A-2  
 NUMBER OF RETURNS CLAIMING SELECTED TAX CREDITS BY TYPE OF CREDIT  
 AND BY TAXATION DISTRICT - 2005

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Low-Income Credit	174,638	126,256	16,606	23,238	8,538
Renter's Credit	55,776	44,191	4,881	4,897	1,807
Dependent Care Credit	27,358	20,559	2,669	2,980	1,150
Child Car Seat Credit	4,078	3,007	556	366	149
Capital Goods Excise Credit	5,594	3,856	815	684	239
Fuel Credit for Fishing	175	75	18	62	20
Motion Picture Credit	70	60	*	*	6
Hotel Remodeling Credit	212	171	9	16	16
Energy Conservation Credit	473	241	125	78	29
Renewable Energy Technologies	2,280	1,331	470	401	78
Vocational Rehabilitation Job Credit	11	*	*	-	-
Enterprise Zone Credit	82	75	*	*	*
High Technology Credit	1,219	1,059	78	49	33
Technology Infrastructure Credit	4	*	*	*	*
Taxes Paid to Other Jurisdictions	6,388	4,335	735	921	397
Low-Income Housing Credit	39	30	*	*	*
Residential Remodeling Credit	867	445	243	133	46
Research Activities Credit	224	198	14	5	7
Drought Mitigation Credit	4	*	*	*	*
Other Refundable Credits **	106	*	*	*	*

\* Data suppressed to protect taxpayer confidentiality.

\*\* Includes the tax credit from a regulated investment company, the tax credit for the pro rata share of taxes withheld and paid by a partnership, estate, trust, or S corporation on the sale of Hawaii real property interests.

TABLE A-3  
 DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS  
 BY DISTRICT AND TYPE OF CREDIT - 2005

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Low-Income Credit	\$ 7,535,925	\$ 5,414,695	\$ 746,795	\$ 999,525	\$ 374,910
Renter's Credit	5,762,650	4,565,000	489,150	537,950	170,550
Dependent Care Credit	8,857,085	6,817,987	816,065	888,374	334,659
Child Car Seat Credit	101,950	75,175	13,900	9,150	3,725
Capital Goods Excise Credit	6,107,472	3,864,944	1,106,393	939,833	196,302
Fuel Credit for Fishing	55,295	20,350	6,847	22,880	5,218
Motion Picture Credit	646,300	627,834	5,541	2,138	10,787
Hotel Remodeling Credit	2,007,754	1,800,061	1,280	197,437	8,976
Energy Conservation	345,329	191,889	90,620	40,944	21,876
Renewable Energy Technologies	2,614,825	1,616,355	491,574	431,381	75,515
Vocational Rehabilitation Job Credit	4,108	3,567	541	-	-
Enterprise Zone Credit	823,758	815,475	-	1,578	6,705
High Technology Credit	38,285,058	34,421,328	1,895,728	1,259,231	708,771
Technology Infrastructure Credit	1,360	-	-	1,360	-
Taxes Paid to Other Jurisdictions	32,477,679	19,791,034	5,339,274	4,995,501	2,351,870
Low-Income Housing Credit	44,235	15,411	9,321	3,020	16,483
Residential Remodeling Credit	2,503,215	1,816,305	437,917	186,685	62,308
School Repair & Maintenance	317	317	-	-	-
Research Activities Credit	1,008,432	950,400	37,481	9,501	11,050
Drought Mitigation Credit	2,785	834	-	1,951	-
Indv Development Acct Contribution	*	*	-	-	-
Other Refundable Credits**	705,913	702,284	1,200	2,429	-
<b>TOTAL FOR INDIVIDUALS</b>	<b>\$109,891,545</b>	<b>83,511,345</b>	<b>11,489,627</b>	<b>10,530,868</b>	<b>4,359,705</b>

\* Data suppressed to protect taxpayer confidentiality.

\*\* Includes the tax credit from a regulated investment company and the tax credit for the pro rata share of taxes withheld and paid by a partnership, estate, trust, or S corporation on the sale of Hawaii real property interests.

TABLE A-4  
 NUMBER OF INDIVIDUAL RETURNS CLAIMING TAX CREDITS  
 BY SIZE OF CREDITS PER RETURN AND BY ADJUSTED GROSS INCOME - 2005

ADJUSTED GROSS INCOME CLASS	Number of Returns with Credits	SIZE OF TAX CREDIT												
		\$25 under \$50	\$50 under \$100	\$100 under \$150	\$150 under \$200	\$200 under \$300	\$300 under \$500	\$500 under \$1,000	\$1,000 and over					
Under \$ 5,000	72,940	285	22,960	6,626	1,717	2,171	747	237	107					
\$ 5,000 "	35,093	137	11,361	2,766	1,313	1,562	726	318	50					
10,000 "	34,927	88	11,880	1,515	2,043	1,640	1,103	382	91					
15,000 "	33,511	20,818	4,299	2,085	1,152	996	619	551	112					
20,000 "	10,830	159	4,211	1,881	1,363	1,608	529	679	172					
25,000 "	9,994	59	3,917	1,510	1,720	1,047	634	708	164					
30,000 "	2,018	67	256	191	103	181	621	262	80					
35,000 "	1,868	57	238	145	123	174	546	266	100					
40,000 "	1,705	62	219	125	88	135	500	211	126					
45,000 "	1,691	43	213	119	106	150	478	254	127					
50,000 "	8,456	306	1,122	557	522	705	2,357	1,237	758					
75,000 "	6,767	211	780	557	471	540	1,768	1,017	682					
100,000 "	6,113	213	636	449	356	538	1,514	929	929					
150,000 "	1,869	71	171	128	100	146	354	280	514					
200,000 and Over	3,596	115	161	104	106	155	349	398	2,100					
TOTAL	231,378	22,691	62,398	18,758	11,283	11,748	12,845	7,729	6,112					
Percent of Total*	100.0%	9.8%	27.0%	8.1%	4.9%	5.1%	5.6%	3.3%	2.6%					

\* Details may not add up to total due to rounding.

TABLE A-5  
NUMBER OF INDIVIDUAL RETURNS CLAIMING SELECTED TAX CREDITS  
BY GEOGRAPHICAL AREAS - 2005

Geographical Area	Number of Returns	Low-Income Credit	Renter's Credit	Dependent Care Credit	Child Car Seat Credit	Capital Goods Excise	Energy Conserv	Renew Energy Tech	Residential Remodeling Credit	Payments to Other States	High Technology Credit	Research Credit
STATEWIDE TOTAL	622,968	174,638	55,776	27,358	4,078	4,113	462	2,261	849	6,259	1,101	143
Oahu												
Kaimuki to Hawaii Kai	49,281	13,688	3,318	2,379	363	546	40	281	73	937	356	46
Makiki to Waikiki	51,818	16,941	8,181	1,802	230	371	12	68	59	671	155	38
Downtown, Nuuanu	51,410	19,021	8,790	1,725	236	350	13	68	42	445	163	15
Airport, Kalihi	36,882	13,061	6,339	1,691	215	121	18	63	21	137	30	*
Kailua, Kaneohe	46,523	12,777	2,588	2,814	391	385	37	218	62	595	105	11
North Shore	11,958	2,891	1,444	431	74	62	*	22	8	97	6	*
Wahiawa, Mililani	35,426	8,651	2,200	2,450	349	143	22	181	24	210	15	*
Aiea, Pearl City	36,275	10,182	2,146	1,722	242	147	19	137	36	223	37	5
Waipahu	31,805	10,697	4,216	1,927	240	82	28	81	15	90	10	-
Kapolei, Ewa	32,106	8,201	1,812	2,335	297	107	29	149	33	156	8	*
Waianae Coast	16,241	6,674	2,238	534	90	24	10	30	13	32	*	-
Maui												
Wailuku-Kahului	23,686	6,080	1,897	1,172	282	205	37	158	60	142	21	7
Kihei	8,912	1,797	834	394	63	113	21	65	59	206	15	*
Lahaina	10,033	2,237	671	264	57	88	26	56	33	140	7	*
Rural Maui	17,541	5,611	1,496	781	150	275	33	157	83	242	27	*
Molokai	2,591	978	207	50	11	12	6	37	6	27	*	-
Lanai	1,404	234	130	44	6	5	*	*	*	5	-	-
Hawaii												
Hilo	22,802	9,116	2,572	1,108	143	106	16	79	25	168	5	*
Puna to Kau	13,825	5,894	652	456	69	72	22	76	22	115	*	-
Kona	21,380	5,033	968	816	83	238	27	160	55	413	14	*
Kohala	8,264	1,487	315	447	53	110	13	42	24	194	25	-
Hamakua	5,938	1,918	353	185	24	37	*	49	7	47	*	-
Kauai												
North Kauai	11,388	3,240	716	398	56	102	14	32	22	209	18	5
Lihue	7,658	2,708	692	350	28	43	6	16	7	67	7	-
Koloa to Poipu	2,129	643	102	78	12	14	*	*	*	51	-	-
West Kauai	7,466	2,203	303	338	54	38	8	17	9	72	6	-
Other / No Zip Code	58,226	2,675	596	667	260	317	5	19	51	568	71	16

\* Data suppressed to protect taxpayer confidentiality.

TABLE A-6  
 NUMBER CLAIMING RENTER'S TAX CREDIT, NUMBER OF EXEMPTIONS,  
 AND TAX CREDITS CLAIMED, BY ADJUSTED GROSS INCOME - 2005

ADJUSTED GROSS INCOME CLASS	Number Claiming	Number of Exemptions	Tax Credits Claimed
Under \$ 1,000	8,833	19,246	\$ 932,550
\$ 1,000	1,927	4,115	200,700
3,000	2,468	4,503	224,850
5,000	2,888	5,759	287,950
7,000	3,370	6,462	318,150
9,000	3,140	6,319	308,450
11,000	3,290	6,141	306,950
13,000	3,892	8,418	410,700
15,000	3,507	7,232	359,000
17,000	4,883	9,830	491,300
20,000	9,204	20,168	1,005,000
25,000	8,374	18,395	917,050
<b>TOTAL</b>	<b>55,776</b>	<b>116,588</b>	<b>\$ 5,762,650</b>

TABLE A-7  
 TOTAL INDIVIDUAL RETURNS FILED AND LOW-INCOME TAX CREDITS CLAIMED  
 BY ADJUSTED GROSS INCOME - 2005

ADJUSTED GROSS INCOME CLASS	Total No. of Returns Filed	RETURNS WITH CREDIT				RETURNS WITHOUT CREDIT	
		No. of Returns	No. of Regular Exemptions*	Exemptions per Return	Amount of Tax Credits	No. of Returns	Percent of Total
Under \$ 5,000	130,470	72,162	104,267	1.44	\$ 3,619,675	58,308	44.7%
" 10,000	58,194	34,533	55,178	1.60	1,920,720	23,661	40.7%
" 15,000	49,104	34,433	56,835	1.65	1,410,190	14,671	29.9%
" 20,000	42,826	33,122	56,253	1.70	567,080	9,704	22.7%
20,000 and Over**	342,374	388	1,292	3.33	18,260	341,986	99.9%
<b>TOTAL</b>	<b>622,968</b>	<b>174,638</b>	<b>273,825</b>	<b>1.57</b>	<b>\$ 7,535,925</b>	<b>448,330</b>	<b>72.0%</b>

\* Reflects the number of personal exemptions for net income tax purpose only. Regular exemptions exclude age exemptions.

\*\* Foster children are eligible for the low-income credit even if family adjusted gross income is larger than \$20,000.

TABLE A-8  
 COMPARATIVE DATA ON INDIVIDUAL RETURNS FILED,  
 SHOWING NUMBER AND PERCENTAGE CLAIMING THE LOW-INCOME TAX CREDIT - 2005  
 STATEWIDE

ADJUSTED GROSS INCOME CLASS	Number of Returns Filed			Returns with Credit			% of Returns with Credit		
	Single <sup>1</sup>	Joint <sup>2</sup>	H/H <sup>3</sup>	Single <sup>1</sup>	Joint <sup>2</sup>	H/H <sup>3</sup>	Single <sup>1</sup>	Joint <sup>2</sup>	H/H <sup>3</sup>
Under \$ 5,000	89,601	35,298	5,571	47,894	20,085	4,183	53.5	56.9	75.1
" 10,000	40,314	13,415	4,465	22,674	8,198	3,661	56.2	61.1	82.0
" 15,000	31,660	11,033	6,411	21,486	7,242	5,705	67.9	65.6	89.0
" 20,000	25,762	10,564	6,500	19,449	7,651	6,022	75.5	72.4	92.6
20,000 and Over <sup>4</sup>	132,599	172,784	36,991	55	229	104	0.0	0.1	0.3
TOTAL	319,936	243,094	59,938	111,558	43,405	19,675	34.9	17.9	32.8

<sup>1</sup> Includes married filing separately.

<sup>2</sup> Includes qualified surviving spouse.

<sup>3</sup> Head of Household.

<sup>4</sup> Foster children are eligible for the low-income credit even if family adjusted gross income is larger than \$20,000.



TABLE A-9  
 NUMBER CLAIMING DEPENDENT CARE TAX CREDIT, DEPENDENT CARE  
 EXPENSES ALLOWED, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 2005  
 STATEWIDE

ADJUSTED GROSS INCOME CLASS	Number of		Returns Claiming Credit	Percent With Credit	Expenses Allowed	Tax Credit Claimed
	Returns Filed	Returns				
Under \$ 5,000	130,470	253	0.2	\$	364,008	\$ 91,002
" 5,000	58,194	430	0.7		706,464	176,616
" 10,000	49,104	776	1.6		1,361,492	340,373
" 15,000	42,826	1,082	2.5		1,905,284	476,321
" 20,000	41,816	1,353	3.2		2,439,877	590,264
" 25,000	37,704	1,500	4.0		2,709,863	590,219
" 30,000	32,015	1,331	4.2		2,334,623	449,340
" 35,000	26,856	1,251	4.7		2,317,230	389,873
" 40,000	23,450	1,179	5.0		2,185,056	327,766
" 45,000	20,470	1,171	5.7		2,259,663	338,960
" 50,000	69,577	6,038	8.7		11,887,382	1,783,150
" 75,000	38,195	4,950	13.0		9,742,052	1,461,340
" 100,000	30,583	4,194	13.7		8,331,749	1,249,791
" 150,000	9,040	990	11.0		1,998,624	299,799
200,000 and Over	12,668	860	6.8		1,948,440	292,271
<b>TOTAL</b>	<b>622,968</b>	<b>27,358</b>	<b>4.4</b>	<b>\$</b>	<b>52,491,807</b>	<b>\$ 8,857,085</b>

TABLE A-10  
 NUMBER CLAIMING DEPENDENT CARE TAX CREDITS BY ADJUSTED GROSS INCOME  
 AND BY EXPENSES ALLOWED - 2005  
 STATEWIDE

ALLOWABLE DEPENDENT CARE EXPENSES	TOTAL	ADJUSTED GROSS INCOME					
		Under \$15,000	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$50,000	\$100,000 and Over
Under \$500	4,234	270	624	747	1,679	914	914
\$ 500	4,429	205	586	863	1,830	945	945
1,000	3,013	228	459	526	1,147	653	653
1,500	2,115	131	364	376	778	466	466
2,000	9,040	487	1,481	1,756	3,502	1,814	1,814
2,500	447	24	45	59	207	112	112
3,000	479	18	49	82	197	133	133
3,500	398	12	45	64	174	103	103
4,000	378	16	35	55	175	97	97
4,500 and Over	2,825	68	247	404	1,299	807	807
TOTAL	27,358	1,459	3,935	4,932	10,988	6,044	6,044

TABLE A-11  
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT,  
 AMOUNT OF CAPITAL ASSETS PURCHASED, AND TAX CREDIT CLAIMED - 2005  
 INDIVIDUAL RETURNS, STATEWIDE

ADJUSTED GROSS INCOME CLASS	Number Claiming	Amount of		Tax Credit Claimed
		Qualified Purchases	Purchases	
Under \$10,000	600	\$ 17,759,900	\$	710,396
" 20,000	267	3,057,250		122,290
" 30,000	269	3,557,700		142,308
" 40,000	223	2,387,025		95,481
" 50,000	211	3,414,700		136,588
" 75,000	477	6,598,350		263,934
" 100,000	401	7,028,025		281,121
" 150,000	468	8,608,125		344,325
" 200,000	237	4,376,975		175,079
200,000 and Over	960	95,898,750		3,835,950
<b>TOTAL</b>	<b>4,113</b>	<b>\$152,686,800</b>	<b>\$</b>	<b>6,107,472</b>

TABLE A-12  
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL  
 ASSETS PURCHASED, AND TAX CREDIT CLAIMED - 2005  
 CORPORATION AND FINANCIAL CORPORATION RETURNS, STATEWIDE

GROSS RECEIPTS CLASS	Number Claiming	Amount of		Tax Credit Claimed
		Qualified Purchases	Purchases	
Under \$ 100,000	113	\$ 57,388,675	\$ 2,295,547	
" " 500,000	266	4,395,475	175,819	
" " 1,000,000	202	5,881,275	235,251	
" " 5,000,000	437	57,939,225	2,317,569	
" " 10,000,000	140	16,667,475	666,699	
10,000,000 and Over	237	291,343,750	11,653,750	
<b>TOTAL</b>	<b>1,395</b>	<b>\$ 433,615,875</b>	<b>\$ 17,344,635</b>	

TABLE A-13  
 INDIVIDUAL RETURNS CLAIMING RESIDENTIAL CONSTRUCTION AND REMODELING TAX CREDIT,  
 QUALIFIED CONSTRUCTION COSTS, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 2005  
 STATEWIDE

ADJUSTED GROSS INCOME CLASS	Number of		Returns Claiming Credit	Percent With Credit	Qualifying Construction Costs	Tax Credit Claimed
	Returns Filed	Returns				
Under \$5,000	130,470	9	0.0	\$ 6,100	\$ 244	
\$ 5,000 "	58,194	22	0.0	27,600	1,104	
10,000 "	49,104	45	0.1	119,125	4,765	
15,000 "	42,826	62	0.1	385,750	15,430	
20,000 "	41,816	55	0.1	459,450	18,378	
25,000 "	37,704	51	0.1	633,750	25,350	
30,000 "	32,015	46	0.1	670,575	26,823	
35,000 "	26,856	51	0.2	987,850	39,514	
40,000 "	23,450	46	0.2	912,425	36,497	
45,000 "	20,470	39	0.2	933,900	37,356	
50,000 "	69,577	180	0.3	6,258,625	250,345	
75,000 "	38,195	91	0.2	3,985,875	159,435	
100,000 "	30,583	68	0.2	4,723,075	188,923	
150,000 "	9,040	27	0.3	1,791,400	71,656	
200,000 and Over	12,668	66	0.5	40,684,875	1,627,395	
<b>TOTAL</b>	<b>622,968</b>	<b>858</b>	<b>0.1</b>	<b>\$ 62,580,375</b>	<b>\$ 2,503,215</b>	



## **APPENDIX II**

# **OUTLINE OF TAX CREDIT HISTORY**





## Outline of Tax Credit History by Year of Enactment

Year	Act	Tax Credit	Tax Credit Description or Modification
1957	1	Out-of-state taxes paid	Credit on portion of income taxes paid to another state or foreign country.
1965	155	Consumer-type	Range established at \$18 to \$0.45 per qualified exemption based on modified adjusted gross income (MAGI).
	155	Education credit	Set at \$50 to \$2 for higher education, \$20 to \$2 for K12, based on modified adjusted gross income (MAGI).
1967	229	Credit against individual income tax	Formerly named the consumer-type credit; limited to residents with MAGI under \$7,000; credit range changed to \$20 to \$1 per qualified exemption.
	229	Education credit	Limited to residents with adjusted gross income (AGI) under \$7,000.
1969	60	Credit against individual income tax	Expanded upper income limit to MAGI under \$10,000, raised maximum credit per qualified exemption to \$21.
1970	180	Drug and medical expense credit	Credit range established at 4% to 1% of expenses, based on MAGI under \$14,000.
	180	Rent credit	Credit range of 2% to 1% of rent paid, inversely graduated to AGI under \$15,000.
1971	59	Drug and medical expense credit	Person aged 65 or older allowed two exemptions beginning with 1972 tax year.
1974	221	Excise credit	Replaced four previous credits: credit against individual income tax, education, drug and medical expense, and rent credits; set at \$30 to \$6 per qualified exemption based on AGI under \$15,000.
1976	189	Energy device credit	Set at 10% of cost of solar device installed after 12/31/74 but before 12/31/81.
	208	Excise credit	Raised maximum credit to \$40 per qualified exemption; raised AGI ceiling to under \$20,000; person aged 65 or over allowed two exemptions.
1977	15	Rent credit	Set at \$20 per qualified exemption; AGI must be less than \$20,000 and annual rent must be greater than \$1,000; age 65 or over allowed two exemptions.
	196	Child and dependent care credit	Set at 5% of care expenses; maximum credit \$100 for one and \$200 for two or more qualified dependents.
1978	19	Hot water insulation credit	Up to \$30 for cost of materials; expired 12/31/84.

<b>Year</b>	<b>Act</b>	<b>Tax Credit</b>	<b>Tax Credit Description or Modification</b>
1980	228	Excise Credit	Increased credit per qualified exemption; new range \$48 to \$8.
1981	230	Rent credit	Raised to \$50 per qualified exemption.
	231	General income credit	Set at \$100 per qualified exemption.
	233	Energy device credit	Expanded to include home heat pumps and wind energy devices; extended expiration date to 12/30/85.
	234	Child and dependent care credit	Raised to 10% of expenses; maximum credit raised to \$200 for one and \$400 for two or more qualified decedents.
1982	25	Child and dependent care credit	Changed to graduated credit ranging from 15% to 10% of expenses, based on AGI; maximum credit raised to \$360 for one and \$720 for two or more qualified dependents.
	134	Child passenger restraint credit	Set at \$25 per return for purchase of qualified care seat.
	265	General income credit	Reduced to \$25 per qualified exemption.
1983	67	Energy device credit	Eligibility extended to heat pumps for commercial use.
	97	General income credit	Reduced to \$1 per qualified exemption.
1984	55	General income credit	\$1 per qualified exemption.
1985	81	General income credit	\$1 per qualified exemption.
	232	Energy device credit	Extended expiration date to 12/30/92; increases to 15% if federal energy credit not extended beyond 12/31/85.
1986	49	General income credit	\$1 per qualified exemption.
	66	Energy device credit	Raised to 15% if federal energy credit not retroactively extended or reenacted.
	70	Energy device credit	Expanded to include ice storage systems with credit set at 10% of cost.
1987	41	General income credit	\$1 per qualified exemption.
	239	Food credit	Set at \$45 per qualified exemption; to expire 12/31/90.
	239	Capital goods excise credit	Set at 3% of cost of qualified tangible business property for tax year 1988 and 4% of cost for 1989 and thereafter.
1988	11	Excise credit	Credit range changed to \$55 to \$10 per qualified exemption; AGI ceiling raised to \$30,000.
	185	General income credit	\$1 per qualified exemption.

Year	Act	Tax Credit	Tax Credit Description or Modification
1988	216	Low-income housing credit	30% credit on the qualified basis of each low-income building located in Hawaii as provided in IRC section 43(b).
1989	307	Energy device credit	Raised to 20% of cost if placed in service after 12/31/89.
	321	Medical services excise credit	Set at 4% of qualified medical expenses; maximum credit \$200 for most residents, \$400 if 65 or older, and \$600 if both joint taxpayers 65 years or older.
	321	Rent credit	AGI ceiling raised to \$30,000.
	321	Child and dependent care credit	Credit made refundable if it exceeds tax liability; AGI ceiling for maximum 15% rate raised from \$10,000 to \$22,000.
	322	Child and dependent care credit	Raised rate to 25% to 15% of qualified expenses effective after 12/31/89.
	323	General income credit	\$125 per qualified exemption.
1990	98	Renter's credit	Allowed residents with no taxable income to claim the credit.
	186	General income credit	Reduced to \$60 per qualified exemption.
	187	Food/excise credit	Repealed excise credit and created a permanent food/excise credit; food credit increased from \$45 to \$55 per qualified exemption; no change in excise credit rates.
	319	Energy device credit	Extended expiration date to 12/31/98; credit ceilings set according to device and type of dwelling: solar device--lesser of 35% of cost or \$1,750 if placed in single-family dwelling or \$350 if placed in multi-family dwelling, no cap for hotel, commercial, or industrial installation; heat pump--lesser of 20% of cost or \$400 if installed in single-family unit or \$200 if placed in multi-family unit; no cap for hotel, commercial, or industrial installations; wind energy device--rate increased from 15% to 20% of cost; ice storage systems--rate increased to 50% of cost if installed and placed in service after 12/31/90.
1991	137	Job credit	20% of wage up to \$1,200 per vocational rehabilitation employee.
	179	General income credit	\$1 per qualified exemption.
	217	Medical services excise credit	Extended the medical service excise credit to 12/31/96.
1992	128	General income credit	\$1 per qualified exemption.
1993	184	General income credit	\$1 per qualified exemption.
	315	Medical services excise credit	6% of nursing facility expenses.

<b>Year</b>	<b>Act</b>	<b>Tax Credit</b>	<b>Tax Credit Description or Modification</b>
1994	85	General income credit	\$1 per qualified exemption.
1995	23	Medical services excise credit	Repealed the 4% portion of the tax credit and retains 6% of the nursing facility tax portion.
	93	General income credit	\$1 per qualified exemption.
	134	Medical services excise credit	Repealed the medical service tax credit and the nursing facilities tax credit.
	134	Food/excise credit	Reduced the food portion of the food/excise tax credit from \$55 to \$27 per qualified exemption, and repeals the excise portion of the food/excise tax credit.
1996	286	Enterprise zone credit	Exempted general excise taxes on the gross proceeds from manufacture of tangible personal property, the wholesale of tangible personal property, or the engaging in a service business by qualified businesses in the enterprise zone.
1997	107	Motion picture credit	Provided an income tax credit of up to 4% of costs incurred, and of up to 6% of transient accommodations costs incurred in the production of motion picture or television films in the state.
	108	Hotel remodeling credit	Provided an income tax credit equal to 4% of the renovation costs for each qualified hotel facility located in Hawaii, with tax credit cap of 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year.
1998	156	Motion picture credit	Increases credit from 6% to 7.25% of transient accommodations costs incurred.
	157	Food tax credit	Repealed food tax credit beginning tax year 1999.
	157	Low-income credit	Established refundable graduated low-income credit beginning tax year 1999.
	163	Energy device credit	Extended sunset date for energy device credits to July 1, 2003.
1999	024	Low-income housing credit	Expanded to include insurance companies.
	160	IDA credit	IDA tax credit up to 50% of contribution to an individual development account (IDA).
	178	High technology credit	10% of the investment made by the taxpayer in each qualified high technology business, up to a maximum allowed credit of \$500,000, effective tax years 1999 to 2005.
	178	Research activity credit	Adopts federal income tax credit for increasing research activities, effective tax years 2000 to 2005.

<b>Year</b>	<b>Act</b>	<b>Tax Credit</b>	<b>Tax Credit Description or Modification</b>
1999	306	Qualified improvement credit	Qualified improvement tax credit for capitalized costs of construction and equipment of a permanent nature with respect to resort and hotel properties. Unspecified percent of credit may be applied against GET, income, PSC or TAT.
2000	148	Low-income housing credit	Allows partnerships to claim low-income housing credit.
	184	Individual development account	5% of amount contributed to an IDA up to \$1 million, between January 01, 2000 and December 31, 2004.
	174	Research activity credit	Retains credit for increasing research activities, even if federal credit is repealed.
	289	Ethanol investment credit	16 step investment tax credits for ethanol production facility based on gallons produced, capped at lesser of 30% of investment of specified dollar amount per step. Effective after December 31, 2001.
	297	Research activity credit	Makes the credit refundable.
	297	High technology credit	Eases requirements to qualify for credit.
2001	36	General income credit	\$1 per qualified exemption.
	221	Research activities credit	Removes requirement for increasing research.
	221	High technology business investment credit	Increases maximum credit to \$2 million and credit percentage to 100%.
	293	Drought mitigation credit	4% of cost of construction or repair of qualified water storage facility for farmers and ranchers.
	309	School repair and maintenance credit	10% of fair-market value of repair and maintenance of public schools by licensed contractors.
2001 3 <sup>rd</sup> SS	10	Hotel construction and remodeling credit	Increases credit to 10% of costs and makes it nonrefundable until June 30, 2003.
	10	Residential construction and remodeling credit	4% of cost of new residential construction or remodeling.
2002	63	General income credit	\$1 per qualified exemption.
	174	Residential construction and remodeling credit	Extends the credit to costs incurred before July 1, 2003.

<b>Year</b>	<b>Act</b>	<b>Tax Credit</b>	<b>Tax Credit Description or Modification</b>
2003	207	Renewable energy technologies credit  (Energy device credit)	Energy technology installed and placed in service after 6/30/03. Credit ceilings set according to device and type of dwelling: solar-device-lesser of 35% of cost or \$1,750 if placed in single family dwelling, \$350 for multi-family dwelling, \$250,000 for commercial properties; wind powered system-lesser of 20% of cost or \$1,500 if installed in single family unit, \$200 if placed in multi-family unit, or \$250,000 if placed in a commercial property; photovoltaic energy systems-lesser of 35% of cost or \$1,750 if installed in single family unit, \$350 if installed in multi-family unit, \$250,000 if installed in a commercial property.
2003	100	Ko Olina resort and marina attractions and educational facilities tax credit	Established a nonrefundable, carry-forward tax credit for qualified costs incurred for the development of attractions and educational facilities at the Ko Olina resorts and marina, or for the development of a training and educational facility at the Makaha Resort. It took effect on May 29, 2003 and is available in tax year 2005.
2004	97	Renewable energy technologies credit  (Energy device credit)	Clarified that the tax credit is nonrefundable and that unused credit may be claimed in subsequent years until exhausted. Allowed financial institutions to claim the credit for taxable years beginning after 12/30/02, provided that the system was installed after 6/30/03.
2004	140	Ethanol facility tax credit	Clarified that the tax credit is equal to 30% of the ethanol production facility's nameplate capacity if greater than 500,000 but less than 15 million gallons. Tax credit is limited to 100% of the total of all investments made by the taxpayer during the 8 year tax credit period. Requires that the facility be operating at a level of production of at least 75%. Facility must be in production before 1/1/12. Effective 7/01/04 and applied to taxable years beginning after 12/21/03.
2005	196	Low-income housing tax credit	Provides incentives for developers to build affordable housing projects by increasing the low-income housing tax credit from 30 to 50 percent of the applicable percentage of the qualified basis of each building located in Hawaii. Effective 7/01/05.