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# **Tax Credits**

**Claimed by Hawai'i Taxpayers**

**Tax Year 2023**

**(January 1, 2023 – December 31, 2023)**

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**Department of Taxation**

**State of Hawai'i**

**December 2025**

# STATE OF HAWAII

Josh Green, M.D., Governor

## DEPARTMENT OF TAXATION

Gary S. Suganuma, Director

Kristen M.R. Sakamoto, Deputy Director

## OFFICE OF TAX RESEARCH & PLANNING

Baybars Karacaovali, Ph.D.

Tax Research & Planning Officer

Prepared by

Sisi Zhang, Ph.D.

Economist

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# 1. INTRODUCTION

This study examines tax credits that may be applied to reduce taxpayer's tax liability including Hawai'i's net income taxes, the tax on insurance premiums, or the tax on public utilities. Tax credits are subtracted directly from the tax liability, so they reduce the amount of taxes dollar-for-dollar. This makes them more valuable to taxpayers than ordinary deductions, which reduce the amount of income against which tax is applied. Tax credits may be refundable or nonrefundable. If a tax credit is nonrefundable, it can provide a tax benefit only to the extent that the taxpayer has a tax liability.<sup>1</sup> In contrast, the taxpayer is ensured of receiving the full amount of a refundable tax credit in the year it is claimed. If the tax credit exceeds the tax liability, the taxpayer is compensated for the difference.

The study reports the value of tax credits that either reduced a tax liability or that were refunded to taxpayers in tax year 2023. The study does not include the value of tax credits that were claimed if the tax credits were denied or carried over to a future year.

The tax returns examined for this study were those filed for tax year 2023 and processed by March 31, 2025. The tax year is the same as the calendar year for most taxpayers, but for taxpayers that have a fiscal year that differs from the calendar year, tax year 2023 is the fiscal year ending in calendar year 2023.

Hawai'i's first tax credit was established in 1957 to avoid double taxation of income. Since then, numerous tax credits have been enacted. Most of them are designed to promote social welfare or to encourage certain industries or economic activities. There are a total of 22 active tax credits in 2023.<sup>2</sup> There were also 7 expired tax credits for which excess credits from prior years could be carried over into tax year 2023.<sup>3</sup>

The Department of Taxation ("Department") has prepared studies on tax credits for tax years 1965, 1970, 1977 through 2005, and 2011 through 2023 (the present study).<sup>4</sup> The studies on tax credits produced for tax years before 1986 included only tax credits claimed by individuals. The studies for tax years after 1986 were expanded to include tax credits claimed by businesses, fiduciaries (trusts and estates), and exempt organizations, as well as the lifeline telephone service tax credit. The present study examines the following active and expired tax credits:

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<sup>1</sup> For most nonrefundable tax credits, the unused credits can be carried forward to future years, so the full value of the tax credit is usually realized eventually.

<sup>2</sup> The study does not include the tax credit from a regulated investment company or the credit for taxes withheld on the sale of Hawai'i real property. These are not proper tax credits but are instead deductions from income tax that account for Hawai'i income taxes already paid, similar to the deduction for taxes that were withheld on wages.

<sup>3</sup> The count of expired tax credits does not include the renewable energy technologies income tax credit for systems installed prior to July 1, 2009.

<sup>4</sup> Work on the studies was discontinued in 2009 owing to budgetary cutbacks. The study on tax credits for tax year 2011 was the first one produced since December 2007, when the study for tax year 2005 was published.

## **Active Tax Credits**

### *Tax Credits to Promote Social Welfare*

- Refundable Food/Excise Tax Credit
- Tax Credit for Low-Income Household Renters
- Tax Credit for Child and Dependent Care Expenses
- Tax Credit for Child Passenger Restraint Systems
- Tax Credit for Employment of Vocational Rehabilitation Referrals
- Low-Income Housing Tax Credit
- Tax Credit for School Repair and Maintenance
- Earned Income Tax Credit
- Lifeline Telephone Service Tax Credit

### *Tax Credits to Encourage Certain Industries or Economic Activities*

- Fuel Tax Credit for Commercial Fishers
- Motion Picture, Digital Media, and Film Production Income Tax Credit
- Renewable Energy Technologies Income Tax Credit
- Enterprise Zone Tax Credit
- Important Agricultural Land Qualified Agricultural Cost Tax Credit
- Tax Credit for Research Activities
- Renewable Fuels Production Tax Credit
- Healthcare Preceptor Income Tax Credit
- Historic Preservation Income Tax Credit

### *Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*

- Capital Goods Excise Tax Credit
- Income Tax Paid to Another State or Foreign Country
- Pass-Through Entity (PTE) Tax Credit

## **Expired Tax Credits**

### *Tax Credits to Encourage Certain Industries or Economic Activities*

- High Technology Business Investment Tax Credit
- Energy Conservation Tax Credit
- Hotel Construction and Remodeling Tax Credit
- Technology Infrastructure Renovation Tax Credit
- Residential Construction and Remodeling Tax Credit
- Capital Infrastructure Tax Credit
- Cesspool Upgrade, Conversion or Connection Income Tax Credit
- Organic Foods Production Tax Credit

## 2. DATA SOURCE AND METHODOLOGY

The primary data source for the study is the GenTax program of the Department's Tax System Modernization (TSM). The data are from individual income tax returns (Forms N-11 and N-15), corporate income tax returns (Form N-30), fiduciary (estates and trusts) income tax returns (Form N-40), and exempt organization income tax returns (Form N-70NP). In addition, data from franchise tax returns (Form F-1) that are filed by banks and other financial corporations, including building and loan associations, financial services and loan companies, and small investment companies are utilized. The data include all tax returns that were filed for tax year 2023 and processed by March 31, 2025, with a query run in April 2025. Some tax credits are reported directly on the tax returns, but most are reported on Schedules CR, "Schedule of Tax Credits." The tax credits reported on Schedules CR are summed and only the total is reported on the income tax returns. Therefore, the data on tax credits were obtained from tax returns in conjunction with Schedules CR, wherever applicable. The data on tax credits are before any adjustments by subsequent audits but they include the automatic adjustments the Department made when processing the tax returns.

Data on the lifeline telephone tax credit were obtained from the Public Utilities Commission, and data on tax credits claimed by insurance companies were provided by the Insurance Division of the Department of Commerce and Consumer Affairs, which administers the tax on insurance premiums. The tax forms used for the study and their instructions are available on the Department's website at [tax.hawaii.gov](http://tax.hawaii.gov).

To maintain taxpayer confidentiality, the Department does not disclose tabulations containing data for 5 or fewer returns at the state level, 10 or fewer returns below the state level, and when an individual return represents a large percentage in a tabulation.

The data for the study come from 794,350 tax returns that were filed for tax year 2023. Table 1 shows the total number of each type of tax return examined for the study. Resident individual taxpayers filed the largest number of returns with 644,374. The second largest number is for nonresident individuals with 110,164, followed by nonfinancial corporations (20,021) and fiduciaries (17,620).

**Table 1**  
**Number of Tax Returns by Type of Taxpayer**  
**for Tax Year 2023**

<b>Type of Taxpayer</b>	<b>Tax Form</b>	<b>Number of Returns</b>
Individual - Resident	Form N-11	644,374
Individual - Nonresident / Part-Year Resident	Form N-15	110,164
Nonfinancial Corporation	Form N-30	20,021
Financial Corporation	Form F-1	273
Fiduciary	Form N-40	17,620
Exempt Organization	Form N-70NP	797
Insurance Underwriter*	Form 314	1,101
<b>TOTAL</b>		<b>794,350</b>

\* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs.

Table 2 shows the number of returns by income class and by taxation district for individual income tax returns (Forms N-11 and N-15).<sup>5</sup> The State has four taxation districts: District 1 is the City and County of Honolulu (O'ahu), District 2 consists of Maui County, District 3 is Hawai'i County and District 4 is Kaua'i County. The table also shows the number of individual income tax returns by income class. For residents (who file Form N-11), the income class is determined by the Hawai'i Adjusted Gross Income (Hawai'i AGI). For part-year residents and nonresidents (who file Form N-15), the income class is determined by total AGI, which is the taxpayer's global adjusted gross income as it would be defined if the taxpayer had been a Hawai'i resident for the full tax year.

<sup>5</sup> District breakdowns for tax returns from businesses should be interpreted with caution because the location is determined by the taxpayer's mailing address. Many businesses with operations throughout the State are headquartered on O'ahu and use an O'ahu mailing address. Moreover, nonresident businesses with out-of-state addresses are attributed to O'ahu. Therefore, county breakdowns for business tax returns are not shown.



**Table 2**  
**Total Number of Individual Income Tax Returns for Tax Year 2023**  
**by Income Class and by Tax District**

<b>By Income Class*</b>			
<b>Hawai'i AGI*</b>	<b>Forms N – 11</b>	<b>Forms N - 15</b>	<b>All Individual Returns</b>
Less than \$10,000	123,887	12,838	136,725
\$10,000 to \$29,999	120,079	15,007	135,086
\$30,000 to \$59,999	158,587	16,663	175,250
\$60,000 to \$99,999	109,027	14,263	123,290
\$100,000 to \$199,999	95,897	18,309	114,206
\$200,000 or more	36,897	33,084	69,981
<b>Total</b>	<b>644,374</b>	<b>110,164</b>	<b>754,538</b>

<b>By Tax District**</b>			
<b>Tax District</b>	<b>Forms N – 11</b>	<b>Forms N - 15</b>	<b>All Individual Returns</b>
O'ahu (District 1)	444,412	105,157	549,569
Maui (District 2)	76,644	1,816	78,460
Hawai'i (District 3)	88,858	2,377	91,235
Kaua'i (District 4)	34,460	814	35,274
<b>Total</b>	<b>644,374</b>	<b>110,164</b>	<b>754,538</b>

\* For Form N-15, the income is the taxpayer's global adjusted gross income as defined for Hawai'i income tax purposes.

\*\* Returns that have an out-of-state address are allocated to O'ahu.

### 3. OVERVIEW AND SUMMARY OF RESULTS

In tax year 2023, a total of \$621.3 million was claimed in tax credits, up from \$443.9 million claimed for tax year 2022, a 40% increase mainly driven by the introduction of the pass-through entity (PTE) tax credit and the expansion of EITC, child/ dependent care expenses and food/exercise tax credit (see Act 50 and Act 163, SLH 2023 in Appendix [Table B-1](#)).

Figure 1 shows the breakdown by type of taxpayer for tax credits claimed in tax year 2023. The largest dollar value of tax credits was claimed against individual income tax liabilities. Such claims added up to \$429.7 million, or 69.2% of the total claims for tax credits, up 75.1% from \$245.3 million claimed for tax year 2022. Claims against income tax liabilities of nonfinancial corporations were the second largest category, amounting to \$117.5 million, or 18.9% of the total claims for tax credits, down 13.8% from \$136.3 million claimed for tax year 2022. The third largest tax credit claims were from Insurance Underwriters, which totaled \$32.8 million, or 5.3% of the total claims, up 9% from \$30.0 million claimed for tax year 2022.

**Figure 1**  
**Distribution of Tax Credit Amounts by Taxpayer Type in Tax Year 2023 (Dollar amounts are in \$ millions)**

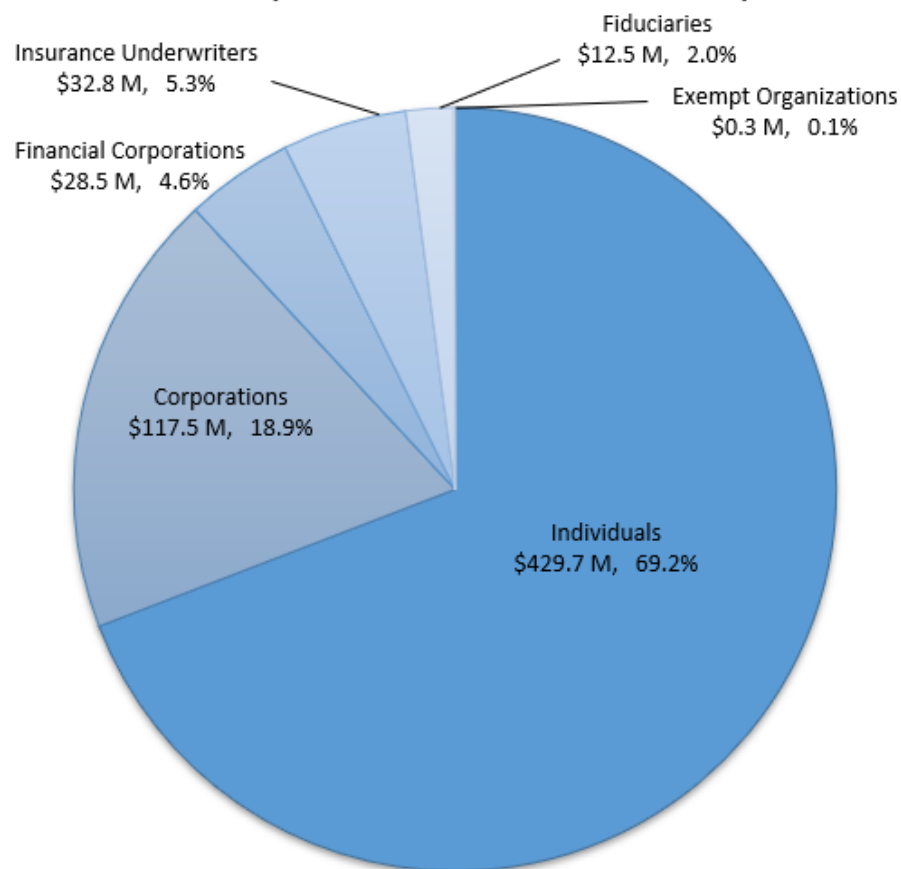


Figure 2 shows the amount of tax credits as a proportion of total tax liability by taxpayer type in tax year 2023.<sup>6</sup> Financial Corporations had the largest percentage of tax credits against their tax liability, with 47.5% of their tax liability written off by tax credit claims, up from 40.6% in 2022. The second largest percentage reduction of tax liability was Corporations with 40.3% of their tax liability reduced by tax credit claims, down from 44.3% for tax year 2022. Individuals had the smallest percentage tax reduction due to tax credits (13.3% of their tax liability), followed by Insurance Underwriters with 13.4% of their tax liability reduced by tax credit claims.

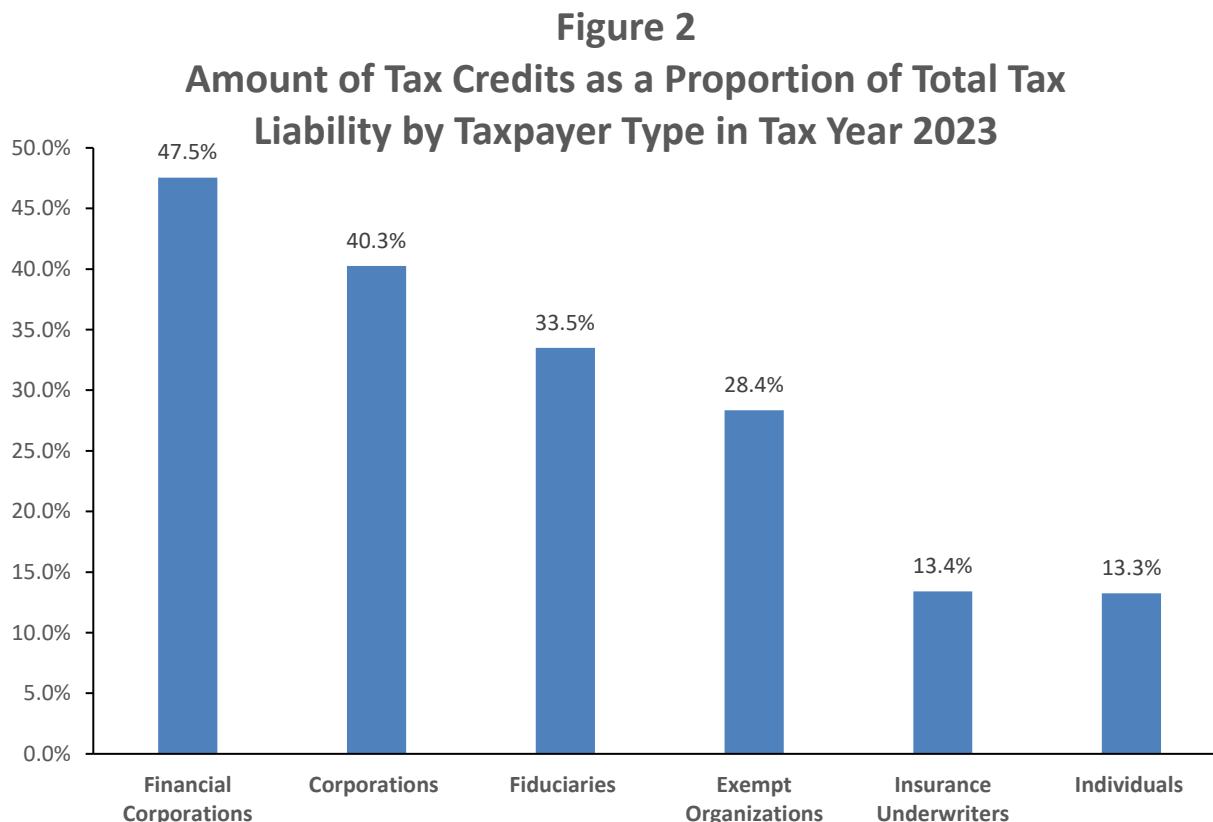
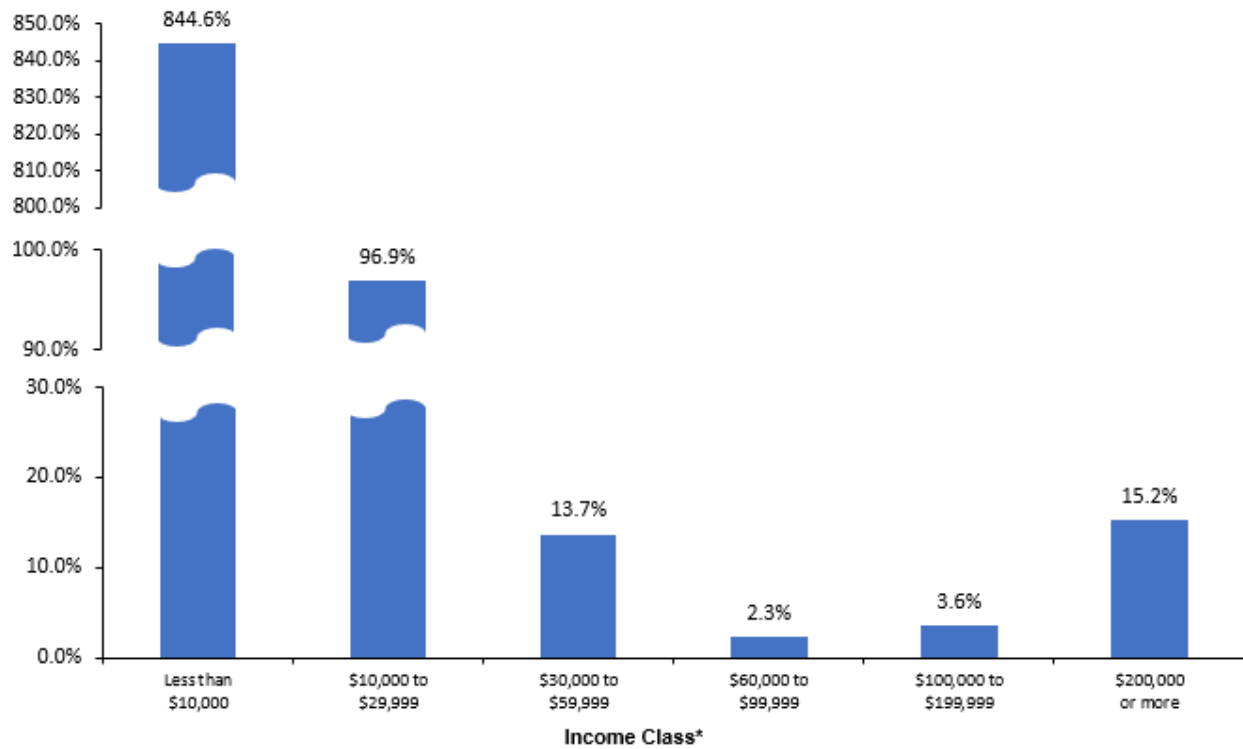


Figure 3 shows the amount of tax credits claimed by individuals as a proportion of their total tax liability by income class in tax year 2023. The amount of tax credits claimed by individual taxpayers with Hawai'i AGI of less than \$10,000 was 844.6% of their aggregate tax liability before tax credits in 2023, up from 269.8% for tax year 2022. Taxpayers with Hawai'i AGI of \$10,000 to \$29,999 claimed 96.9% of tax credits against their tax liability, while taxpayers with Hawai'i AGI of \$60,000 to \$99,999 claimed the smallest (2.3%).

<sup>6</sup> The total tax liability for insurance underwriters also includes surplus lines tax, foreign risk retention group tax and workers compensation special compensation fund levy.

**Figure 3 Amount of Tax Credits Claimed by Individuals as a Proportion of Their Total Tax Liability by Income Class in Tax Year 2023**



\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

Table 3 presents the number and proportion of taxpayers who claimed tax credits by taxpayer type. The resident individual taxpayers were the largest group, with 44.5% of them claiming tax credits, while fiduciary, exempt organizations, and insurance underwriters were the smallest, with only 1.4% to 2.6 % of them making tax credit claims. In tax year 2023, tax credit claims were filed by 8.6% of nonresident or part-year resident taxpayers and 3.7% of nonfinancial corporations, ranking second and third, respectively.

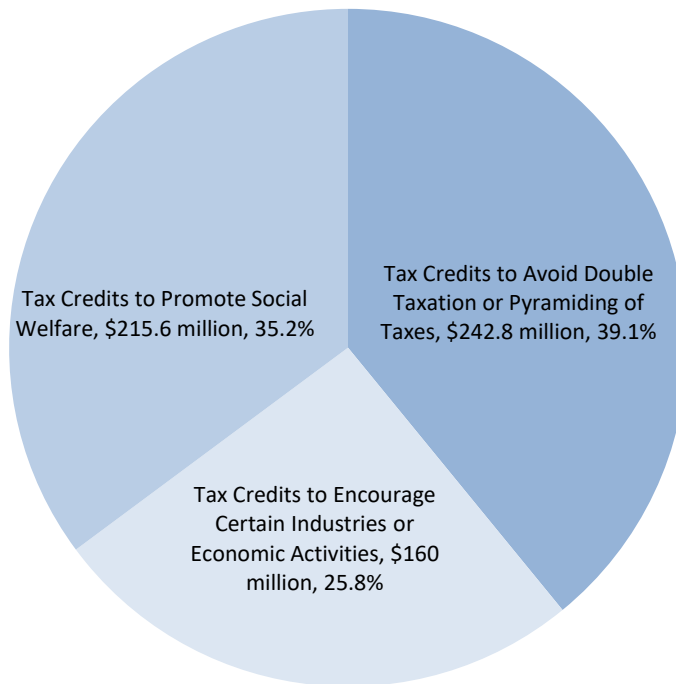
Figure 4 summarizes the amount of tax credits by purpose of the tax credit in tax year 2023. The largest amount claimed was for tax credits to avoid double taxation or pyramiding of taxes (\$242.8 million or 39.1% of total credits claimed), followed by tax credits to promote social welfare (\$215.6 million, or 35.2%) and tax credits encouraging certain industries or economic activities (\$160.0 million, or 25.8%).

**Table 3**  
**Number and Proportion of Taxpayers Claiming Tax Credits**  
**by Taxpayer Type for Tax Year 2023**

Type of Taxpayer	# of Taxpayers	# of Taxpayers with Claims	% of Taxpayers with Claims
Individual - Resident	644,374	286,455	44.5%
Individual - Nonresident / Part-Year Resident	110,164	9,507	8.6%
Nonfinancial Corporation	20,021	736	3.7%
Financial Corporation	273	9	3.3%
Fiduciary	17,620	419	2.4%
Exempt Organization	797	11	1.4%
Insurance Underwriter*	1,101	29	2.6%

\* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs.

**Figure 4**  
**Amount of Tax Credits by Purpose of the Tax Credit in Tax Year 2023**



**Table 4**  
**Distribution of Tax Credits in Tax Year 2023**

	<b>Amount (in \$1,000) % of Total</b>	
<b>Total, All Tax Credits</b>	<b>\$621,270</b>	<b>100.0</b>
<b>Active Tax Credits</b>		
<b>Tax Credits to Promote Social Welfare</b>		
Refundable Food/Excise Tax Credit	\$63,957	10.29
Tax Credit for Low-Income Household Renters	\$1,645	0.26
Tax Credit for Child and Dependent Care Expenses	\$14,820	2.39
Tax Credit for Child Passenger Restraint Systems	\$53	0.01
Tax Credit for Employment of Vocational Rehabilitation Referrals	-	-
Low-Income Housing Tax Credit	\$60,907	9.80
Tax Credit for School Repair and Maintenance	-	-
Earned Income Tax Credit *	\$77,054	12.40
Lifeline Telephone Service Tax Credit	\$9	0.00
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>		
Fuel Tax Credit for Commercial Fishers	\$603	0.10
Motion Picture, Digital Media, and Film Production Income Tax Credit	\$43,504	7.00
Renewable Energy Technologies Income Tax Credit	\$100,075	16.11
Enterprise Zone Tax Credit	\$639	0.10
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d
Tax Credit for Research Activities	\$7,034	1.13
Renewable Fuels Production Tax Credit	\$69	0.01
Healthcare Preceptor Income Tax Credit	\$516	0.08
Historic Preservation Income Tax Credit	d	d
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>		
Capital Goods Excise Tax Credit	\$34,608	5.57
Income Tax Paid to Another State or Foreign Country	\$74,446	11.98
Pass-Through Entity (PTE) Tax Credit	\$133,791	21.54
<b>Expired Tax Credits</b>		
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>		
High Technology Business Investment Tax Credit	\$3,022	0.49
Energy Conservation Tax Credit **	***	*
Hotel Construction and Remodeling Tax Credit	d	d
Technology Infrastructure Renovation Tax Credit	d	d
Residential Construction and Remodeling Tax Credit	\$549	0.09
Capital Infrastructure Tax Credit	\$417	0.07
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$35	0.01
Organic Foods Production Tax Credit	d	d

\* The data for the Earned Income Tax Credit in this report was extracted at a later date than the data from the 2023 Earned Income Tax Credit Report. The different dates of data extraction account for the difference in the numbers between the two reports.

\*\* Data for the energy conservation tax credit are included with the renewable energy technologies tax credit.

Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

Table 4 provides a summary distribution of tax credits claimed by the type of tax credit. The largest tax credit by dollar value was the pass-through entity (PTE) tax credit, which amounted to \$133.8 million, or 21.5% of the total tax credits claimed in 2023. The second largest tax credit was the renewable energy technologies income tax credit, which amounted to \$100.1 million, or 16.1% of the total.

Table 5 compares selected tax credits by selected taxpayer type for tax years 2022 and 2023. For individuals, total tax credits claimed increased by \$184.3 million (or 75.1%) from 2022 to 2023. The biggest shifts came from the introduction of the new pass-through entity tax credit (\$124.1 million increase) and the increase in Earned Income Tax Credit, which was doubled from 20% to 40% of the federal EITC level by Act 163 SLH 2023 (\$57.3 million or 289.4% increase). For nonfinancial corporations, the total tax credit amount claimed decreased by 13.8% (or \$18.8 million) from 2022 to 2023. The main reason for the change is the decrease in claims for renewable energy technologies income tax credit (\$10.3 million or 21.0% decrease). Financial corporations had claims in only four tax credit categories: low-income housing tax credit, renewable energy technologies income tax credit, capital goods excise tax credit, and high technology business investment tax credit totaling \$28.5 million in 2023, an increase of \$0.6 million or 2.1%.

Figure 5 shows per capita amounts of selected social welfare tax credits claimed by individuals in various Hawai'i AGI brackets.<sup>7</sup> 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. Their children cannot be claimed as dependents, but they are included as qualified exemptions for the purpose of the refundable food/excise tax credit.

The refundable food/excise tax credit drops as AGI increases and recipients are phased out of the credit (the credit is generally not available for taxpayers with AGI over \$50,000), whereas the low-income household renter's tax credit was distributed fairly evenly among the different eligible AGI groups (those with AGI below \$30,000) in tax year 2023. Per capita claims for the child and dependent care tax credit were greater in the higher AGI groups. The claims for earned income tax credit per capita went up as AGI increased up to the \$25,000 to \$30,000 bracket, then declined as AGI increased after the \$30,000 to \$40,000 bracket.

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<sup>7</sup> For Form N-15, the income is the taxpayer's global adjusted gross income as defined for Hawai'i income tax purposes.

**Table 5**  
**Comparison of Selected Tax Credits and Taxpayer Type**  
**Tax Year 2022 and 2023 (in \$1,000)**

Taxpayer Type and Credit	2023	2022	Difference	
			Amount	% change
<b>Individuals</b>				
<b>Total Credits</b>	<b>\$429,666</b>	<b>\$245,337</b>	<b>\$184,329</b>	<b>75.1</b>
Income Tax Paid to Another State or Foreign Country	\$72,992	\$121,726	(\$48,734)	-40.0
Renewable Energy Technologies Income Tax Credit	\$58,293	\$55,023	\$3,270	5.9
Refundable Food Excise Tax Credit (Food/Excise)	\$63,957	\$24,961	\$38,996	156.2
Earned Income Tax Credit	\$77,054	\$19,786	\$57,268	289.4
Tax Credit for Child and Dependent Care Expenses	\$14,820	\$6,479	\$8,341	128.7
Capital Goods Excise Tax Credit	\$9,353	\$8,453	\$900	10.7
Tax Credit for Low-Income Household Renters	\$1,645	\$1,675	(\$30)	-1.8
Pass-Through Entity (PTE) Tax Credit	\$124,103	-	\$124,103	-
<b>Corporations</b>				
<b>Total Credits</b>	<b>\$117,519</b>	<b>\$136,281</b>	<b>(\$18,762)</b>	<b>-13.8</b>
Motion Picture, Digital Media, and Film Production Income Tax Credit	<i>d</i>	\$56,474	<i>d</i>	<i>d</i>
Capital Goods Excise Tax Credit	\$21,750	\$20,669	\$1,081	5.2
Renewable Energy Technologies Income Tax Credit	\$38,565	\$48,837	(\$10,272)	-21.0
Tax Credit for Research Activities	\$6,003	<i>d</i>	<i>d</i>	<i>d</i>
<b>Financial Corporations</b>				
<b>Total Credits</b>	<b>\$28,461</b>	<b>\$27,884</b>	<b>\$577</b>	<b>2.1</b>
Capital Goods Excise Tax Credit	<i>d</i>	\$2,368	<i>d</i>	<i>d</i>

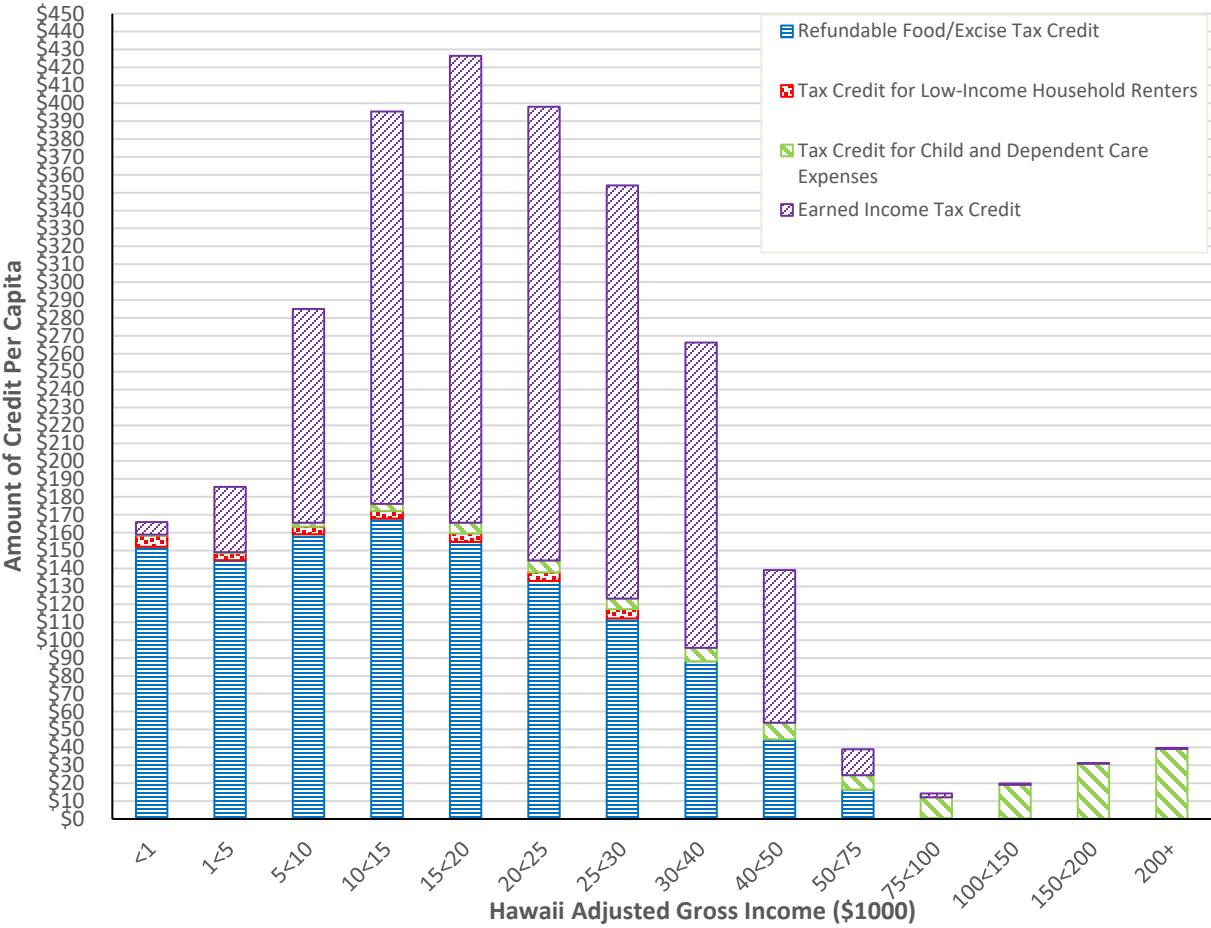
Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

"na" denotes "not applicable."

The tables in Appendix A show further details on the tax credits claimed. Appendix B provides a history of Hawai'i's tax credits. The table in Appendix B-1 provides an outline showing the historical development of the tax credits and the year in which each tax credit was enacted.



**Figure 5**  
**Average Per Capita Amounts of Selected Credits Claimed by**  
**Individuals in Tax Year 2023**



## **4. DESCRIPTIONS AND ANALYSES OF THE TAX CREDITS**

This section describes the tax credits available for tax year 2023, including expired tax credits for which unused credits could be carried forward and applied against tax liabilities in tax year 2023. It also compares the amount of each tax credit that was claimed with the previous two years. Appendix Table A-13 shows the dollar amounts and number of claims made for each tax credit in tax years 2021, 2022 and 2023. For most tax credits, the amount and number of claims starting from 2000 or their inception year to 2023 are also presented in Figures 6 through 20.

### **4.1. ACTIVE TAX CREDITS**

#### ***4.1.1. Tax Credits to Promote Social Welfare***

##### **1. Refundable Food/Excise Tax Credit (HRS §235-55.85)**

The refundable food/excise tax credit was introduced for tax year 2008 by Act 211, Session Laws of Hawai'i (SLH) 2007, to replace the low-income refundable tax credit. Later, Act 223, SLH 2015 amended this tax credit for taxable years 2016 to 2017 to increase the tax credit amount and remove the residency requirement, made permanent by Act 107, SLH 2017. Relevant to the current report, Act 163, SLH 2023 amended this tax credit by doubling the amount of the credit per qualified exemption and increasing the adjusted gross income limits by \$10,000 in all income brackets for taxable years 2023 to 2027. To claim the tax credit, the taxpayer must have a federal adjusted gross income as defined by the Internal Revenue Code of less than \$60,000 if filing status is Married Filing Jointly, Married Filing Separately, Head of Household, or Qualifying Surviving Spouse, and less than \$40,000 if filing status is Single.

The tax credit is computed by multiplying an allowable tax credit amount by the number of qualified exemptions. The qualified exemptions are personal exemptions permitted under Hawai'i law, excluding the additional exemptions for being age 65 or older or for having a disability. A person for whom the tax credit is claimed must have been present in Hawai'i for more than nine months of the taxable year and cannot have been confined in jail, prison, or a youth correctional facility for the entire taxable year. Married persons filing separate tax returns can claim only the tax credit to which they would have been entitled had they filed a joint return. The allowable amount of the tax credit per qualified exemption is based on the taxpayer's income, but parents or guardians of minor children who cannot be claimed as dependents because they receive more than half their support

from public agencies (such as the State Department of Human Services) are eligible for the maximum amount of the tax credit (\$220) regardless of their income.

The allowable amounts for tax year 2023 are shown below:

**If filing status is Married Filing Jointly, Married Filing Separately, Head of Household, or Qualifying Surviving Spouse:**

<u>Federal Adjusted Gross Income</u>	<u>Tax Credit per Qualified Exemption</u>
Under \$15,000	\$220
\$15,000 and over but under \$20,000	\$200
\$20,000 and over but under \$25,000	\$170
\$25,000 and over but under \$30,000	\$140
\$30,000 and over but under \$40,000	\$110
\$40,000 and over but under \$50,000	\$90
\$50,000 and over but under \$60,000	\$70
\$60,000 and over	\$0

**If filing status is Single:**

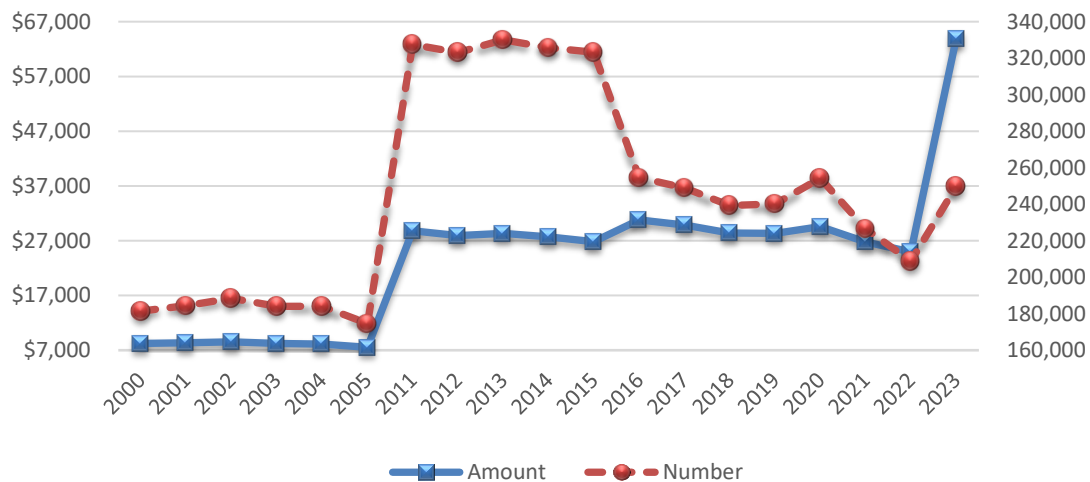
<u>Federal Adjusted Gross Income</u>	<u>Tax Credit per Qualified Exemption</u>
Under \$15,000	\$220
\$15,000 and over but under \$20,000	\$200
\$20,000 and over but under \$25,000	\$170
\$25,000 and over but under \$30,000	\$140
\$30,000 and over but under \$40,000	\$110
\$40,000 and over	\$0

The refundable food/excise tax credit was the most commonly claimed tax credit in tax year 2023. The tax credit appeared on 249,806 individual income tax returns, or 33.1% of the total number of such returns filed for the tax year. Claims for the tax credit totaled \$64.0 million for tax year 2023, up from \$25.0 million claimed in 2022 and \$26.8 million in 2021.

Figure 6 shows the amount and number of claims for the tax credit from 2000 to 2023. The jump in both amount and number of claims from 2005 to 2011 is due to the increase in credit per exemption and expansion of the eligible maximum federal AGI from \$20,000 to \$50,000 introduced by Act 211, SLH 2007, starting in tax year 2008. The drop in number of claims from 2015 to 2016 is due to the reduction in the eligible maximum federal AGI for taxpayers filing a single return from \$50,000 to \$30,000 enacted by Act 223, SLH 2015. The increase in the total credit amount from 2015 to 2016 occurred

because the rise in the credit amount per exemption more than offset the decline in the number of eligible taxpayers resulting from Act 223, SLH 2015. Claims for the refundable food/excise tax credit declined steadily after 2016, with a temporary increase observed in 2020 (presumably due to the adverse economic impact of the COVID-19 pandemic). The sharp increase in both the amount and number of claims from tax year 2022 to 2023 is caused by Act 163, SLH 2023, which doubled the amount of credit per qualified exemption and increased the adjusted gross income limits by \$10,000 in all income brackets.

**Figure 6. The Amount (in \$1,000) and Number of Refundable Food/Excise Tax Credit Claims by Year**



Note: The tax credit was called low-income tax credit before 2008

## 2. Tax Credit for Low-Income Household Renters (HRS §235-55.7)

Taxpayers who rented residential real property during the taxable year may qualify for the refundable tax credit for low-income household renters. To claim the tax credit, the taxpayer must be a Hawai'i resident with Hawai'i AGI of less than \$30,000 who is not claimed or eligible to be claimed as a dependent by another taxpayer. Furthermore, the taxpayer must have paid more than \$1,000 in annual rent for real property in Hawai'i 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 Hawai'i AGI to determine their eligibility for the tax credit. If a rental unit is shared with another person, the individual's portion of the rent is used to determine eligibility.

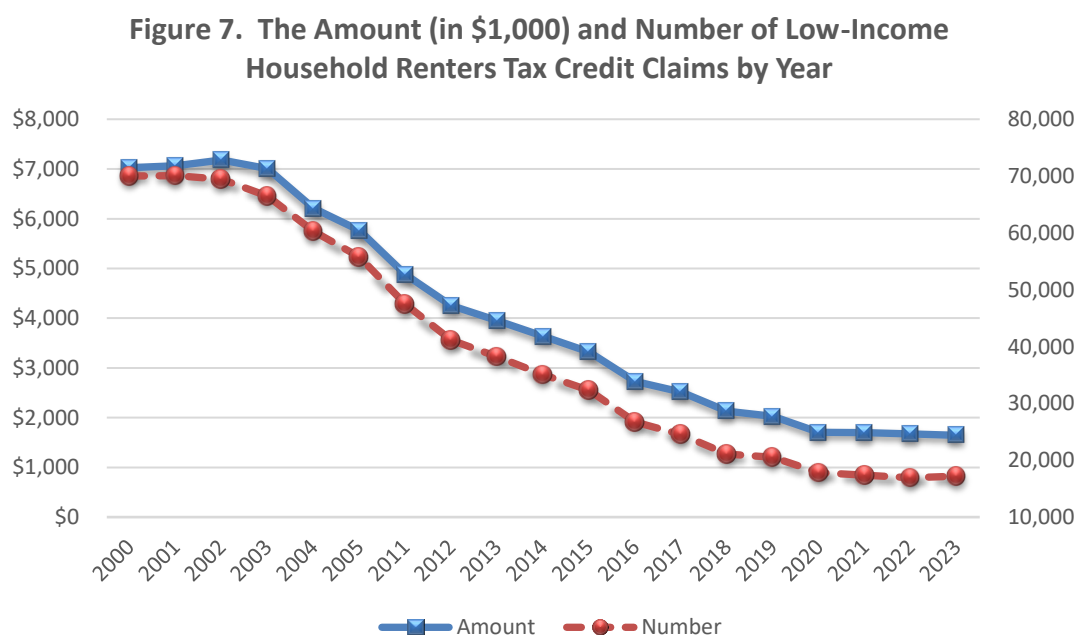
The tax credit is computed by multiplying \$50 by the number of personal exemptions permitted under Hawai'i law, including the additional exemption for being age 65 or older.

A person for whom the tax credit is claimed must have physically resided in Hawai'i for more than nine months of the taxable year.

The \$30,000 income limitation has not been changed since 1989, when it was raised from \$20,000. The amount of the tax credit per exemption was raised from \$20 to \$50 in 1981, but has remained unchanged since then, despite substantial rises in the cost of housing.

The low-income household renter's tax credit was claimed on 17,205 individual income tax returns for tax year 2023. It was the third most claimed tax credit. The amount claimed for tax year 2023 totaled \$1.65 million, down from \$1.68 million claimed in 2022 and \$1.70 million in 2021.

Figure 7 presents the amount and number of claims for the tax credit from 2000 to 2023. An overall downward trend was observed in both the total amount and the number of claims for the low-income household renter's tax credit.



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

A resident taxpayer who is gainfully employed and who pays for the care of a child under 13 years of age or for a spouse or dependent incapable of self-care qualifies for the child and dependent care tax credit. The tax credit can be taken for care expenses up to \$10,000 for one qualified individual and up to \$20,000 for two or more qualified individuals, as amended by Act 163, SLH 2023. 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.

The tax credit is refundable and the amount ranges from 15% to 25% of qualified care expenses, with the rate declining as Hawai'i AGI increases. The percentages and adjusted gross income ranges for calculating the credit has been the same since tax year 2016 when they were last amended (Act 235, SLH 2016).

The percentages and adjusted gross income ranges for calculating the tax credit for child and dependent care expenses for tax year 2023 is shown below:

<u>Hawai'i Adjusted Gross Income</u>	<u>Percent of Allowable Expenses</u>
Under \$25,001	25%
\$25,001 - \$30,000	24%
\$30,001 - \$35,000	23%
\$35,001 - \$40,000	22%
\$40,001 - \$45,000	21%
\$45,001 - \$50,000	20%
\$50,001 and over	15%

For tax year 2023, the dependent care tax credit was the third most claimed tax credit and was reported on 18,119 individual income tax returns. The amount claimed totaled \$14.8 million, up from \$6.5 million claimed in 2022 and \$5.6 million in 2021.

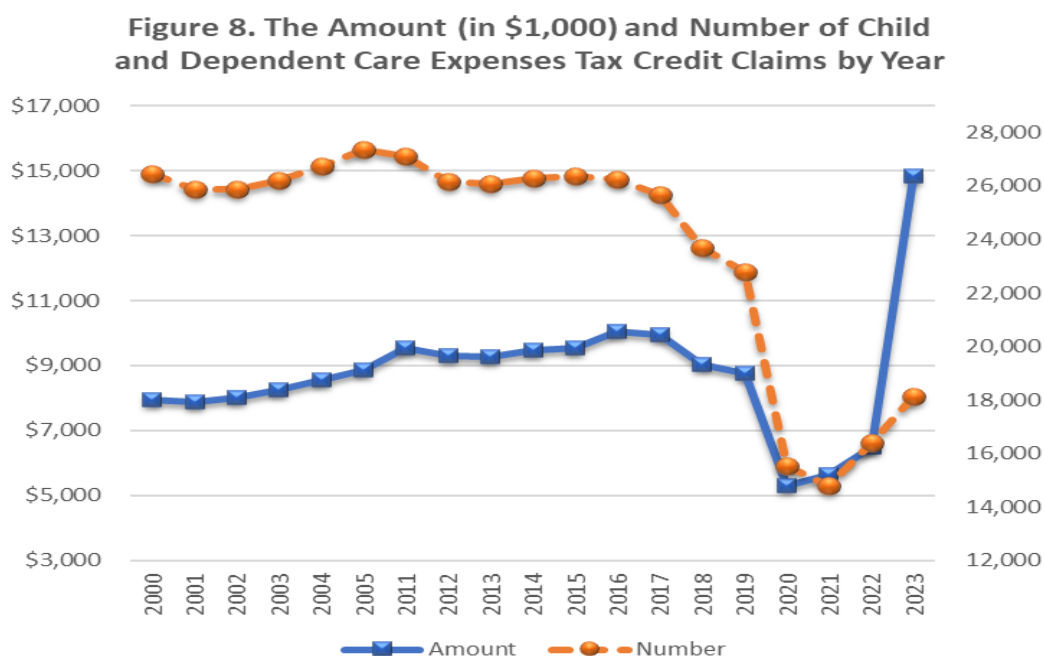


Figure 8 shows the amount and number of claims for the tax credit since 2000. The previous increase observed in 2016 reflects policy changes that raised the applicable percentages for certain lower-income taxpayers beginning with tax year 2016. Claims for the dependent care tax credit have declined since 2016. A significant drop occurred at the onset of the COVID-19 pandemic in 2020, when many individuals began working from home, reducing the need for dependent care. The sharp increase in the dollar amount from 2022 to 2023 is mainly driven by Act 163, SLH 2023, which increased the cap on employment-related expenses that may be used to claim the credit from \$2,400 to \$10,000 for one qualifying individual and from \$4,800 to \$20,000 for two or more qualifying individuals.

#### 4. Tax Credit for Child Passenger Restraint Systems (HRS §235-15)

An individual taxpayer who buys a new child passenger restraint system that complies with the federal motor vehicle safety standards in effect at the time of purchase may claim a tax credit of \$25 for the tax year, regardless of the cost of the restraint system or the number of restraint systems bought during the year. The tax credit, which is refundable, was enacted in 1982 to encourage people to buy child restraint systems, but the systems became mandatory the following year. For tax year 2023, the tax credit was claimed on 2,108 individual income tax returns, totaling \$53,000, down from \$54,000 claimed in 2022 and up from \$52,000 claimed in 2021.

**Figure 9. The Amount (in \$1,000) and Number of Child Passenger Restraint Systems Tax Credit Claims by Year**



Figure 9 shows the trend for the tax credit from 2000 to 2023. Overall, claims have shown a declining trend since 2004.

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

A taxpayer who employs an individual who is certified by the Vocational Rehabilitation and Services for the Blind Division of the Department of Human Services, in consultation with the Hawai'i State Employment Service of the Department of Labor and Industrial Relations, as having a physical or mental disability that results in a substantial handicap to employment, or who has been referred upon completion of certain rehabilitation plans, may qualify for a tax credit. The tax credit is equal to 20% of the qualifying first-year wages for the taxable year, up to \$6,000, and is nonrefundable. There were no claims for this credit reported in 2023.

#### 6. Low-Income Housing Tax Credit (HRS §235-110.8 and §241-4.7, §431:7-208)

Owners of residential buildings who provide low-income housing may claim the low-income housing tax credit. This nonrefundable tax credit is equal to a percentage of the "applicable percentage" of qualified basis, where the applicable percentage is calculated as provided under section 42 of the Internal Revenue Code. The percentage is 30% for buildings placed in service prior to July 1, 2005, and 50% for buildings placed in service after June 30, 2005. Act 158, SLH 2011 allowed the taxpayer to elect to receive a low-income housing loan in lieu of the tax credit after July 1, 2011. Act 129, SLH 2016 created an additional incentive to encourage investment in buildings that are intended for low-income individuals and families by shortening the time over which the State tax credit is taken from ten years to five years and set a sunset date of December 31, 2021. Act 226, SLH 2021 relaxed the rules on allocating the Low-Income Housing Tax Credit (LIHTC), allowing the taxpayers to allocate the credit freely among their partners or members, and also relaxed the installment method, at-risk, and passive activity loss rules applicable to the LIHTC and allowed the credit to be claimed in the initial year even if federal Form 8609 had not been received by the taxpayer. However, Act 226, SLH 2021 also prohibited the deductions and expenses claimed by all Hawai'i taxpayers to exceed the deductions and expenses claimed by all taxpayers on federal returns. The Act applied to taxable years beginning after December 31, 2020, and extended the sunset date to December 31, 2027. The tax credit was claimed on 55 tax returns for tax year 2023, totaling \$60.9 million, up from \$58.1 million in 2022 and \$53.1 million in 2021.



**Figure 10. The Amount (in \$1,000) and Number of Low-Income Housing Tax Credit Claims by Year**

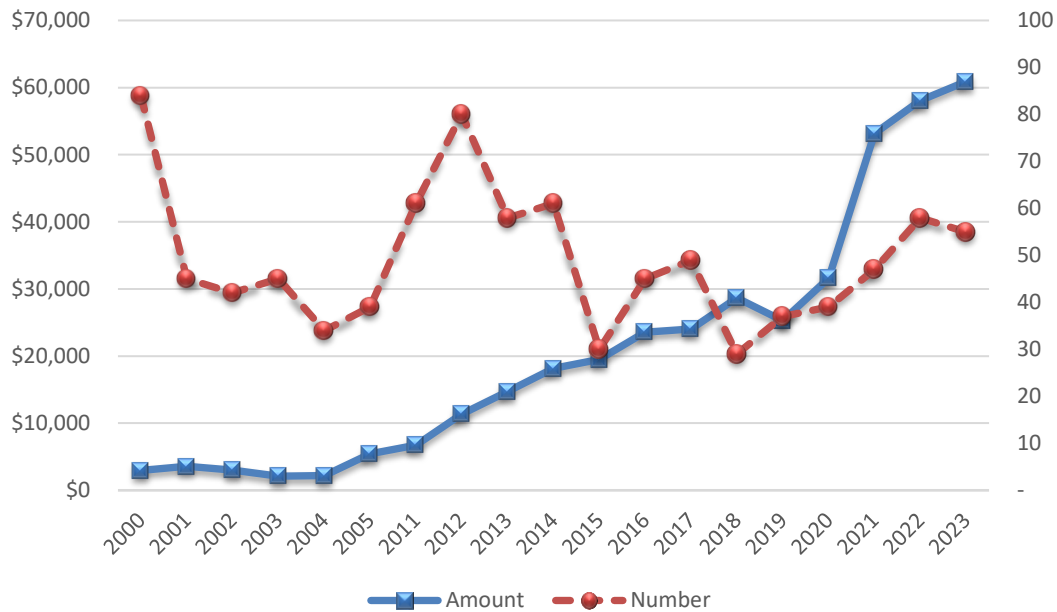


Figure 10 presents the amount and number of claims for the tax credit since 2000. While the number of claims fluctuated over time, the amount of the tax credit claims has been increasing since 2004, with a significant jump since 2021 due to the relaxed rules under Act 226, SLH 2021.

#### 7. Tax Credit for School Repair and Maintenance (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. There have been no claims of the tax credit since 2020.

#### 8. Earned Income Tax Credit (HRS §235-55.75)

Act 107, SLH 2017, established a state nonrefundable earned income tax credit (EITC) equal to 20% of the federal EITC allowed and properly claimed under section 32, IRC, and reported on the taxpayer's federal income tax return. The state EITC was to apply to taxable years beginning after December 31, 2017, and sunset after December 31, 2022. Act 114, SLH 2022 made the state EITC refundable and permanent beginning with the 2023 tax year. Finally, Act 163, SLH 2023 amended the refundable earned income tax credit by increasing the amount of the credit from 20% to 40% of the federal earned income tax credit allowed and properly claimed under IRC section 32.

For tax year 2023, the earned income tax credit was the second most claimed tax credit and was reported on 84,470 tax returns. The amount claimed for tax year 2023 totaled \$77.1 million, up from claims of \$19.8 million in 2022 and \$21.8 million in 2021.<sup>8</sup>

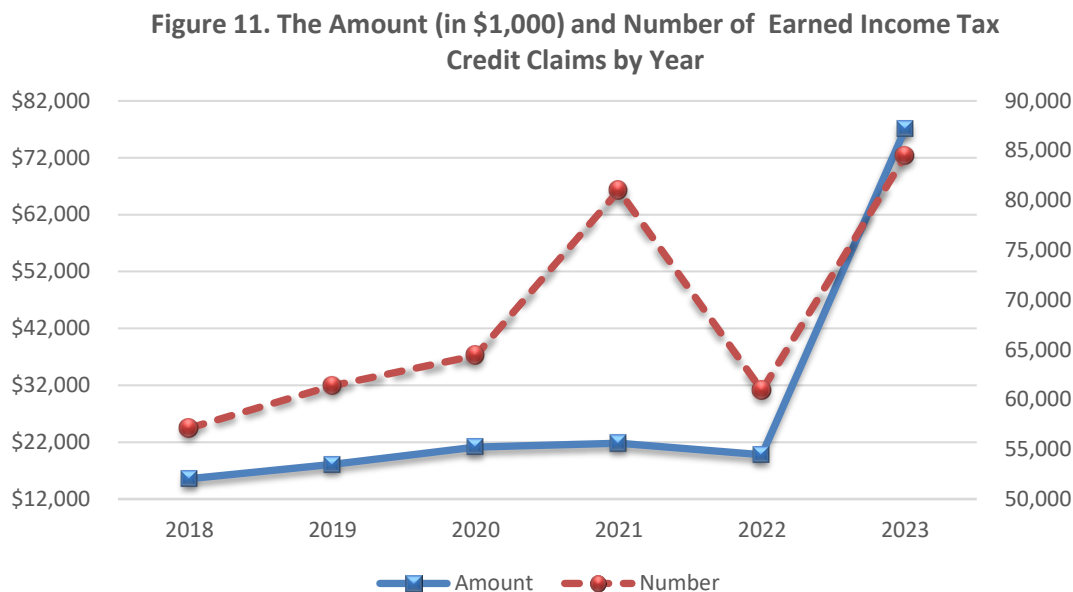


Figure 11 shows the amount and number of claims for the tax credit since its inception in 2018. Both the number and the amount of tax credit claims steadily increased through 2020. There was a sharp rise in the number of claims in 2021 which temporarily reversed in 2022. The dramatic increase in the state EITC amount claimed in 2023 was primarily driven by the rise in the state match rate for the federal EITC, which doubled from 20% to 40% per Act 163, SLH 2023. In 2023, the number of claims also bounced back and surpassed their peak in 2021.

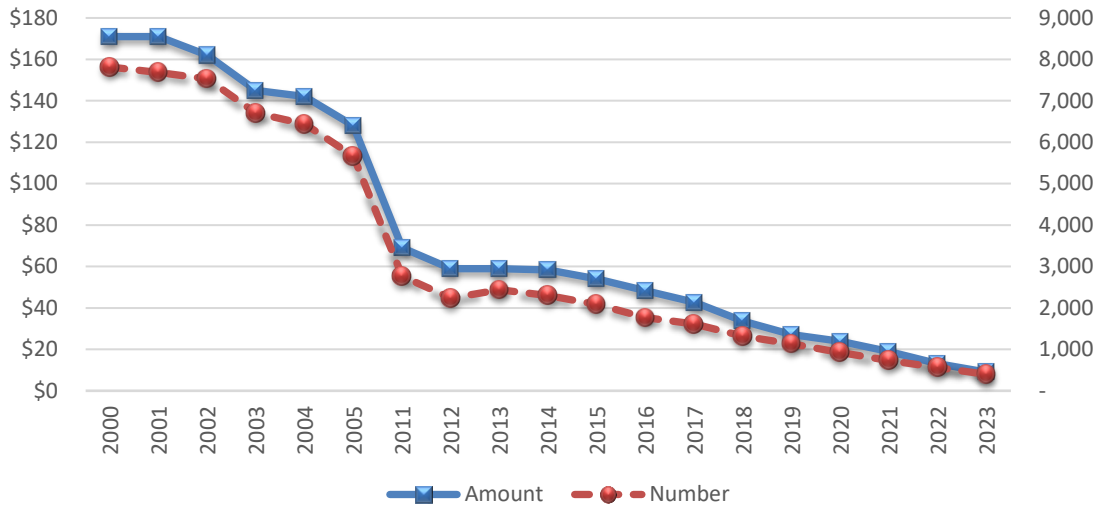
### 9. Lifeline Telephone Service Tax Credit (HRS §239-6.5)

Lifeline telephone service is available to elderly and disabled residential telephone subscribers who have 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 tax credit was claimed on behalf of 396 subscribers as of the end of calendar year 2023 and the amount claimed by the public utility was \$9,000, down from \$13,000 in 2022 and \$19,000 in 2021. The tax credit has been declining since 2000 (Figure 12).

<sup>8</sup> The data for the Earned Income Tax Credit in this report was extracted at a later date than the data from the 2023 Earned Income Tax Credit Report. The different dates of data extraction account for the difference in the numbers between the two reports.

**Figure 12. The Amount (in \$1,000) and Number of Lifeline Telephone Service Tax Credit Claims by Year**



#### **4.1.2. Tax Credits to Encourage Certain Industries or Economic Activities**

##### **10. Fuel Tax Credit for Commercial Fishers (HRS §235-110.6)**

The principal operator of a commercial fishing vessel may claim a refundable tax credit for certain fuel taxes paid during the taxable year. The amount of the tax credit is equal to the fuel taxes imposed under section 243-4(a), HRS. The tax credit was claimed on 124 returns in 2023, totaling \$603,000, up from \$347,000 in 2022 and \$381,000 in 2021.

**Figure 13. The Amount (in \$,1000) and Number of Fuel Tax Credit for Commercial Fishers Claims by Year**

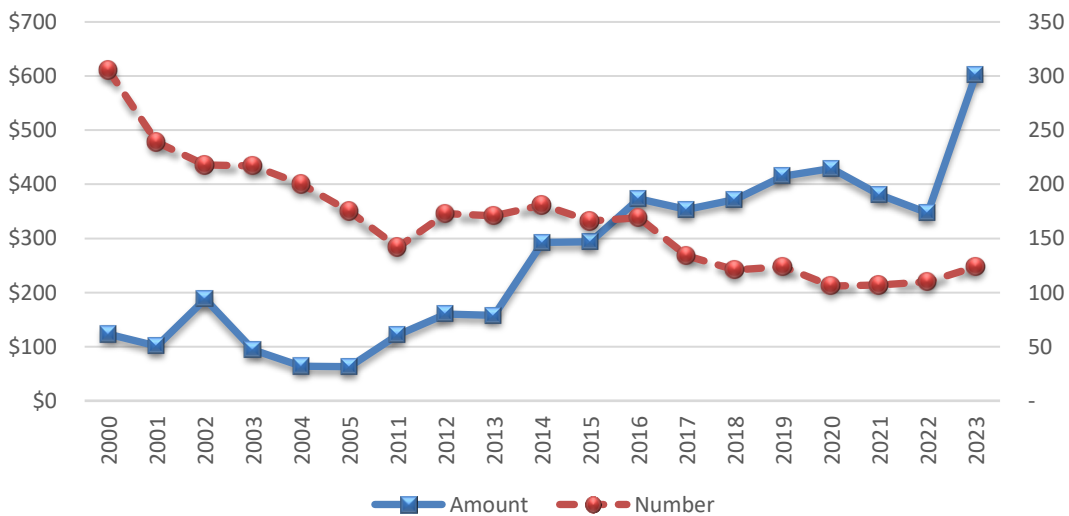


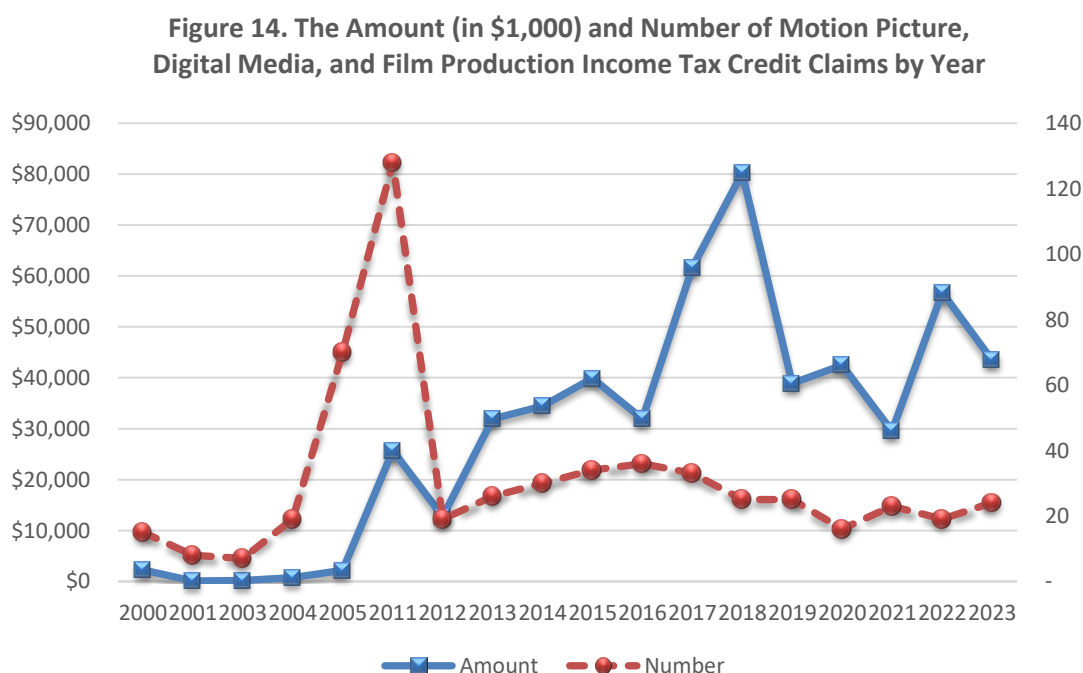
Figure 13 shows the amount and number of claims for the tax credit from 2000 to 2023.

## 11. Motion Picture, Digital Media, and Film Production Income Tax Credit (HRS §235-17)

Taxpayers may claim a refundable tax credit equal to 22% of the qualified production costs incurred in the City and County of Honolulu and 27% of the qualified production costs incurred in the Kaua'i, Maui, or Hawai'i counties before January 1, 2033.

Effective January 1, 2019, Act 143, Session Laws of Hawaii (SLH) 2017, established an annual aggregate limit of \$35 million for the motion picture, digital media, and film production income tax credit. This limit operates as a rolling ceiling, allowing tax credit claims that exceed the annual threshold to be carried forward and applied against the cap in subsequent years—except in the final year of the program, 2026, when no carryforward is permitted. Subsequently, Act 275, SLH 2019, increased the annual aggregate limit from \$35 million to \$50 million in 2019. Finally, Act 217, SLH 2022, introduced several key amendments to the tax credit program: (a) Increased the credit rate by 2 percentage points across all categories of qualified production costs; (b) Reduced the minimum qualified production expenditure threshold from \$200,000 to \$100,000; (c) Eliminated the requirement for a verification review by a certified public accountant as part of the application process; (d) Raised the per-production credit limit from \$15 million to \$17 million; and (e) Extended the period for claiming excess tax credits from December 31, 2025, to December 31, 2032. The tax credit was claimed on 24 tax returns in 2023, totaling \$43.5 million, down from \$56.8 million in 2022 and up from \$29.6 million in 2021.

Figure 14 shows the amount and number of claims for the tax credit since 2000. The variation in the amounts claimed reflect the changes in the qualified credit amounts, individual credit ceilings, and annual aggregate limits over the years.



## 12. Renewable Energy Technologies Income Tax Credit (HRS §235-12.5 and §241-4.6)

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 the renewable energy technologies income tax credit. The tax credit applies to the actual cost of the system, including the cost of accessories and installation.

For systems installed and placed in service after July 1, 2006, the tax credit was 35% of the cost for solar thermal systems and photovoltaic systems, and 20% of the cost for wind powered systems. For single-family residential properties, the amount of the tax credit was capped at \$2,250 for solar thermal systems, \$5,000 for photovoltaic systems, and \$1,500 for wind powered systems. For commercial properties, the tax credit was capped at \$500,000 for wind powered systems and for photovoltaic systems, and at \$250,000 for solar thermal systems. For multifamily residential properties, the tax credit per residential unit was capped at \$350 for solar thermal systems and photovoltaic systems, and at \$200 for wind powered systems. Act 154, SLH 2009 made the tax credit refundable for certain low-income taxpayers and gave other taxpayers the option to claim the tax credit as refundable by accepting a 30% reduction in the amount of the tax credit. The Act was effective for systems installed and placed in service on or after July 1, 2009.

According to the new Administrative Rules that came into effect during tax year 2013, to gain tax credit for a system classified under "other solar energy system" such as a photovoltaic system, each system was required to have a total output capacity of at least 5 kilowatts for single-family residential properties, or 0.360 kilowatts per unit per system for multi-family residential properties, or 1,000 kilowatts for commercial properties unless an exception applies, such as only one credit being claimed or only one system does not meet the requirement.

Act 61, SLH 2020 disallows the Renewable Energy Technologies Income Tax Credit for commercial projects of 5 megawatts of total output capacity or greater. The Act also provides multiple exceptions, including for systems subject to a power purchase agreement which receives Public Utilities Commission (PUC) approval or was pending approval before December 31, 2019, and for certain systems integrated with a pumped hydroelectric energy storage system where the requisite approval filings are submitted to the PUC by December 31, 2021.

Table 6 shows the number of returns, and the amount of the tax credit claimed for the renewable energy technologies income tax credit, and also for carryovers of the energy conservation tax credit that expired on June 30, 2003.

The first part of the table shows carryovers of tax credits for the renewable energy systems that were installed and placed in service prior to July 1, 2009, along with carryovers of the energy conservation tax credit and carryovers of the renewable energy

technologies income tax credit for which the date of installation could not be determined. Carryovers of these tax credits were reported on 141 tax returns in 2023, totaling \$0.42 million, up from \$0.31 in 2022 and down from \$0.52 in 2021.

**Table 6**  
**Claims for the Renewable Energy Technologies Income Tax Credit and the**  
**Energy Conservation Tax Credit in Tax Year 2023**

**Carryover of the tax credit for systems installed and placed in service before July 1, 2009 1/**

Number of returns			Credit amount (in \$1,000) 3/		
All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
141	<i>d</i>	<i>d</i>	\$418	<i>d</i>	<i>d</i>

**Refundable tax credits for systems installed and placed in service on or after July 1, 2009**

	Number of returns			Credit amount (in \$1,000) 3/		
	All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
Solar only	1,800	<i>d</i>	<i>d</i>	\$50,562	<i>d</i>	<i>d</i>
Wind only or Breakdown Unknown	21	<i>d</i>	<i>d</i>	\$171	<i>d</i>	<i>d</i>
Total	1,821	1,801	20	\$50,733	\$13,396	\$37,337

**Nonrefundable tax credits for systems installed and placed in service on or after July 1, 2009**

	Number of returns			Credit amount (in \$1,000) 3/		
	All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
Solar only	7,786	7,757	29	\$44,427	\$40,484	\$3,943
Wind only	29	29	-	\$53	\$53	-
Breakdown unknown	1,014	994	20	\$4,358	\$3,944	\$414
Total	8,829	8,780	49	\$48,838	\$44,481	\$4,357

1/ Includes carryovers of the energy conservation tax credit given by section 235-12, HRS, and carryovers of the renewable energy technologies tax credit for which the date of installation could not be determined.

2/ Includes nonfinancial corporations, fiduciaries, nonprofit organizations and financial corporations.

3/ Details may not add to totals due to rounding.

The second and third parts of Table 6 show the renewable energy tax credit for systems that were installed on or after July 1, 2009, by type of system, by type of taxpayer, and by whether the claim was for a refundable or nonrefundable tax credit. Because unused

tax credits can be carried over, and extensions of existing systems made in later years are also eligible for the tax credit, the number of returns claiming the credit in a year may be larger than the number of new systems installed that year. The tax credit for systems installed and placed in service on or after July 1, 2009, was claimed on 10,650 returns in 2023 totaling \$99,571 million. This is down from \$105.7 million in 2022 and up from \$67.3 million in 2021.

Claims for all systems, including carryovers of the energy conservation tax credit, totaled \$100.0 million for tax year 2023. This was the second-largest tax credit.

**Figure 15. The Amount (in \$,1000) and Number of Renewable Energy Technologies Income Tax Credit Claims by Year**

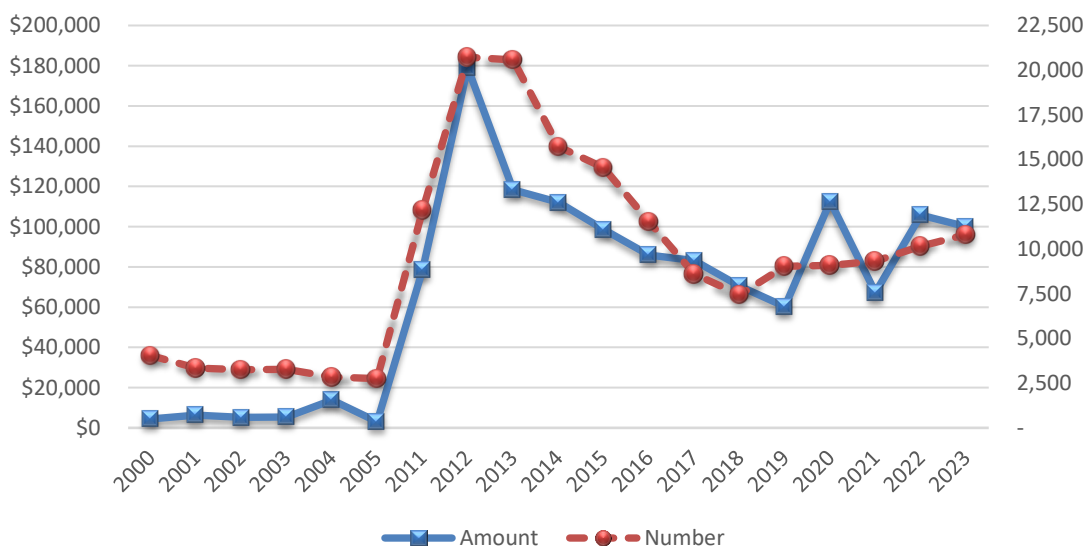
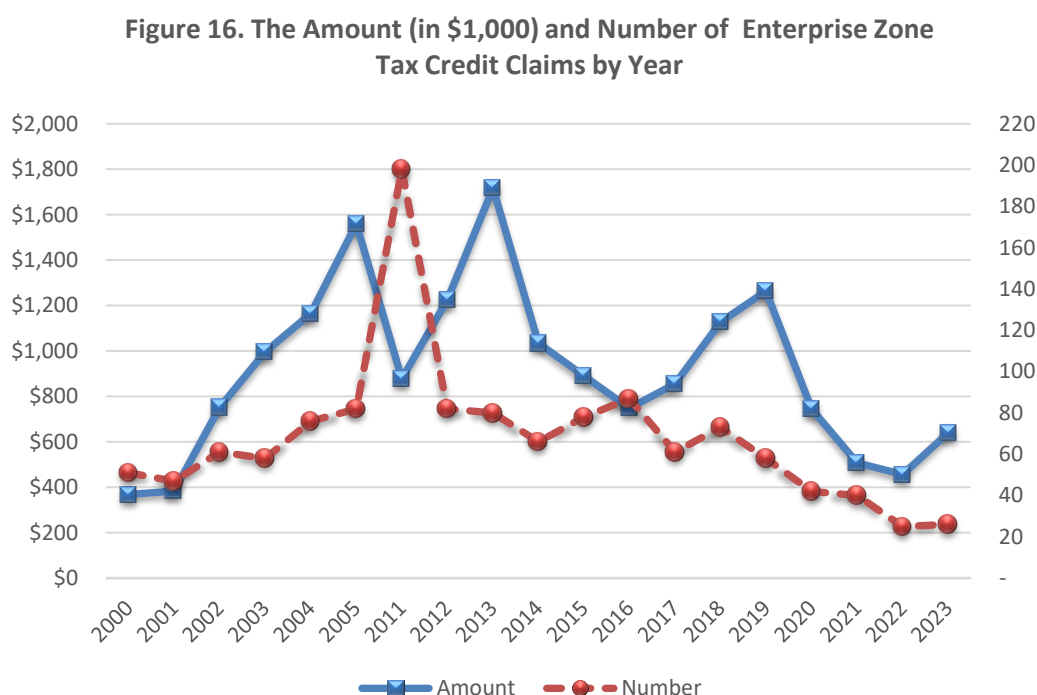


Figure 15 shows the amount and number of claims for the tax credit since tax year 2000. The dramatic increase from 2005 to 2011 and 2012 was likely due to Act 240, SLH 2006 (effective July 1, 2006) and Act 154, SLH 2009 (effective July 1, 2009), which increased the credit limits and made it refundable. The reduction of the tax credit claimed in 2014 was in part due to the imposition of Administrative Rules 18-235-12.5-01 through 18-235-12.5-06 that altered the definition of a solar energy system. The continued decline of the claims for the tax credit after 2014 up to 2018 is likely the result of the termination of the Net Energy Metering (NEM) program to new participants by the Public Utilities Commission in October 2015, which would reduce the cost-benefit of installing a rooftop photovoltaic system for single-family residential property owners. Since 2018, the total number of claims has increased steadily, primarily reflecting sustained growth in individual claims. However, the aggregate value of credits has been more volatile, with year-to-year swings largely attributable to refundable credit claims by corporations.

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

A qualified 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 located in the enterprise zone. In the first year, the tax credit is 80% of the qualified amounts. The percentage decreases by 10 points each year until it reaches 20% in the seventh year, after which the business is no longer eligible for the tax credit. The tax credit is nonrefundable, and any unused tax credit may not be carried forward. The tax credit was claimed on 26 tax returns for tax year 2023, totaling \$0.64 million. This is up from \$0.46 million in 2022 and \$0.5 million in 2021.

Figure 16 displays the amount and number of claims since tax year 2000.



### 14. Important Agricultural Land Qualified Agricultural Cost Tax Credit (HRS §235-110.93)

The important agricultural land tax credit is awarded for qualified agricultural costs incurred after July 1, 2008, and it is refundable. In the first year, the tax credit per taxpayer is the lesser of 25% of the qualified agricultural costs or \$625,000. In the second year, the tax credit is the lesser of 15% of the qualified costs or \$250,000, and in the third year the tax credit is the lesser of 10% of the qualified costs or \$125,000. More than 50% of the land used by the agricultural business must be deemed “important agricultural land.” Tax credits must be certified by the Department of Agriculture and the aggregate amount of credits claimed cannot exceed \$7.5 million in any tax year. Act 139, SLH 2021 extended the tax credit through tax year 2030. Data on the tax credit was suppressed in 2022 and



2023 to prevent the potential disclosure of confidential taxpayer information. There were no claims for the credit in 2021 and 2020.

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

The tax credit for research activities was reinstated by Act 270, SLH 2013. This refundable tax credit became available for tax years beginning after December 31, 2012. Each qualified high technology business subject to Hawai'i's income tax can claim an income tax credit for qualified research activities equal to the federal credit for increasing research activities provided by Internal Revenue Code (IRC) section 41, provided that the qualified high technology business also claims a federal tax credit for the same qualified research activities under IRC section 41. Qualified research expenses cannot include research expenses incurred outside Hawai'i and must be certified by the Department of Taxation. Act 261, SLH 2019 amended the tax credit such that references to the base amount contained in section 41 of the IRC do not apply, and credit may be taken based upon all qualified research expenses incurred in Hawai'i without regard to the amount of expenses for previous years. The Act became effective for taxable years beginning after December 31, 2019, and extended the credit through December 31, 2024, establishing an annual aggregate cap of \$5.0 million.

The tax credit was claimed on 27 tax returns for tax year 2023, totaling \$7.0 million, up from \$4.1 million in 2022 but down from \$3.4 million in 2021.

**Figure 17. The Amount (in \$1,000) and Number of Research Activities Tax Credit Claims by Year**

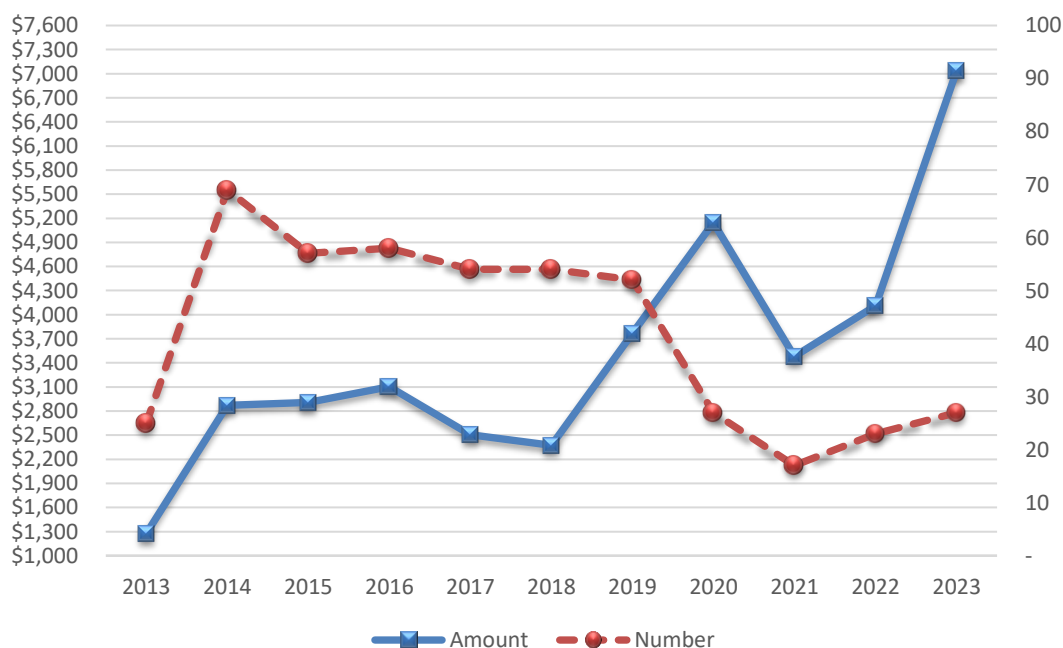


Figure 17 shows the amount and number of tax credits for research activities claimed by year. The divergence between the number of tax credits claimed (decreased) and the total amount claimed (increased) from 2019 to 2020 is likely the result of Act 261, SLH 2019, which increased the eligible amount of the credit for each taxpayer by rendering section 41 of the IRC not applicable but meanwhile, capped the annual aggregate amount. The net effect is that fewer taxpayers can claim the tax credit from 2020 and beyond if the cap is kept unchanged.

#### 16. Renewable Fuels Production Tax Credit (HRS §235-110.31)

Act 202, SLH 2016, provided that each taxpayer producing renewable fuels may claim a nonrefundable renewable fuels production tax credit for taxable years beginning after December 31, 2016, and before December 31, 2021. Act 142, SLH 2017 changed the certification process. The tax credit is the lesser of 20 cents per 76,000 British thermal units of renewable fuels using the lower heating value sold for distribution in Hawai'i or \$3 million per taxable year. The taxpayer's production of renewable fuels cannot be less than 15 billion British thermal units of renewable fuels per year. The total amount of the tax credit is capped at \$3 million per year and certified by the Department of Business, Economic Development, and Tourism (DBEDT). Act 143, SLH 2018 lowered the production threshold for eligibility for the credit from 15 billion British thermal units of renewable fuels per calendar year to 2.5 billion British thermal units per calendar year and added logs, wood chips, wood pellets, wood bark, and other renewable organic material to the definition of "Renewable feedstocks" which qualify for the credit. Act 216 SLH 2022 reinstated the Renewable Fuels Production Tax Credit and allowed it to be refunded under certain conditions. The tax credit was claimed on 13 tax returns in 2023, totaling \$69,000. In 2022 and 2021, the amount claimed was \$416,000 and \$522,000 respectively.

#### 17. Healthcare Preceptor Income Tax Credit (HRS §235-110.25)

Act 43, SLH 2018, established a nonrefundable income tax credit for advanced practice registered nurses, pharmacists, and physicians who supervise volunteer-based supervised clinical training rotations. The credit is equal to \$1,000 per rotation supervised by the taxpayer, up to a maximum of \$5,000 per taxpayer per year. The credit can be carried forward to future years until exhausted. Additionally, the credit is subject to an aggregate cap of \$1.5 million per year and applies to taxable years beginning after December 31, 2028. The tax credit was claimed on 234 returns for tax year 2023, totaling \$516,000. This is up from \$509,000 in 2022 and \$455,000 in 2021.

#### 18. Historic Preservation Income Tax Credit (HRS §235-110.97)

Act 267, SLH 2019, established a nonrefundable income tax credit for taxpayers who rehabilitate historic structures pursuant to a rehabilitation plan certified by the Department of Land and Natural Resources' State Historic Preservation Division. The credit is equal to 30% of the qualified expenses incurred as part of the certified rehabilitation plan. In addition, the credit is subject to an aggregate cap of \$1,000,000 per year and is subject to recapture if the projected expenditures do not materialize, or the rehabilitation does not proceed in a timely manner or in accordance with the approved plan. The Act applies to qualified rehabilitation expenditure incurred in taxable years beginning after December 31, 2019, and is repealed on December 31, 2024. There were no such tax credit claims in tax year 2020. Data on the tax credit for 2021, 2022 and 2023 have been suppressed to prevent potential disclosure of confidential taxpayer information.

#### ***4.1.3. Tax Credits to Avoid Double Taxation or Pyramiding of Hawai'i Taxes***

#### 19. Capital Goods Excise Tax Credit (HRS §235-110.7, §241-4.5)

Businesses may claim the capital goods excise tax credit for the purchase of eligible depreciable tangible personal property used in a trade or business in Hawai'i. The tax credit is refundable and is equal to 4% of the qualifying cost of the eligible property, which excludes costs deducted under Internal Revenue Code Section 179. The tax credit serves to reduce pyramiding of the General Excise Tax (GET) by rebating the GET on business-to-business purchases that consist of eligible capital equipment. The cost of such capital equipment ultimately must be recaptured in the price of goods or services it is used to help produce, so without the rebate, the price of the produced goods or services would include the tax on the capital equipment. The tax credit was claimed on 3,932 tax returns for tax year 2023 and the amounts claimed totaled \$34.6 million, up from \$32.1 million in 2022 and \$29.3 million in 2021.

**Figure 18. The Amount (in \$1,000) and Number of Capital Goods Excise Tax Credit Claims by Year**

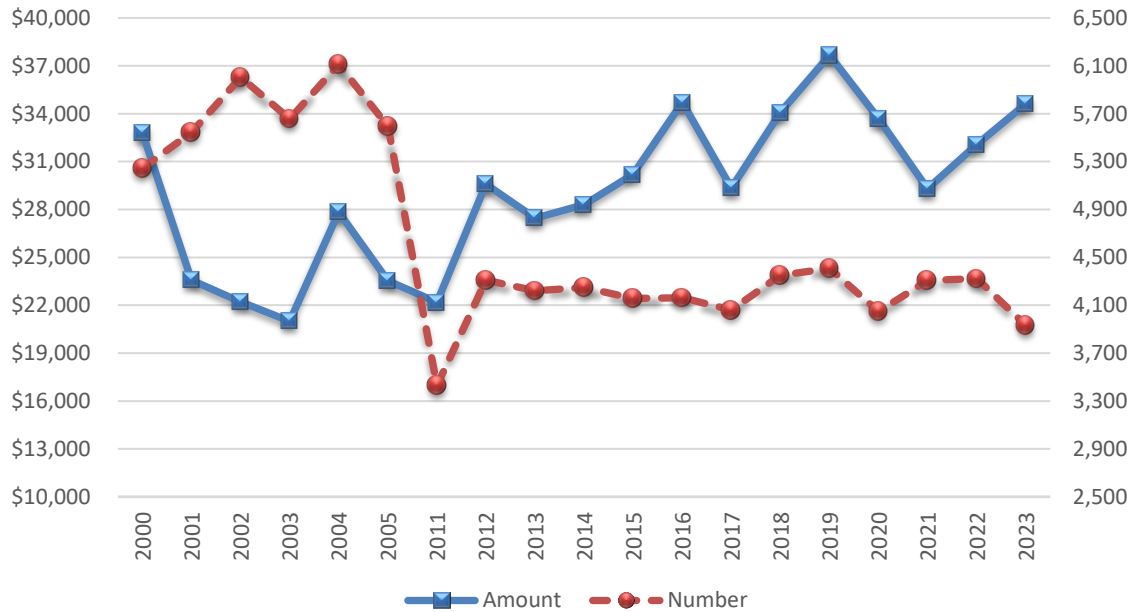


Figure 18 displays the amount and number of credits claimed from tax year 2000 up to 2023.

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

A Hawai'i resident individual or other person may claim a credit for income taxes paid to another state or to a foreign country if the income was earned in the other state or country and is not exempt from Hawai'i or federal income tax, and if certain other requirements are met. This nonrefundable tax credit was claimed on 10,885 tax returns for tax year 2023, totaling \$74.4 million. This is down from \$124.6 million in 2022 and \$180.5 million in 2021.

**Figure 19. The Amount (in \$1,000) and Number of Income Tax Paid to Another State or Foreign Country Tax Credit Claims by Year**

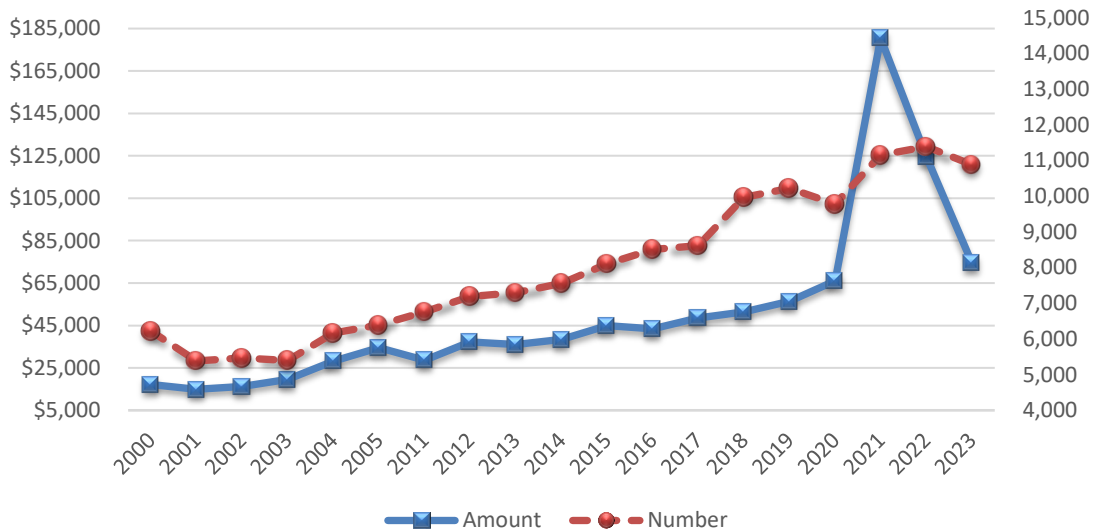


Figure 19 displays the amount and number of credits claimed from tax year 2000 up to 2023.

## 21. Passthrough Entity Tax Credit (HRS §235-51)

In 2023, Act 50 amended chapter 235, Hawai'i Revised Statutes (HRS) to allow partnerships and S corporations to annually elect to pay Hawai'i income taxes at the entity level. An electing pass-through entity (PTE) is liable for Hawai'i income tax on the sum of all eligible members' distributive shares and guaranteed payments of Hawai'i taxable income, multiplied by the highest rate of tax applicable to the individual under section 235-51, HRS. Eligible members of an electing PTE may claim a nonrefundable income tax credit for their pro rata share of PTE taxes paid by the entity. Additionally, residents and part-year residents are entitled to a nonrefundable credit for their share of taxes paid to another state or to the District of Columbia on income of any partnership or S corporation, so long as the taxes paid to the other state are found to be substantially similar to the taxes imposed by Act 50. Act 50 was effective on January 1, 2024, and applied to taxable years beginning after December 31, 2022, and hence, it was the applicable law for this report covering tax year 2023. In 2024 and 2025, amendments were made to the PTE tax that do not apply to this report.

Effective tax year 2024, Act 50, SLH 2024 made several amendments to the PTE tax under HRS Section §235-51.5. Act 50 SLH 2024 modified the definition of qualified members, which is defined as all members of an electing PTE that are individuals, trusts, or estates. It also amended the PTE tax rate to 9 percent from 11 percent and allowed for a nonrefundable carry forward of unused PTE credits to subsequent years.

When a pass-through entity pays Hawai'i state income tax at the entity level, that tax is fully deductible as a business expense on the entity's federal return. This may reduce the federal taxable income passed through to the owners, effectively bypassing the federal SALT (State and Local Tax) deduction cap.

Act 58, SLH 2025 further amended HRS Section §235-51.5(e). For taxable years beginning after December 31, 2024, any qualified member of an electing pass-through entity (PTE) who claims the PTE tax credit is required to add back to their taxable income their pro rata share of the taxes paid by the electing PTE (the "tax add-back" rule). The original Act 50, SLH 2023 was meant to be revenue neutral but in practice, there was an additional benefit to electing in tax years 2023 and 2024. Act 58, SLH 2025 eliminated this double benefit of the PTE tax.

Nevertheless, the tax credit was claimed on 2,369 tax returns for tax year 2023, totaling \$133.8 million, which was the largest tax credit claim in 2023.

## **4.2. EXPIRED TAX CREDITS**

### ***4.2.1. Tax Credits to Encourage Certain Industries or Economic Activities***

#### **1. High Technology Business Investment Tax Credit (HRS §235-110.9, §241-4.8, §431:7-209)**

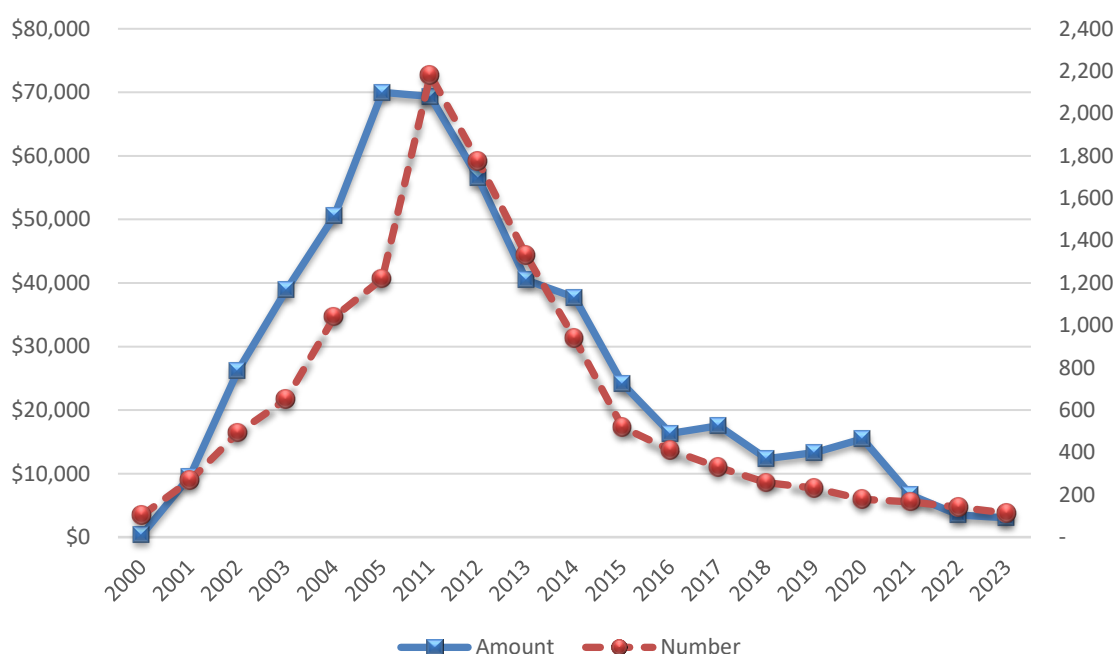
Taxpayers were allowed to claim the high technology business investment tax credit for tax years beginning after December 31, 1998. As originally enacted, the tax credit was nonrefundable and equal to 10% of investments made on or after July 1, 1999, in a qualified high technology business, up to a maximum credit amount 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.

The tax credit was claimed over five years as follows:

	<u>Tax Credit Percentage</u>	<u>Tax Credit Limitation</u>
Year of investment	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 tax years 1999 or 2000 were able to claim the tax credit for tax years 2001 and later as applicable under the amended law. For investments made after May 1, 2009, and for taxable years beginning on or after January 1, 2009, and ending before January 1, 2011, no claim for the tax credit could exceed 80% of the taxpayer's tax liability. The tax credit expired for taxable years beginning after December 31, 2010, but claims for the tax credit can be made for four years after the year of the investment. Carry-overs of the tax credit can continue indefinitely. The tax credit was claimed on 114 tax returns for tax year 2023, totaling \$3.0 million, down from \$3.5 million in 2022 and \$6.6 million in 2021.

**Figure 20. The Amount (in \$1,000) and Number of High Technology Business Investment Tax Credit Claims by Year**



Before its expiration in 2011, claims for the tax credit grew year over year. The claims have been declining after 2011, indicating the gradual exhaustion of the remaining carryover credits (Figure 20).

## 2. Energy Conservation Tax Credit (HRS §235-12)

Taxpayers who installed an energy conservation device prior to July 1, 2003, could claim the energy conservation tax credit, which was nonrefundable. The tax credit applied only to the actual cost of the systems, including accessories and installation, but not 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. The eligible cost was reduced by any consumer incentive premiums offered with the system. For

single-family residential buildings, the tax credit was limited to \$1,750 for solar systems and \$400 for heat pumps. For multiunit residential buildings, 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, industrial facilities, wind energy systems, or ice storage systems. The tax credit expired on June 30, 2003, but unused tax credits may be carried over to subsequent years until exhausted. Data on carryovers of the tax credit are included with those for the renewable energy technologies income tax credit.

### 3. Hotel Construction and Remodeling Tax Credit (HRS §235-110.4, repealed)

The hotel construction and remodeling tax credit was repealed by Act 9, SLH 2007, but unused credits from claims made prior to the expiration date may be carried forward and applied against tax. Although the tax credit was not repealed until 2007, it was not available for costs incurred in taxable years beginning after December 31, 2005. Data on the tax credit have been suppressed to prevent potential disclosure of confidential taxpayer information from 2020 to 2023.

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

The technology infrastructure renovation tax credit was nonrefundable and was equal to 4% of costs incurred after December 31, 2000, for planning, designing, installing, constructing, or purchasing equipment to provide a commercial building with technology infrastructure. The tax credit was not available for taxable years beginning after December 31, 2010, but amounts claimed for the tax credit prior to its expiration can be carried forward and applied against tax liability in later years until exhausted. For costs incurred after May 1, 2009, and for taxable years beginning on or after January 1, 2009, and ending before January 1, 2011, no claim for the tax credit could exceed 80% of the taxpayer's tax liability. Data for tax year 2021 to 2023 have been suppressed to prevent potential disclosure of confidential taxpayer information. The tax credit amounted to \$75,000 in 2020.

### 5. Residential Construction and Remodeling Tax Credit (HRS §235-110.45, repealed)

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 tax credit expired on June 30, 2003, but any unused tax credit may be carried over to subsequent years until exhausted. Carryovers of the tax credit were claimed on 12 tax returns in 2023, totaling \$549,000. This is up from \$448,000 in 2022 and \$240,000 in 2021.

### 6. Capital Infrastructure Tax Credit (HRS §235-17.5, §241-4.4)

Act 200, SLH 2014, established the capital infrastructure tax credit for tenants who were relocated due to the Kapalama container terminal modernization project and Act 213,



SLH 2017 expanded it and raised the cap from \$1.25 million to \$2.5 million. The tax credit is equal to 50% of the capital infrastructure costs incurred by the qualified infrastructure tenant during the taxable year, up to a maximum of \$2.5 million. The tax credit is nonrefundable and available for taxable years beginning after December 31, 2013, but not for taxable years beginning after December 31, 2019. Act 260, SLH 2019, repealed the tax credit entirely. Thus, 2019 was the last year when this credit could be claimed. However, unused tax credits claimed before tax year 2020 can be carried over to future years until exhausted. The tax credit was claimed on 24 tax returns for tax year 2023, totaling \$417,000. This is down from \$643,000 in 2022 and \$1.3 million in 2021.

#### 7. Cesspool Upgrade, Conversion or Connection Income Tax Credit (HRS §235-16.5)

Act 200, SLH 2014, established the credit for the costs to upgrade or convert a qualified cesspool into a septic system or an aerobic treatment unit system, or to connect a qualified cesspool to a sewer system, effective for taxable years beginning after December 31, 2015, but expires after December 31, 2020. Act 125, SLH 2017 expanded the definition of qualified cesspool. Act 133, SLH 2018 eliminated the provision preventing certification of more than two residential large-capacity cesspools as qualified cesspools. This nonrefundable tax credit is equal to the qualified expenses of the taxpayer, up to a maximum of \$10,000 per cesspool or \$10,000 per residential dwelling connected to a residential large-capacity cesspool. The taxpayer must obtain a certificate by the Department of Health verifying the qualified expenses and the credit amount for the taxable year and file this certificate with their tax return. The annual amount of certified credits is capped at \$5 million. Any remaining applications for certification above the cap for that taxable year may be carried forward to the subsequent year for certification in that taxable year. The tax credit expired in 2021, but the carryover was claimed on 15 tax returns in 2023, totaling \$35,000, up from \$29,000 in 2022 but down from \$133,000 in 2021.

#### 8. Organic Foods Production Tax Credit (HRS §235-110.94)

Act 258, SLH 2016, provides that a qualified taxpayer incurring qualified expenses associated with the production or handling of organic foods may claim a nonrefundable organic foods production tax credit for taxable years beginning after December 31, 2016, and before December 31, 2021. The tax credit is 100% of qualified expenses up to a maximum of \$50,000 per qualified taxpayer. The amount of tax credits certified, by the Department of Agriculture, in any given tax year cannot exceed \$2 million. The tax credit expired in 2022, but the carryover was claimed on 9 tax returns in 2023, totaling \$51,000. This is down from \$55,000 in 2022 and \$96,000 in 2021.

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# **APPENDIX A**

## **STATISTICAL TABLES**

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**Table A-1**  
**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED**  
**BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2023 (in \$ 1,000)**

Type of Credit	TAXPAYER TYPE						
	ALL	Individuals	Corporations	Financial Corporations	Fiduciaries	Exempt Organizations	Insurance Underwriters*
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food/Excise Tax Credit	\$63,957	\$63,957	na	na	na	na	na
Tax Credit for Low-Income Household Renters	\$1,645	\$1,645	na	na	na	na	na
Tax Credit for Child and Dependent Care Expenses	\$14,820	\$14,820	na	na	na	na	na
Tax Credit for Child Passenger Restraint Systems	\$53	\$53	na	na	na	na	na
Tax Credit for Employment of Vocational Rehabilitation Referrals	-	-	-	-	-	-	-
Low-Income Housing Tax Credit	\$60,907	\$484	d	d	d	-	\$32,795
Tax Credit for School Repair and Maintenance	-	-	-	-	-	-	-
Earned Income Tax Credit	\$77,054	\$77,054	na	na	na	na	na
Lifeline Telephone Service Tax Credit**	\$9	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	\$603	d	d	-	-	-	-
Motion Picture, Digital Media, and Film Production Income Tax Credit	\$43,504	d	d	-	d	-	-
Renewable Energy Technologies Tax Credit	\$100,075	\$58,293	\$38,565	d	d	d	-
Enterprise Zone Tax Credit	\$639	d	d	-	-	-	-
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	-	-	-	-	-
Tax Credit for Research Activities	\$7,034	\$1,031	\$6,003	-	-	-	-
Renewable Fuels Production Tax Credit	\$69	d	-	-	d	-	-
Healthcare Preceptor Income Tax Credit	\$516	\$516	na	na	na	na	na
Historic Preservation Income Tax Credit	d	d	-	-	-	-	-
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	\$34,608	\$9,353	\$21,750	d	\$669	d	-
Income Tax Paid to Another State or Foreign Country	\$74,446	\$72,992	na	na	d	d	na
Pass-Through Entity (PTE) Tax Credit	\$133,791	\$124,103	-	-	\$9,688	-	-
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	\$3,022	\$2,796	d	-	d	-	-
Energy Conservation Tax Credit	***	***	***	***	***	***	***
Hotel Construction and Remodeling Tax Credit	d	-	d	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	d	-	-	-	-	-
Residential Construction and Remodeling Tax Credit	\$549	d	d	-	-	-	-
Capital Infrastructure Tax Credit	\$417	d	d	-	d	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$35	\$35	-	-	-	-	-
Organic Foods Production Tax Credit	d	d	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>\$621,270</b>	<b>\$429,666</b>	<b>\$117,519</b>	<b>\$28,461</b>	<b>\$12,476</b>	<b>\$344</b>	<b>\$32,795</b>
<b>AGGREGATE TAX LIABILITY BEFORE TAX CREDITS</b>	<b>\$3,877,357</b>	<b>\$3,242,451</b>	<b>\$291,966</b>	<b>\$59,865</b>	<b>\$37,252</b>	<b>\$1,213</b>	<b>\$244,610</b>

\* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs. \*\* Data supplied by the Public Utilities Commission.

\*\*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable." Details may not add to totals due to rounding.

Table A-2  
NUMBER OF TAX CREDITS CLAIMED  
BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2023

Type of Credit	TAXPAYER TYPE						
	ALL	Individuals	Corporations	Financial Corporations	Fiduciaries	Exempt Organizations	Insurance Underwriters*
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food/Excise Tax Credit	249,806	249,806	na	na	na	na	na
Tax Credit for Low-Income Household Renters	17,205	17,205	na	na	na	na	na
Tax Credit for Child and Dependent Care Expenses	18,119	18,119	na	na	na	na	na
Tax Credit for Child Passenger Restraint Systems	2,108	2,108	na	na	na	na	na
Tax Credit for Employment of Vocational Rehabilitation Referrals	-	-	-	-	-	-	-
Low-Income Housing Tax Credit	55	18	d	d	d	-	29
Tax Credit for School Repair and Maintenance	-	-	-	-	-	-	-
Earned Income Tax Credit	84,470	84,470	na	na	na	na	na
Lifeline Telephone Service Tax Credit**	na	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	124	d	d	-	-	-	-
Motion Picture, Digital Media, and Film Production Income Tax Credit	24	d	d	-	d	-	-
Renewable Energy Technologies Tax Credit	10,799	10,726	54	d	d	d	-
Enterprise Zone Tax Credit	26	d	d	-	-	-	-
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	-	-	-	-	-
Tax Credit for Research Activities	27	16	11	-	-	-	-
Renewable Fuels Production Tax Credit	13	d	-	-	d	-	-
Healthcare Preceptor Income Tax Credit	234	234	na	na	na	na	na
Historic Preservation Income Tax Credit	d	d	-	-	-	-	-
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	3,932	3,106	664	d	145	d	-
Income Tax Paid to Another State or Foreign Country	10,885	10,696	na	na	d	d	na
Pass-Through Entity (PTE) Tax Credit	2,369	2,244	-	-	125	-	-
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	114	103	d	-	d	-	-
Energy Conservation Tax Credit	***	***	***	***	***	***	***
Hotel Construction and Remodeling Tax Credit	d	-	d	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	d	-	-	-	-	-
Residential Construction and Remodeling Tax Credit	12	d	d	-	-	-	-
Capital Infrastructure Tax Credit	24	d	d	-	d	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	15	15	-	-	-	-	-
Organic Foods Production Tax Credit	d	d	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>400,382</b>	<b>399,083</b>	<b>760</b>	<b>15</b>	<b>483</b>	<b>12</b>	<b>29</b>

\* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs. \*\* Data supplied by the Public Utilities Commission.

\*\*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-3**  
**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS**  
**BY TYPE OF CREDIT AND TAX DISTRICT - 2023 (in \$1,000)**

Type of Credit	STATE  TOTAL	TAX DISTRICT			
		OAHU*	MAUI	HAWAII	KAUAI
		(DISTRICT 1)	(DISTRICT 2)	(DISTRICT 3)	(DISTRICT 4)
<b>Active Tax Credits</b>					
<b><i>Tax Credits to Promote Social Welfare</i></b>					
Refundable Food/Excise Tax Credit	\$63,957	\$41,307	\$7,778	\$11,497	\$3,376
Tax Credit for Low-Income Household Renters	\$1,645	\$1,240	\$171	\$179	\$54
Tax Credit for Child and Dependent Care Expenses	\$14,820	\$11,693	\$1,366	\$1,238	\$524
Tax Credit for Child Passenger Restraint Systems	\$53	\$38	\$5	\$8	\$3
Tax Credit for Employment of Vocational Rehabilitation Referrals	.	.	.	.	.
Low-Income Housing Tax Credit	\$484	<i>d</i>	<i>d</i>	.	<i>d</i>
Tax Credit for School Repair and Maintenance	.	.	.	.	.
Earned Income Tax Credit	\$77,054	\$49,158	\$9,107	\$15,067	\$3,722
Lifeline Telephone Service Tax Credit	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>					
Fuel Tax Credit for Commercial Fishers	<i>d</i>	\$543	<i>d</i>	\$16	<i>d</i>
Motion Picture, Digital Media, and Film Production Income Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	.
Renewable Energy Technologies Tax Credit	\$58,293	\$44,797	\$6,100	\$5,424	\$1,970
Enterprise Zone Tax Credit	<i>d</i>	<i>d</i>	-	<i>d</i>	<i>d</i>
Important Agricultural Land Qualified Agricultural Cost Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	-
Tax Credit for Research Activities	\$1,031	<i>d</i>	<i>d</i>	<i>d</i>	-
Renewable Fuels Production Tax Credit	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>	-
Healthcare Preceptor Income Tax Credit	\$516	\$439	<i>d</i>	\$45	<i>d</i>
Historic Preservation Income Tax Credit	<i>d</i>	<i>d</i>	-	-	-
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>					
Capital Goods Excise Tax Credit	\$9,353	\$6,407	\$1,517	\$743	\$687
Income Tax Paid to Another State or Foreign Country	\$72,992	\$42,031	\$14,876	\$10,065	\$6,020
Pass-Through Entity (PTE) Tax Credit	\$124,103	\$99,210	\$11,623	\$5,621	\$7,650
<b>Expired Tax Credits</b>					
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>					
High Technology Business Investment Tax Credit	\$2,796	\$2,404	<i>d</i>	<i>d</i>	<i>d</i>
Energy Conservation Tax Credit	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	-	-	-	-	-
Technology Infrastructure Renovation Tax Credit	<i>d</i>	<i>d</i>	-	-	-
Residential Construction and Remodeling Tax Credit	<i>d</i>	<i>d</i>	-	<i>d</i>	-
Capital Infrastructure Tax Credit	<i>d</i>	<i>d</i>	-	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$35	<i>d</i>	-	<i>d</i>	<i>d</i>
Organic Foods Production Tax Credit	<i>d</i>	<i>d</i>	-	<i>d</i>	-
GRAND TOTAL	\$429,667	\$302,287	\$52,723	\$50,048	\$24,608

\* The figures for Oahu include tax credits claimed on Form N-15 by nonresidents who had an out-of-state address. \*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information.

"na" denotes "not applicable." Details may not add to totals due to rounding.

Table A-4  
NUMBER OF TAX CREDITS CLAIMED ON INDIVIDUAL INCOME TAX RETURNS  
BY TYPE OF CREDIT AND TAX DISTRICT - 2023

Type of Credit	STATE  TOTAL	TAX DISTRICT			
		OAHU*	MAUI	HAWAII	KAUAI
		(DISTRICT 1)	(DISTRICT 2)	(DISTRICT 3)	(DISTRICT 4)
<b>Active Tax Credits</b>					
<b>Tax Credits to Promote Social Welfare</b>					
Refundable Food/Excise Tax Credit	249,806	164,440	30,712	41,354	13,300
Tax Credit for Low -Income Household Renters	17,205	13,022	1,797	1,798	588
Tax Credit for Child and Dependent Care Expenses	18,119	13,900	1,726	1,779	714
Tax Credit for Child Passenger Restraint Systems	2,108	1,507	194	304	103
Tax Credit for Employment of Vocational Rehabilitation Referrals	-	-	-	-	-
Low -Income Housing Tax Credit	18	d	d	-	d
Tax Credit for School Repair and Maintenance	-	-	-	-	-
Earned Income Tax Credit	84,470	55,302	10,109	14,855	4,204
Lifeline Telephone Service Tax Credit	na	na	na	na	na
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>					
Fuel Tax Credit for Commercial Fishers	d	73	d	28	d
Motion Picture, Digital Media, and Film Production Income Tax Credit	d	d	d	d	-
Renewable Energy Technologies Tax Credit	10,726	7,693	1,245	1,324	464
Enterprise Zone Tax Credit	d	d	-	d	d
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	d	d	-
Tax Credit for Research Activities	16	d	d	d	-
Renewable Fuels Production Tax Credit	d	d	d	d	-
Healthcare Preceptor Income Tax Credit	234	191	d	25	d
Historic Preservation Income Tax Credit	d	d	-	-	-
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>					
Capital Goods Excise Tax Credit	3,106	2,040	442	390	234
Income Tax Paid to Another State or Foreign Country	10,696	6,864	1,500	1,613	719
Pass-Through Entity (PTE) Tax Credit	2,244	1,761	228	120	135
<b>Expired Tax Credits</b>					
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>					
High Technology Business Investment Tax Credit	103	88	d	d	d
Energy Conservation Tax Credit	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	-	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	d	-	-	-
Residential Construction and Remodeling Tax Credit	d	d	-	d	-
Capital Infrastructure Tax Credit	d	d	-	-	-
Cesspool Upgrade, Conversion or Connection Income Tax Credit	15	d	-	d	d
Organic Foods Production Tax Credit	d	d	-	d	-
GRAND TOTAL	399,083	266,986	47,982	63,616	20,499

\* The figures for Oahu include tax credits claimed on Form N-15 by nonresidents who had an out-of-state address. \*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information.

"na" denotes "not applicable." Details may not add to totals due to rounding.



**Table A-5**  
**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS**  
**BY TYPE OF CREDIT AND INCOME CLASS\* - 2023 (in \$1,000)**

Type of Credit	INCOME CLASS						
	ALL	Less than \$10,000	\$10,000 to \$29,999	\$30,000 to \$59,999	\$60,000 to \$99,999	\$100,000 to \$199,999	\$200,000 or more
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food/Excise Tax Credit	\$63,957	\$23,147	\$25,352	\$15,076	\$308	\$55	\$20
Tax Credit for Low-Income Household Renters	\$1,645	\$787	\$857	.	.	.	.
Tax Credit for Child and Dependent Care Expenses	\$14,820	\$152	\$987	\$2,181	\$2,095	\$5,494	\$3,911
Tax Credit for Child Passenger Restraint Systems	\$53	\$3	\$6	\$11	\$11	\$15	\$6
Tax Credit for Employment of Vocational Rehabilitation Referrals	.	.	.	.	.	.	.
Low-Income Housing Tax Credit	\$484	.	.	d	d	d	d
Tax Credit for School Repair and Maintenance	.	.	.	.	.	.	.
Earned Income Tax Credit	\$77,054	\$6,917	\$43,014	\$26,173	\$753	\$145	\$54
Lifeline Telephone Service Tax Credit	na	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	d	\$169	\$77	\$79	\$55	\$94	\$90
Motion Picture, Digital Media, and Film Production Income Tax Credit	d	d	d	d	-	d	d
Renewable Energy Technologies Tax Credit	\$58,293	\$4,731	\$2,522	\$3,121	\$5,752	\$16,150	\$26,018
Enterprise Zone Tax Credit	d	-	d	d	d	d	d
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	d	-	-	-	d
Tax Credit for Research Activities	\$1,031	d	-	d	d	d	d
Renewable Fuels Production Tax Credit	d	d	-	d	d	d	d
Healthcare Preceptor Income Tax Credit	\$516	-	d	d	d	d	\$417
Historic Preservation Income Tax Credit	d	-	-	-	-	-	d
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	\$9,353	\$654	\$263	\$340	\$380	\$696	\$7,021
Income Tax Paid to Another State or Foreign Country	\$72,992	\$20	\$239	\$742	\$1,521	\$5,280	\$65,191
Pass-Through Entity (PTE) Tax Credit	\$124,103	d	d	\$77	\$201	\$1,062	\$122,738
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	\$2,796	-	d	d	\$46	\$221	\$2,503
Energy Conservation Tax Credit	**	**	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	-	-	-	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	-	-	d	-	d	d
Residential Construction and Remodeling Tax Credit	d	-	d	d	d	d	-
Capital Infrastructure Tax Credit	d	-	d	d	-	d	d
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$35	-	d	d	d	-	d
Organic Foods Production Tax Credit	d	-	d	d	d	d	d
<b>GRAND TOTAL</b>	<b>\$429,667</b>	<b>\$36,753</b>	<b>\$73,367</b>	<b>\$47,857</b>	<b>\$11,170</b>	<b>\$29,537</b>	<b>\$230,983</b>
<b>AGGREGATE TAX LIABILITY BEFORE TAX CREDITS***</b>	<b>\$3,242,451</b>	<b>\$4,351</b>	<b>\$75,749</b>	<b>\$348,975</b>	<b>\$476,407</b>	<b>\$817,473</b>	<b>\$1,519,496</b>

\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15. \*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denoted that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable." Details may not add to totals due to rounding.

Table A-6  
NUMBER OF TAX CREDITS CLAIMED ON INDIVIDUAL INCOME TAX RETURNS  
BY TYPE OF CREDIT AND INCOME CLASS\* - 2023

Type of Credit	INCOME CLASS						
	ALL	Less than \$10,000	\$10,000 to \$29,999	\$30,000 to \$59,999	\$60,000 to \$99,999	\$100,000 to \$199,999	\$200,000 or more
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food/Excise Tax Credit	249,806	82,982	90,061	75,186	1,380	154	43
Tax Credit for Low-Income Household Renters	17,205	8,010	9,195	-	-	-	-
Tax Credit for Child and Dependent Care Expenses	18,119	194	1,050	2,850	3,151	6,986	3,888
Tax Credit for Child Passenger Restraint Systems	2108	138	260	436	433	601	240
Tax Credit for Employment of Vocational Rehabilitation Referrals	-	-	-	-	-	-	-
Low-Income Housing Tax Credit	18	-	-	d	d	d	d
Tax Credit for School Repair and Maintenance	-	-	-	-	-	-	-
Earned Income Tax Credit	84,470	18,712	35,672	28,523	1,316	203	44
Lifeline Telephone Service Tax Credit	na	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	d	31	15	18	16	26	13
Motion Picture, Digital Media, and Film Production Income Tax Credit	d	d	d	d	-	d	d
Renewable Energy Technologies Tax Credit	10,726	521	908	1,587	1,913	3,288	2,509
Enterprise Zone Tax Credit	d	-	d	d	d	d	d
Important Agricultural Land Qualified Agricultural Cost Tax Credit	d	d	d	-	-	-	d
Tax Credit for Research Activities	16	d	-	d	d	d	d
Renewable Fuels Production Tax Credit	d	d	-	d	d	d	d
Healthcare Preceptor Income Tax Credit	234	-	d	d	d	d	181
Historic Preservation Income Tax Credit	d	-	-	-	d	-	d
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	3,106	248	265	302	356	527	1,408
Income Tax Paid to Another State or Foreign Country	10,696	407	1,116	1,384	1,570	2,614	3,605
Pass-Through Entity (PTE) Tax Credit	2,244	d	d	43	69	202	1,903
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	103	-	d	d	16	30	37
Energy Conservation Tax Credit	**	**	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	-	-	-	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	-	-	d	-	d	d
Residential Construction and Remodeling Tax Credit	d	-	d	d	d	d	-
Capital Infrastructure Tax Credit	d	-	d	d	-	d	d
Cesspool Upgrade, Conversion or Connection Income Tax Credit	15	-	d	d	d	-	d
Organic Foods Production Tax Credit	d	-	d	d	d	d	d
<b>GRAND TOTAL</b>	<b>399,083</b>	<b>111,255</b>	<b>138,578</b>	<b>110,369</b>	<b>10,243</b>	<b>14,699</b>	<b>13,939</b>

\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

\*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "d" denotes that the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable."

**Table A-7**  
**NUMBER OF RESIDENT INDIVIDUAL RETURNS (FORM N-11) CLAIMING SELECTED TAX CREDITS**  
**BY GEOGRAPHICAL AREAS - 2023**

	Number of Returns	Refundable Food/Excise Tax Credit	Tax Credit for Low-Income Household Renters	Tax Credit for Child and Dependent Care Expenses	Earned Income Tax Credit	Tax Credit for Child Passenger Restraint Systems	Renewable Energy Technologies Tax Credit	Capital Goods Excise Tax Credit	Income Tax Paid to Another State or to a Foreign Country
<b>State Total</b>	644,374	246,661	17,045	17,787	79,583	1,909	10,221	2,727	10,388
<b>Oahu</b>									
Downtown & Nuuanu	56,115	23,034	2,788	1,402	6,865	146	401	300	819
Kaimuki to Hawaii Kai	48,651	13,526	1,133	1,835	3,386	155	1,268	423	1,325
Makiki to Waikiki	49,125	18,021	2,730	1,205	4,914	120	407	217	901
Airport, Kalihi	36,494	15,493	1,392	1,016	5,530	78	339	91	201
Aiea, Pearl City	35,920	11,746	602	1,169	3,328	100	754	106	295
Waipahu	34,768	14,013	861	996	4,448	98	498	52	130
Kapolei, Ewa	52,388	18,085	802	2,091	6,290	168	1,191	109	467
Wahiawa, Mililani	35,549	11,289	559	1,207	3,457	143	777	88	325
Waianae Coast	18,639	9,638	418	386	4,222	56	255	14	79
Kailua, Kaneohe	47,132	14,195	705	1,685	4,038	160	1,115	213	964
Oahu North Shore	12,279	5,561	409	235	2,073	38	147	47	213
<b>Maui</b>									
Wailuku, Kahului	30,564	12,100	607	727	3,897	75	452	121	269
Kihei	12,830	4,844	395	244	1,544	21	203	63	426
Lahaina	8,894	3,221	166	104	976	15	106	39	224
Rural Maui	19,910	8,230	534	576	2,729	66	447	203	520
Molokai	2,838	1,610	45	27	617	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
Lanai	1,608	592	39	30	187	<i>d</i>	<i>d</i>	<i>d</i>	<i>d</i>
<b>Hawaii</b>									
Hilo	25,318	11,599	645	694	4,018	97	302	84	238
Hamakua Coast	6,199	2,998	91	109	978	12	89	35	96
Kohala	12,119	4,446	152	281	1,431	48	202	58	371
Kona	24,827	10,235	487	411	3,672	64	394	155	626
Puna to Kau	20,395	11,891	418	272	4,492	68	294	51	265
<b>Kauai</b>									
Lihue	9,036	3,433	135	189	1,016	22	106	62	98
North Kauai	13,669	5,468	271	273	1,834	43	183	107	363
Koloa-Poipu	2,668	978	52	56	337	<i>d</i>	40	19	97
West Kauai	9,087	3,364	130	189	954	28	130	42	151
<b>Other/Unknown</b>	17,352	7,051	479	378	2,350	71	101	16	882

Notes: "d" denotes that the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information.

**Table A-8**  
**NUMBER AND AMOUNT OF LOW-INCOME HOUSEHOLD RENTERS TAX CREDITS**  
**CLAIMED, NUMBER OF QUALIFIED EXEMPTIONS BY HAWAII ADJUSTED**  
**GROSS INCOME - 2023**

<b>Adjusted Gross Income Class *</b>	<b>Number of Returns with Claims</b>	<b>Number of Exemptions</b>	<b>Amount of Tax Credits Claimed</b>
Under \$1,000	4,496	9,629	\$464,200
\$1,000 - < \$3,000	783	1,558	\$76,250
\$3,000 - < \$5,000	728	1,317	\$64,350
\$5,000 - < \$7,000	781	1,494	\$73,250
\$7,000 - < \$9,000	803	1,471	\$72,600
\$9,000 - < \$11,000	851	1,552	\$76,050
\$11,000 - < \$13,000	859	1,621	\$79,300
\$13,000 - < \$15,000	871	1,636	\$80,650
\$15,000 - < \$17,000	858	1,714	\$83,900
\$17,000 - < \$20,000	1,368	2,701	\$133,300
\$20,000 - < \$25,000	2,324	4,370	\$216,650
\$25,000 - < \$35,000	2,483	4,566	\$224,050
State Total	17,205	33,629	\$1,644,550

\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

**Table A-9**  
**NUMBER AND AMOUNT OF CAPITAL GOODS EXCISE TAX CREDITS**  
**CLAIMED BY INDIVIDUAL RETURNS**  
**BY HAWAII ADJUSTED GROSS INCOME - 2023**

<b>Adjusted Gross Income Class*</b>	<b>Number of Claims</b>	<b>Amount Claimed</b>
Under \$10,000	248	\$653,655
\$10,000 - < \$20,000	129	\$124,083
\$20,000 - < \$30,000	136	\$138,810
\$30,000 - < \$40,000	113	\$142,567
\$40,000 - < \$50,000	91	\$103,245
\$50,000 - < \$75,000	252	\$254,074
\$75,000 - < \$100,000	202	\$220,284
\$100,000 - < \$150,000	306	\$339,669
\$150,000 - < \$200,000	221	\$355,892
\$200,000 or more	1,408	\$7,021,128
<b>Total</b>	<b>3,106</b>	<b>\$9,353,407</b>

\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15

**Table A-10**  
**NUMBER AND AMOUNT OF CAPITAL GOODS EXCISE TAX CREDIT CLAIMED**  
**ON CORPORATION AND FINANCIAL CORPORATION RETURNS**  
**BY GROSS RECEIPTS CLASS - 2023**

<b>Gross Receipts Class</b>	<b>Number Claiming</b>	<b>Amount Claimed</b>
Under \$100,000	38	\$115,286
\$100,000 - < \$500,000	55	\$308,816
\$500,000 - < \$1,000,000	45	\$59,480
\$1,000,000 - < \$5,000,000	196	\$1,224,448
\$5,000,000 - < \$10,000,000	96	\$627,245
\$10,000,000 and over	241	\$21,975,790
<b>Total</b>	<b>671</b>	<b>\$24,311,065</b>

**Table A-11**  
**NUMBER AND AMOUNT OF REFUNDABLE FOOD/EXCISE TAX CREDIT**  
**CLAIMED BY INDIVIDUAL RETURNS**  
**BY HAWAII ADJUSTED GROSS INCOME - 2023**

<b>Adjusted Gross Income Class*</b>	<b>Number of Claims</b>	<b>Amount Claimed</b>
less than \$10,000	82,982	\$23,146,758
\$10,000 to \$29,999	90,061	\$25,351,504
\$30,000 to \$59,999	75,186	\$15,075,500
\$60,000 to \$99,999	1,380	\$308,210
\$100,000 to \$199,999	154	\$55,010
\$200,000 or more	43	\$20,460
<b>Total</b>	<b>249,806</b>	<b>\$63,957,442</b>

\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

**Table A-12**  
**NUMBER AND AMOUNT OF PASS-THROUGH ENTITY TAX CREDIT CLAIMED**  
**BY INDIVIDUAL RETURNS**  
**BY HAWAII ADJUSTED GROSS INCOME - 2023**

Adjusted Gross Income Class*	Number of Claims	Amount Claimed
less than \$10,000	6	\$10,900
\$10,000 to \$29,999	21	\$14,125
\$30,000 to \$59,999	43	\$76,622
\$60,000 to \$99,999	69	\$200,814
\$100,000 to \$199,999	202	\$1,062,478
\$200,000 or more	1,903	\$122,737,804
Total	2,244	\$124,102,743

\* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.



**Table A-13**  
**DISTRIBUTION OF TAX CREDITS IN TAX YEARS 2021 - 2023**

Type of Credit	2021			2022			2023		
	Amount (in \$1,000)	% of Total	# of Claims	Amount (in \$1,000)	% of Total	# of Claims	Amount (in \$1,000)	% of Total	# of Claims
<b>Total, All Tax Credits</b>	<b>\$429,951</b>	<b>100.0</b>	<b>367,189</b>	<b>\$443,901</b>	<b>100.0</b>	<b>331,767</b>	<b>\$621,270</b>	<b>100.0</b>	<b>400,382</b>
<b>Active Tax Credits</b>									
<i><b>Tax Credits to Promote Social Welfare</b></i>									
Refundable Food/Excise Tax Credit	\$26,760	6.2	226,416	\$24,961	5.6	208,786	\$63,957	10.3	249,806
Tax Credit for Low -Income Household Renters	\$1,697	0.4	17,387	\$1,675	0.4	16,925	\$1,645	0.3	17,205
Tax Credit for Child and Dependent Care Expenses	\$5,637	1.3	14,807	\$6,479	1.5	16,415	\$14,820	2.4	18,119
Tax Credit for Child Passenger Restraint Systems	\$52	0.0	2,067	\$54	0.0	2,153	\$53	0.0	2,108
Tax Credit for Employment of Vocational Rehabilitation Referrals	-	-	-	-	-	-	-	-	-
Low -Income Housing Tax Credit	\$53,140	12.4	47	\$58,068	13.1	58	\$60,907	9.8	55
Tax Credit for School Repair and Maintenance	-	-	-	-	0.0	-	-	0.0	-
Earned Income Tax Credit	\$21,802	5.1	80,990	\$19,786	4.5	60,903	\$77,054	12.4	84,470
Lifeline Telephone Service Tax Credit	\$19	0.0	na	\$13	0.0	na	\$9	0.0	na
<i><b>Tax Credits to Encourage Certain Industries or Economic Activities</b></i>									
Fuel Tax Credit for Commercial Fishers	\$381	0.1	107	\$347	0.1	110	\$603	0.1	124
Motion Picture, Digital Media, and Film Production Income Tax Credit	\$29,558	6.9	23	\$56,778	12.8	19	\$43,504	7.0	24
Renew able Energy Technologies Income Tax Credit	\$67,317	15.7	9,313	\$105,764	23.8	10,168	\$100,075	16.1	10,799
Enterprise Zone Tax Credit	\$507	0.1	40	\$457	0.1	25	\$639	0.1	26
Important Agricultural Land Qualified Agricultural Cost Tax Credit	-	-	-	d	d	d	d	d	d
Tax Credit for Research Activities	\$3,482	0.8	17	\$4,109	0.9	15	\$7,034	1.1	27
Renew able Fuels Production Tax Credit	\$522	0.1	16	\$416	0.1	23	\$69	0.0	13
Healthcare Preceptor Income Tax Credit	\$455	0.1	197	\$509	0.1	222	\$516	0.1	234
Historic Preservation Income Tax Credit	d	d	d	d	d	d	d	d	d
<i><b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b></i>									
Capital Goods Excise Tax Credit	\$29,305	6.8	4,306	\$32,077	7.2	4,324	\$34,608	5.6	3,932
Income Tax Paid to Another State or Foreign Country	\$180,496	42.0	11,154	\$124,560	28.1	11,392	\$74,446	12.0	10,885
Pass-Through Entity (PTE) Tax Credit	-	-	-	-	-	-	\$133,791	21.5	2,369
<b>Expired Tax Credits</b>									
<i><b>Tax Credits to Encourage Certain Industries or Economic Activities</b></i>									
High Technology Business Investment Tax Credit	\$6,588	1.5	166	\$3,511	0.8	141	\$3,022	0.5	114
Energy Conservation Tax Credit*	*	*	*	*	*	*	*	*	*
Hotel Construction and Remodeling Tax Credit	d	d	d	d	d	d	d	d	d
Technology Infrastructure Renovation Tax Credit	d	d	d	d	d	d	d	d	d
Residential Construction and Remodeling Tax Credit	\$240	0.1	13	\$448	0.1	11	\$549	0.1	12
Capital Infrastructure Tax Credit	\$1,318	0.3	54	\$643	0.1	38	\$417	0.1	24
Cesspool Upgrade, Conversion or Connection Income Tax Credit	\$133	0.0	45	\$29	0.0	23	\$35	0.0	15
Organic Foods Production Tax Credit	\$96	0.0	18	d	0.0	d	d	0.0	d

\* Data for the energy conservation tax credit are included w ith those for the renew able energy tax credit.

Notes: "d" denotes that data in the cell w ere suppressed to prevent potential disclosure of confidential taxpayer information

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## **APPENDIX B**

### **TAX CREDIT HISTORY**

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**Table B-1**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
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	Expands upper income limit to MAGI under \$10,000, raises 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	Replaces 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	Raises 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.
1980	228	Excise Credit	Increases credit per qualified exemption; new range \$48 to \$8.

**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
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.
	216	Low-income housing credit	30% credit on the qualified basis of each low-income building located in Hawai'i as provided in IRC section 43(b).

**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
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	Raises 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	Allows residents with no taxable income to claim the credit.
	186	General income credit	Reduced to \$60 per qualified exemption.
	187	Food/excise credit	Repeals 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	Extends 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	Extends 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.
1994	85	General income credit	\$1 per qualified exemption.

**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
1995	23	Medical services excise credit	Repeals 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	Repeals the medical service tax credit and the nursing facilities tax credit.
	134	Food/excise credit	Reduces 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	Exempts 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	Provides 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	Provides an income tax credit equal to 4% of the renovation costs for each qualified hotel facility located in Hawai'i, 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	Repeals food tax credit beginning tax year 1999.
	157	Low-income credit	Establishes refundable graduated low-income credit beginning tax year 1999.
	163	Energy device credit	Extends sunset date for energy device credits to July 1, 2003.
1999	24	Low-income housing credit	Expands 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.
	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.



**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2000	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%.
	221	Technology infrastructure renovation income tax credit	Provides a nonrefundable technology infrastructure renovation income tax credit equal to 4% of the "renovation costs" for each commercial building located in Hawai'i. The credit is available for tax years 2001 through 2005.
	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 (3rd 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.

**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2002	174	Residential construction and remodeling credit	Extends the credit to costs incurred before July 1, 2003.
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.
	100	Ko Olina resort and marina attractions and educational facilities tax credit	Establishes 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 takes effect on May 29, 2003, and is available for tax year 2005.
2004	97	Renewable energy technologies credit (Energy device credit)	Clarifies that the tax credit is nonrefundable, and that unused credit may be claimed in subsequent years until exhausted. Allows financial institutions to claim the credit for taxable years beginning after 12/30/02, provided that the system was installed after 6/30/03.
	140	Ethanol Facility tax credit	Clarifies 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.
	215	Technology infrastructure renovation tax credit, high technology tax credit and tax credit for research activities	Extends the technology infrastructure renovation tax credit, the high technology business investment tax credit, and the tax credit for research activities for another five years.
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 Hawai'i. Effective 7/01/05.

**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2006	88	Motion Picture and Film Production Income Tax Credit	Increases the Motion Picture and Film Production income tax credit to 15% or 20% of qualified production costs, depending on locale of production. Effective for production occurring after June 30, 2006.
	110	Tax Credit for Flood Victims	Establishes the one-time Tax Credit for Flood Victims, for non-reimbursable costs stemming from the Manoa flooding of October 30, 2004, and the statewide flooding during the first quarter of 2006.
	240	Renewable energy	Increases the limits on the Renewable Energy Technologies credit for single-family residential systems to \$2,250 (for solar thermal systems) or \$5000 (for photovoltaic systems). Increases the limits for commercial systems to \$500,000 per system. Higher limits effective for systems installed after June 30, 2006.
2007	128	Ethanol Facility tax credit	Extended the date for which a qualified ethanol production facility must be in production for purposes of qualifying for the Ethanol Production Facility tax credit by five years, to 1/1/2017.
	151	Renewable Energy	Requires that all renewable energy technology systems be in the State in order to qualify for the Renewable Energy Technologies tax credit. Applies to taxable years beginning after 12/31/2006.
	210	General income credit	The credit is refundable and declines as federal AGI increases. The maximum credit is \$160 (for married filing jointly with federal AGI under \$5,000).
	211	Food/Excise tax credit	Changes the name of the Low-Income Refundable tax credit to the Refundable Food/Excise tax credit. Amends the credit payout schedule and the adjusted gross incomes. The highest payout is \$85 for federal AGI under \$5,000 per exemption. Effective for taxable years beginning after 12/31/2007.
2008	58	General income credit	Provides a refundable credit of \$1 per exemption (not including extra exemptions for age or disability).
	204	Renewable energy	Requires single family residences with building permits issued after 1/1/2010 to include a solar hot water heating system and disallows the Renewable energy credit for the required systems. For solar, wind or photovoltaic systems placed in service after 12/21/2008, residential home developers are ineligible to claim the credit.
	143	Enterprise Zone tax credit	Extends Enterprise Zone benefits to certain qualifying agricultural businesses, including processing of agricultural products. Effective 7/1/2008.
	233	Important Agricultural Lands tax credit	Provides a refundable tax credit for certain costs benefiting property designated as "Important Agricultural Land," effective 7/1/2008.
2009	84	General income credit	Provides a refundable credit of \$1 per exemption, excluding multiple exemptions for age or disability.

**Table B-1 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2009	154	Renewable Energy	Combines solar and photovoltaic systems into the single category "solar." The caps per system are unchanged, however, as solar systems used to heat water are still subject to the lower cap of \$2,250 per system. An election is granted to make the credit refundable for systems placed in service on or after 7/1/2009.
	155	Renewable Energy	Amends the requirement that a building permit not be issued for new single-family dwellings that to not include a solar water heating system on or after 1/1/2010.
	174	Enterprise Zone tax credit	Amends the definitions of eligible business. Allows agricultural producers, manufacturers and wholesalers to renew eligibility in the program for an additional three years. Effective 7/1/2009.
	178	High technology credit and the technology infrastructure renovation tax credit	For investment made, or renovations costs incurred, on or after May 1, 2009, provides that beginning after January 1, 2009, and ending before January 1, 2011, no claim for qualified high technology business investment tax credits or technology infrastructure renovation tax credits under income tax, taxation of banks and other financial corporations, and insurance shall exceed 80 percent of a taxpayer's tax liability, and no credit carryover is allowed.
2010	21	All tax credits	Requires refundable credits to be claimed first, followed by nonrefundable credits after 1/1/2010.
2011	158	Low-income housing tax credit	Grants low-income housing tax credit loans in lieu of low-income housing tax credits and provides a tax credit for certain awards under the American Recovery and Reinvestment Act of 2009. Applies to qualified buildings placed in service after 12/31/2011.
2013	89	Motion Picture and Film Production Income Tax Credit	Extends the Motion Picture and Film Production income tax credit to January 1, 2019, increases the credit ceiling amount from \$8 million to \$15 million per qualified production, and increases the credit amount from 15% to 20% of qualified production costs in a county with a population of over 700 thousand and increases the credit amount from 20% to 25% in a county with a population of 700 thousand or less. Effective for production occurring after June 30, 2013.
	270	Tax Credit for Research Activities	Reenacts the State tax credit for research activities. The State credit is equal to 20% of qualified research expenses incurred in Hawai'i. The new credit is effective for tax years beginning after December 31, 2012. The Act sunsets December 31, 2019.
2014	101	Important Agricultural Lands Tax Credit	Clarifies that the tax credit amount is 25% of qualified agricultural costs or \$625,000 in the first year, the lesser of 15% of qualified costs or \$250,000 in the second year, and the lesser of 10% of qualified costs or \$125,000 in the third year.
	200	Capital Infrastructure Tax Credit	Establishes a capital infrastructure tax credit for tenants who are relocated due to the Kapalama container terminal modernization project. The tax credit is the lesser of 50% of the capital infrastructure costs paid or incurred by the qualified infrastructure tenant during the taxable year or \$1,250,000. The tax credit is available for taxable years beginning after December 31, 2013, but not for taxable years beginning after December 31, 2019.

**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2015	120	Cesspool Upgrade, Conversion or Connection Tax Credit	Creates a temporary, nonrefundable income tax credit for the costs incurred in converting a qualified cesspool to a septic system or to an aerobic treatment unit system, or for the cost of connecting a cesspool to a sewer system. The Department of Health must certify all credit claims, and the credit amount is 100% of qualified costs up to a maximum of \$10,000 per taxpayer. The amount of tax credits certified in any given tax year cannot exceed \$5 million. The Tax credit is available for taxable years ending after December 31, 2015, but not for taxable years ending after December 31, 2020.
	223	Refundable Food/Excise Tax Credit	Amends the Refundable Food/Excise Tax Credit in several ways. First, removes the requirement that the individual claiming the credit must have resided in the State for nine months during the taxable year and replaces it with a requirement that the individual must have been physically present in the state for nine months during the taxable year. Second, adjusts the maximum adjusted gross income an unmarried individual taxpayer may have in order to be eligible to claim the credit. Third, adjusts the amount of credit per qualified exemption available to eligible taxpayers. Applies to taxable year beginning after December 31, 2015, but is repealed December 31, 2017, and the law as it read prior to this Act's amendments will be reenacted.
2016	129	Low-Income Housing Tax Credit	The tax credit is amended by shortening the time over which the credit is taken from ten years to five years for qualified low income buildings awarded credits for taxable years 2017 to 2021.
	182	Cesspool Upgrade, Conversion or Connection Tax Credit	Amends the Income Tax Credit for Converting Cesspools by correcting an oversight made when section 235-16.5, HRS, was enacted last session, and permits large capacity cesspools to qualify for the credit, with each tax map key parcel associated with the large capacity cesspool eligible for the credit of up to \$10,000.
	202	Ethanol Facility Tax Credit	Repeals the Ethanol Facility Tax Credit is for taxable years beginning after December 31, 2016.
	202	Renewable Fuels Production Tax Credit	Act 202 also creates a new nonrefundable tax credit for the production of renewable fuels for taxable years 2017 to 2021. The credit is available for five consecutive years beginning with the first taxable year in which the taxpayer claiming the credit begins producing at least 15 billion British thermal units of renewable fuel per year.
	235	Credit for Child and Dependent Care Expenses	Amends the credit for taxable years beginning after December 31, 2015, by increasing the credit amount that certain taxpayers may claim for expenses for household and dependent care services necessary for gainful employment. It modifies the phase-down of percentage of expenses on which the credit can be claimed at various AGI thresholds.
	258	Organic Foods Production Tax Credit	Creates a nonrefundable tax credit for expenses incurred to produce organic agricultural products and to obtain organic certification for taxable years 2017 to 2021. The Department of Agriculture is responsible for certifying all credit claims.

**Table B-1 (Cont.)****Outline of Tax Credit History by Year of Enactment**

<b>Year</b>	<b>Act</b>	<b>Type of Tax Credit</b>	<b>Description of the Tax Credit or Its Modification</b>
2017	107	Refundable Food/Excise Tax Credit	Repeals the sunset date for the amendments made to the tax credit by Act 223, SLH 2015, rendering them permanent.
	107	Earned Income Tax Credit	Establishes a state nonrefundable earned income tax credit (EITC) equal to 20 percent of the federal EITC allowed and properly claimed under section 32, IRC, and reported on the taxpayer's federal income tax return. The state EITC applies to taxable years beginning after December 31, 2017, but shall not apply to taxable years beginning after December 31, 2022.
	125	Cesspool Upgrade, Conversion or Connection Tax Credit	Expands the class of cesspools which are eligible to claim the credit to include: (1) A cesspool within 500 feet (increased from the current 200 feet) of a shoreline, perennial stream, or wetland; (2) A cesspool shown to impact drinking water supplies or recreational waters; or (3) A cesspool certified by a county or private sewer company to be appropriate for connection to its existing sewer system.
	142	Renewable Fuels Production Tax Credit	Changes the certification process for the tax credit. Taxpayers claiming a credit must file a third-party-certified statement with the Department of Business, Economic Development, and Tourism (DBEDT) within 30 days after the close of the calendar year with information on the type and amount of qualified fuel, type of feedstock used, amount of the credit, number and residency of employees of the facility, and number and location of all renewable fuel production facilities. DBEDT will thereafter issue a certificate to the taxpayer with the amount of renewable fuels produced and sold, amount of credit the taxpayer is entitled to claim for the previous calendar year, and the cumulative amount of the credit during the period.
	143	Motion Picture and Film Production Income Tax Credit	For taxable years beginning after December 31, 2018, several amendments are made to the tax credit including provisions to (1) extend the repeal date from January 1, 2019, to January 1, 2026, (2) limit the total credit to \$35 million per year, and (3) amend the qualifications a production must meet in order to claim the credit.
	213	Capital Infrastructure Tax Credit	Makes several amendments to the tax credit including provisions to (1) double the amount of credit per taxable year from \$1.25 million to \$2.5 million, and (2) include structures, machinery, equipment, and capital assets in the definition of "capital infrastructure costs".
2018	43	Healthcare Preceptor Tax Credit	Establishes an income tax credit for advanced practice registered nurses, pharmacists, and physicians who supervise volunteer-based supervised clinical training rotations. The credit is equal to \$1,000 per rotation supervised by the taxpayer, up to a maximum of \$5,000 per taxpayer per year. Additionally, the credit is subject to an aggregate cap of \$1,500,000 per year. It also establishes the Preceptor Credit Assurance Committee. The Committee certifies all claims for the credit and issues taxpayers a certificate verifying the number of rotations supervised. The Department is authorized to require taxpayers to furnish this certificate to claim the credit. The Committee is also tasked with ceasing certifications if total claims for certification reach the aggregate cap during any year. Act 43 applies to taxable years beginning after December 31, 2018.

**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2018	87	Important Agricultural Land Qualified Agricultural Cost Tax Credit	Extends the Important Agricultural Land Qualified Agricultural Cost Tax Credit through taxable year 2021.
	133	Cesspool Upgrade, Conversion or Connection Tax Credit	Eliminates the provision preventing certification of more than two residential large capacity cesspools as qualified cesspools. The Act applies to taxable years beginning after December 31, 2017.
	143	Renewable Fuels Production Tax Credit	Amends the renewable fuels production tax credit (RFPTC), as follows: <ul style="list-style-type: none"> <li>• Lowers the production threshold for eligibility for the credit from 15 billion British thermal units of renewable fuels per calendar year to 2.5 billion British thermal units per calendar year; and</li> <li>• Adds logs, wood chips, wood pellets, wood bark, and other renewable organic material to the definition of “Renewable feedstocks” which qualify for the credit.</li> </ul> It applies to taxable years beginning after December 31, 2017.
2019	261	Tax Credit for Research Activities	Amends the Tax Credit for Research Activities (TCRA) such that references to the base amount contained in section 41 of the IRC do not apply, and credit may be taken based upon all qualified research expenses incurred in Hawai'i without regard to the amount of expenses for previous years. The Act provides that the Department of Business, Economic Development, and Tourism must certify all claims for the tax credit and establishes an annual aggregate cap of \$5,000,000. Taxpayers must still claim the federal research credit under IRC section 41 to claim the TCRA. Act 261 is effective for taxable years beginning after December 31, 2019, and extends the TCRA through December 31, 2024.
	267	Historic Preservation Income Tax Credit	Establishes a new, nonrefundable income tax credit for taxpayers who rehabilitate historic structures pursuant to a rehabilitation plan certified by the Department of Land and Natural Resources' State Historic Preservation Division (SHPD). The credit is equal to 30% of the qualified expenses incurred as part of the certified rehabilitation plan. In addition, the credit is subject to an aggregate cap of \$1,000,000 per year and is subject to recapture if the projected expenditures do not materialize, or the rehabilitation does not proceed in a timely manner or in accordance with the approved plan. The Act is effective July 1, 2019, and applies to qualified rehabilitation expenditures incurred in taxable years beginning after December 31, 2019 and is repealed on December 31, 2024.
	260	Ship Repair Industry Tax Credit	Establishes a new Ship Repair Industry Tax Credit which is intended to offset costs incurred in constructing and placing into service a purpose-built floating drydock at Pearl Harbor for use by the United States Navy, provided that no credit is allowed after December 31, 2026. The Act is effective on January 1, 2020, and applies to taxable years beginning after December 31, 2021.

**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2019	260	Capital Infrastructure Tax Credit	Repeals the Capital Infrastructure Tax Credit under section 235-17.5, HRS.
	275	Motion Picture, Digital Media, and Film Production Tax Credit	Amends motion picture, digital media, and film production income tax credit (film credit) by increasing the film credit annual aggregate cap from \$35 million to \$50 million. The Act is effective July 10, 2019, and applies to taxable years beginning after December 31, 2018.
2020	61	Renewable Energy Technologies Income Tax Credit	Disallows the Renewable Energy Technologies Income Tax Credit for commercial projects of 5 megawatts of total output capacity or greater. The Act also provides multiple exceptions, including for systems subject to a power purchase agreement which receives Public Utilities Commission (PUC) approval or was pending approval before December 31, 2019, and for certain systems integrated with a pumped hydroelectric energy storage system where the requisite approval filings are submitted to the PUC by December 31, 2021. The Act is effective December 31, 2019.
2021	226	Low-Income Housing Tax Credit	Relaxes the rules on allocating the Low-Income Housing Tax Credit (LIHTC), allowing taxpayers to allocate the credit freely among their partners or members. Act 226 also relaxes the installment method, at-risk, and passive activity loss rules applicable to the LIHTC and allows the Hawai'i LIHTC to be claimed in the initial year even if federal Form 8609 has not been received by the taxpayer. However, Act 226 expressly prohibits the deductions and expenses claimed by all Hawai'i taxpayers to exceed the deductions and expenses claimed by all taxpayers on federal returns.  Finally, Act 226 extends the shortened credit period provided by Act 129, Session Laws of Hawai'i 2016 (Act 129), to apply through December 31, 2027. This extension is not repealed when section 235-110.8, HRS, is repealed and reenacted on December 31, 2027.
2022	114	Earned Income Tax Credit	Act 113 makes the State earned income tax credit permanent. It makes the credit refundable beginning with the 2023 tax year. All carryforwards of nonrefundable EITC expire at the end of the 2024 tax year.
	139	Important Agricultural Land Qualified Agricultural Cost Tax Credit	Extends the period during which the important agricultural land qualified agricultural cost tax credit is available through tax year 2030.
	216	Renewable Fuels Production Credit	Act 216 (Senate Bill 2478, S.D. 2, H.D. 2, C.D. 1) reinstates the Renewable Fuels Production Tax Credit (RFPTC), which was previously codified at section 235-110.31, HRS, before its duly scheduled repeal on December 31, 2021. Act 216 also allows the RFPTC to be refunded under certain conditions. Act 216 became effective on June 27, 2022, and applies to taxable years beginning after December 31, 2021.



**Table B-1 (Cont.)**  
**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2023	50	Passthrough Entity Tax Credit	Act 50 (Senate Bill 1437, S.D. 1, H.D.2, C.D. 1) amends chapter 235, Hawai'i Revised Statutes (HRS), to allow partnerships and S corporations to annually elect to pay Hawai'i income taxes at the entity level. Act 50 is effective on January 1, 2024, and applied to taxable years beginning after December 31, 2022.
	163	Household and Dependent Care Expenses Credit	Act 163 (House Bill 954, H.D. 2, S.D. 2, D.D. 1) amends the household and dependent care services credit in section 235-55.6, HRS, by increasing the cap on employment-related expenses that may be used to claim the credit from \$2,400 to \$10,000 for one qualifying individual and from \$4,800 to \$20,000 for two or more qualifying individuals. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027.
	163	Refundable Earned Income Tax Credit	Act 163 also amends the refundable earned income tax credit in section 235-55.75, HRS, by increasing the amount of the credit from 20% to 40% of the federal earned income tax credit allowed and properly claimed under IRC section 32. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027.
	163	Refundable Food/Excise Tax Credit	Act 163 amends the refundable food/excise tax credit in section 235-55.85, HRS, by doubling the amount of credit per qualified exemption and increasing the adjusted gross income limits by \$10,000 in all income brackets. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027.