

JAN 20 2023

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# A BILL FOR AN ACT

RELATING TO A CHILD TAX CREDIT.

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

1           SECTION 1. The legislature finds that investing in the  
2 well-being of Hawaii's children is essential to the creation of  
3 a prosperous and sustainable future. To address child poverty,  
4 the American Rescue Plan Act of 2021 increased the federal child  
5 tax credit from \$2,000 to \$3,600 for qualifying children under  
6 age six, and \$3,000 for other qualifying children under age  
7 eighteen, while allowing the credit to be distributed to  
8 qualifying taxpayers on a monthly basis.

9           The legislature additionally finds that the provisions of  
10 the American Rescue Plan that strengthened the child tax credit  
11 expired at the end of 2021, despite lifting millions of families  
12 and their children out of poverty. In the face of federal  
13 inaction to maintain a robust child tax credit, states have a  
14 responsibility to enact policies that assist working families  
15 with children in meeting their basic needs.

16           The legislature further finds that according to the  
17 National Conference of State Legislatures, twelve other



1 jurisdictions have enacted a state child tax credit. State laws  
2 vary regarding refundability and how child tax credits are  
3 calculated. The two primary approaches are either establishing  
4 a fixed limit or a percentage of the federal child tax credit.  
5 The fixed limit for state child tax credits ranges from \$75 to  
6 \$1,000 per child. The percentage for state child tax credits  
7 range from five per cent to thirty-three per cent of the federal  
8 child tax credit.

9 The purpose of this Act is to establish a refundable child  
10 tax credit for Hawaii's working families.

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

14 "§235- Refundable child tax credit. (a) Each  
15 qualifying individual taxpayer with an adjusted gross income of  
16 \$60,000 or less may claim a refundable child tax credit. The  
17 tax credit shall be \$1,000 per year for each child dependent  
18 aged five years or less and \$500 for each child dependent aged  
19 six years but less than eighteen years.



1        (b) The refundable child tax credit awarded under this  
2 section shall be equally distributed to a qualifying individual  
3 taxpayer over twelve consecutive months.

4        (c) The credit allowed under this section shall be claimed  
5 against the net income tax liability for the taxable year. If  
6 the tax credit under this section exceeds the taxpayer's net  
7 income tax liability, the excess of the tax credit over  
8 liability shall be refunded to the taxpayer; provided that no  
9 refunds or payment on account of the tax credit allowed by this  
10 section shall be made for amounts less than \$1.

11       (d) All claims, including amended claims, for a tax credit  
12 under this section shall be filed on or before the end of the  
13 twelfth month following the close of the taxable year for which  
14 the credit may be claimed. Failure to comply with the foregoing  
15 provision shall constitute a waiver of the right to claim the  
16 credit.

17       (e) No credit shall be allowed under this section for any  
18 taxable year in the disallowance period. For purposes of this  
19 subsection, the disallowance period is:

20       (1) The period of ten taxable years after the most recent  
21       taxable year for which there was a final



1           administrative or judicial decision that the  
2           taxpayer's claim for credit under this section was due  
3           to fraud; or  
4       (2) The period of two taxable years after the most recent  
5           taxable year for which there was a final  
6           administrative or judicial decision disallowing the  
7           taxpayer's claim for credit for reasons other than  
8           fraud.  
9       (f) The director of taxation:  
10       (1) Shall prepare any forms necessary to claim a tax  
11           credit under this section;  
12       (2) May require proof of the claim for the tax credit;  
13       (3) Shall alert eligible taxpayers of the tax credit using  
14           appropriate and available means;  
15       (4) Shall submit an annual public report to the governor  
16           and legislature containing the:  
17           (A) Number of credits granted for the prior calendar  
18               year;  
19           (B) Total amount of the credits granted; and



1           (C) Average value of the credits granted to taxpayers  
2           whose adjusted gross income falls within various  
3           income ranges; and

4           (5) May adopt rules pursuant to chapter 91 to effectuate  
5           this section.

6           (g) For purposes of this section, "qualifying individual  
7 taxpayer" means a taxpayer who:

8           (1) Files a federal income tax return for the taxable year  
9           claiming the child tax credit under section 24 of the  
10           Internal Revenue Code; and

11           (2) Files a Hawaii income tax return using the same filing  
12           status used on the taxpayer's federal income tax  
13           return for the taxable year and claiming the same  
14           dependents claimed on the federal income tax return  
15           for the taxable year.

16           (h) This section shall apply to taxable years beginning  
17 after December 31, 2023."

18           SECTION 3. New statutory material is underscored.

19           SECTION 4. This Act, upon its approval, shall apply to  
20 taxable years beginning after December 31, 2023.

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S.B. NO. 357

INTRODUCED BY:

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# S.B. NO. 357

**Report Title:**

Taxation; State Child Tax Credit; DOTAX

**Description:**

Establishes a refundable state child tax credit payable on a monthly basis.

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

2023-0235 SB HMSO

