H.B. NO. 187

1

A BILL FOR AN ACT

RELATING TO EARNED INCOME TAX CREDIT.

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

| 1 | SECTION 1. Chapter 235, Hawaii Revised Statutes, is amended |
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| 2 | by adding a new section to be appropriately designated and to |
| 3 | read as follows: |
| 4 | " <u>§235- Earned income tax credit.</u> (a) Each resident |
| 5 | individual taxpayer who files an individual income tax return |
| 6 | for a taxable year, and who is not claimed or is not otherwise |
| 7 | eligible to be claimed as a dependent by another taxpayer for |
| 8 | income tax purposes, may claim a nonrefundable earned income tax |
| 9 | credit. The tax credit, for the appropriate taxable year, shall |
| 10 | be equal to twenty per cent of the earned income credit allowed |
| 11 | under Section 32 of the Internal Revenue Code and reported as |
| 12 | such on the resident individual's federal income tax return. |
| 13 | (b) In the case of a part-year resident, the tax credit |
| 14 | shall equal the amount of the tax credit calculated in |
| 15 | subsection (a) multiplied by the ratio of adjusted gross income |
| 16 | attributed to this State to the entire adjusted gross income |
| 17 | computed without regard to source in the State pursuant to |
| 18 | section 235-5. |



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| 1 | (c) For purposes of claiming the tax credit allowed by |
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| 2 | this section, a resident individual taxpayer shall use the same |
| 3 | filing status (i.e., "married filing jointly," "head of |
| 4 | household," "qualifying widow(er)," or "single") on the |
| 5 | taxpayer's Hawaii tax return as used on the taxpayer's federal |
| 6 | return for the taxable year. In the case of a husband and wife |
| 7 | filing separately, the credit allowed may be applied against the |
| 8 | tax of either, or divided between them, as they elect. |
| 9 | If the tax credit under this section exceeds the taxpayer's |
| 10 | income tax liability, the excess of tax credit over liability |
| 11 | may be used as a credit against the taxpayer's income tax |
| 12 | liability in subsequent years until exhausted. |
| 13 | All claims including any amended claims for a tax credit |
| 14 | under this section shall be filed on or before the end of the |
| 15 | twelfth month following the close of the taxable year for which |
| 16 | the tax credit may be claimed; provided that failure to comply |
| 17 | shall constitute a waiver of the right to claim the tax credit. |
| 18 | (d) The director of taxation: |
| 19 | (1) Shall prepare such forms as may be necessary to claim |
| 20 | a tax credit under this section; |
| 21 | (2) May require proof of the claim for the tax credit; |



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| 1 | (3) Shall alert eligible taxpayers of the tax credit using |
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| 2 | appropriate and available data; |
| 3 | (4) Shall prepare an annual report containing: |
| 4 | (A) The number of credits granted for the prior |
| 5 | calendar year; |
| 6 | (B) The total amount of the credits granted; and |
| 7 | (C) The average value of the credits granted to |
| 8 | taxpayers whose earned income falls within |
| 9 | various income ranges; |
| 10 | and |
| 11 | (5) May adopt rules pursuant to chapter 91 to effectuate |
| 12 | this section." |
| 13 | SECTION 2. New statutory material is underscored. |
| 14 | SECTION 3. This Act shall take effect upon its approval |
| 15 | and shall apply to taxable years beginning after December 31, |
| 16 | 2006. |
| 17 | |
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INTRODUCED BY: Alore Ann

JAN 2 2 2009

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Report Title: Earned Income Tax Credit

Description:

Provides a state earned income tax credit.

