1

#### A BILL FOR AN ACT

RELATING TO TAXATION.

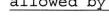
#### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1	SECTION 1. The purpose of this Act is to establish a
2	refundable state earned income tax credit to encourage
3	individual residents of Hawaii to work and also to
4	counterbalance state and local taxes. The refundable state
5	earned income tax credit is equal to twenty per cent of the
6	federal earned income tax credit.
7	SECTION 2. Chapter 235, Hawaii Revised Statutes, is
8	amended by adding a new section to be appropriately designated
9	and to read as follows:
9 10	and to read as follows: "§235- Earned income tax credit. (a) Each resident
10	"§235- Earned income tax credit. (a) Each resident
10 11	" <u>§235- Earned income tax credit.</u> (a) Each resident individual taxpayer who files an individual income tax return
10 11 12	" <u>§235-</u> <u>Earned income tax credit.</u> (a) Each resident individual taxpayer who files an individual income tax return for a taxable year and who is not claimed, or is not otherwise
10 11 12 13	" <u>§235-</u> <u>Earned income tax credit.</u> (a) Each resident individual taxpayer who files an individual income tax return for a taxable year and who is not claimed, or is not otherwise eligible to be claimed, for income tax purposes as a dependent



2

1	taxable year, on the resident individual's federal income tax			
2	return under section 32 of the Internal Revenue Code.			
3	(b) In the case of a part-year resident, the tax credit			
4	shall equal the amount of the tax credit calculated in			
5	subsection (a) multiplied by the ratio of adjusted gross income			
6	attributed to this State to the entire adjusted gross income			
7	computed without regard to source in the State pursuant to			
8	section 235-5.			
9	(c) For purposes of claiming the tax credit allowed by			
10	this section, a resident individual taxpayer shall use the same			
11	filing status (i.e., "married filing jointly", "head of			
12	household", "qualifying widow(er)", or "single") on the			
13	individual taxpayer's Hawaii income tax return as the taxpayer			
14	used on the taxpayer's federal income tax return for the taxable			
15	year. In the case of a husband and wife filing separately, the			
16	tax credit allowed may be applied against the tax of either, or			
17	divided between them, as they elect.			
18	(d) If the tax credit under this section exceeds the			
19	individual taxpayer's income tax liability, the excess of tax			
20	credit over liability shall be refunded to the taxpayer;			
21	provided that no refund or payment on account of the tax credit			
22	allowed by this section shall be made for amounts less than \$1.			



2008-0692 HB SMA.doc

Page 2

3

1	All	claims including any amended claims for a tax credit
2	under thi	s section shall be filed on or before the end of the
3		onth following the close of the taxable year for which
4		redit may be claimed; provided that failure to comply
5		estitute a waiver of the right to claim the tax credit.
6	<u>(e)</u>	The director of taxation:
7	(1)	Shall prepare the forms as may be necessary to claim a
8		tax credit under this section;
9	(2)	May require proof of the claim for the tax credit;
10	(3)	Shall alert eligible taxpayers of the tax credit using
11		appropriate and available data;
12	(4)	Shall prepare an annual report containing:
13		(A) The number of credits granted for the prior
14		calendar year;
15		(B) The total amount of the credits granted; and
16		(C) The average value of the credits granted to
17		taxpayers whose earned income falls within
18		various income ranges; and
19	(5)	May adopt rules pursuant to chapter 91 to effectuate
20		this section."
21	SECT	ION 3. New statutory material is underscored.



SECTION 4. This Act shall take effect upon its approval
and shall apply to taxable years beginning after December 31,
2007.

4

INTRODUCED BY:

Muilel

JAN 1 6 2008





Report Title: Taxation; Earned Income Tax Credit

**Description:** Creates a refundable state earned income tax credit for individual taxpayers' which is equal to 20% of the federal earned income tax credit.

