

STAND. COM. REP. NO.

1939

Honolulu, Hawaii

APR 04 , 2025

RE: S.B. No. 1466

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Finance, to which was referred S.B. No. 1466 entitled:

"A BILL FOR AN ACT RELATING TO THE EARNED INCOME TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Clarify that nonresidents who claim the refundable earned income tax credit are required to adjust the amount claimed using the ratio of their Hawaii adjusted gross income to federal adjusted gross income; and
- (2) Eliminate the unlimited carryforward on nonrefundable earned income tax credits for tax year 2022.

Your Committee received testimony in support of this measure from the Department of Taxation. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

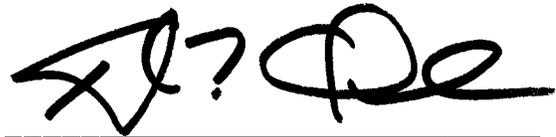
Your Committee finds that Act 114, Session Laws of Hawaii 2022 (Act 114), established a refundable earned income tax credit beginning with tax year 2023 and imposes a deadline for carryforwards of the nonrefundable earned income tax credit. Specifically, Act 114 provides that claims for the nonrefundable earned income tax credit for tax years 2018 through 2021 cannot be carried forward after tax year 2024. However, the carryforward



for tax year 2022 appears to have been inadvertently omitted. Accordingly, under existing law, a taxpayer who claimed the nonrefundable earned income tax credit for tax year 2022 may carry forward any unused credit indefinitely until exhausted. This measure seeks to close this potential loophole by imposing a deadline on unclaimed nonrefundable earned income tax credits for tax year 2022.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1466 and recommends that it pass Second Reading and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



KYLE T. YAMASHITA, Chair



