A BILL FOR AN ACT

RELATING TO TAXATION.

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

1	PART I		
2	SECTION 1. Section 235-55.85, Hawaii Revised Statutes, is		
3	amended by amending subsection (b) to read as follows:		
4	"(b) Each resident individual taxpayer may claim a		
5	refundable food/excise tax credit multiplied by the number of		
6	qualified exemptions to which the taxpayer is entitled in		
7	accordance with the table below; provided that a husband and		
8	wife filing separate tax returns for a taxable year for which a		
9	joint return could have been filed by them shall claim only the		
10	tax credit to which they would have been entitled had a joint		
11	return been filed.		
12	Adjusted gross income Credit per exemption		
13	Under [\$5,000] \$ [\$85] \$96		
14	[\$5,000] \$ under [\$10,000] \$ [75] \$		
15	[\$10,000] \$ under [\$15,000] \$ [65] \$		
16	[\$15,000] \$ under [\$20,000] \$ [55] \$		
17	[\$20,000] \$ under [\$30,000] \$ [45] \$		
18	[\$30,000] \$ under [\$40,000] \$ [35] \$		

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1
         [\$40,000] $ under [\$50,000] $56,500
                                                           [<del>25</del>] $
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         [\$50,000] $56,500 and over
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                                 PART II
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         SECTION 2. Section 235-55.7, Hawaii Revised Statutes, is
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    amended by amending subsection (c) to read as follows:
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         "(c) Each taxpayer with an adjusted gross income of less
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    than [\$30,000] $59,700 who has paid more than $1,000 in rent
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    during the taxable year for which the credit is claimed may
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    claim a tax credit of [$50] $146 multiplied by the number of
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    qualified exemptions to which the taxpayer is entitled; provided
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    each taxpayer sixty-five years of age or over may claim double
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    the tax credit; and provided that a resident individual who has
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    no income or no income taxable under this chapter may also claim
    the tax credit as set forth in this section."
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                                 PART III
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         SECTION 3. Chapter 235, Hawaii Revised Statutes, is
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    amended by adding a new section to be appropriately designated
    and to read as follows:
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19
         "$235- Low-income tax credit. (a) There shall be
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    allowed to each taxpayer subject to the taxes imposed by this
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    chapter, a tax credit to reduce or eliminate the state income
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    tax liability for low-income taxpayers. After completing the
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- 1 income tax calculations required by this chapter, a taxpayer
- 2 with a federal adjusted gross income below the federal poverty
- 3 guidelines and with a state income tax liability shall receive a
- 4 credit that eliminates the taxpayer's state income tax
- 5 liability. A taxpayer with a federal adjusted gross income of
- 6 at least one hundred but not more than one hundred twenty-five
- 7 per cent of the federal poverty guidelines and with a state
- 8 income tax liability shall receive a credit that reduces the
- 9 taxpayer's state income tax liability by fifty per cent. A
- 10 taxpayer with a federal adjusted gross income above one hundred
- 11 twenty-five per cent of the federal poverty guidelines shall be
- 12 ineligible for the credit.
- (b) For purposes of this section:
- "Federal poverty guidelines" means the guidelines set forth
- 15 by the United States Department of Health and Human Services
- 16 each year for Hawaii.
- 17 (c) All claims for a tax credit under this section,
- 18 including amended claims, shall be filed on or before the end of
- 19 the twelfth month following the close of the taxable year for
- 20 which the tax credit may be claimed. Failure to comply with the
- 21 foregoing provision shall constitute a waiver of the right to
- 22 claim the tax credit.

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1	(d) The director of taxation shall prepare any forms that
2	may be necessary to claim a credit under this section. The
3	director may also require the taxpayer to furnish information to
4	ascertain the validity of the claim for the tax credit made
5	under this section and may adopt rules necessary to effectuate
6	the purposes of this section pursuant to chapter 91."
7	PART IV
8	SECTION 4. Chapter 235, Hawaii Revised Statutes, is
9	amended by adding a new section to be appropriately designated
10	and to read as follows:
11	" <u>\$235-</u> <u>Earned income tax credit.</u> (a) Each individual
12	taxpayer who:
13	(1) Files an individual income tax return for a taxable
14	year; and
15	(2) Is not claimed or is not eligible to be claimed as a
16	dependent by another taxpayer for income tax purposes,
17	may claim a refundable earned income tax credit. The tax
18	credit, for the appropriate taxable year, shall be per
19	cent of the federal earned income tax credit allowed under
20	section 32 of the Internal Revenue Code and reported as such on
21	the individual's federal income tax return. If the tax credit
22	claimed by a taxpayer exceeds the amount of income tax payment
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- 1 due from the taxpayer, the excess of credit over payment due
- 2 shall be refunded to the taxpayer; provided that a tax credit
- 3 properly claimed by an individual who has no income tax
- 4 liability shall be paid to the individual; and provided further
- 5 that no refund or payment on account of the tax credit allowed
- 6 by this section shall be made for an amount less than \$1.
- 7 (b) In the case of a part-year resident, the tax credit
- 8 shall equal the amount of the tax credit calculated in
- 9 subsection (a) multiplied by the ratio of adjusted gross income
- 10 attributed to this State to the entire adjusted gross income
- 11 computed without regard to source in the State pursuant to
- 12 section 235-5.
- 13 (c) To claim the tax credit allowed under this section, an
- 14 individual taxpayer shall use the same filing status on the
- 15 taxpayer's Hawaii income tax return as used on the taxpayer's
- 16 federal income tax return for the taxable year.
- 17 (d) Any claim, including any amended claim, for tax
- 18 credits under this section shall be filed on or before the end
- 19 of the twelfth month following the close of the taxable year for
- 20 which the tax credit may be claimed. Failure to comply with
- 21 this subsection shall constitute a waiver of the right to claim
- 22 the tax credit.

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1	(e)	No credit shall be allowed under this section for any
2	taxable y	rear in the disallowance period. For purposes of this
3	subsection	on, the disallowance period is:
4	(1)	The period of ten taxable years after the most recent
5		taxable year for which there was a final determination
6		that the taxpayer's claim of credit under this section
7		was due to fraud; and
8	(2)	The period of two taxable years after the most recent
9		taxable year for which there was a final determination
10		that the taxpayer's claim of credit under this section
11		was due to the reckless or intentional disregard of
12		rules and regulations to qualify for the tax credit,
13		but not due to fraud.
14	<u>(f)</u>	Any person who is a tax return preparer, as defined
15	under sec	tion 231-36.5(h), shall be subject to regulations
16	referred	to in section 231-36.5. Any tax return preparer who
17	fails to	comply with due diligence requirements under the
18	regulatio	ns with respect to determining eligibility for, or the
19	amount of	, the credit allowable by section 32 of the Internal
20	Revenue C	ode shall pay a penalty of \$100 for each failure.
21	(q)	The director of taxation:

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1	(1)	Shall prepare any forms necessary to claim a tax
2		credit under this section;
3	(2)	May require proof of the claim for the tax credit;
4	(3)	Shall alert eligible taxpayers of the tax credit using
5		appropriate and available means;
6	(4)	Shall prepare an annual public report to the
7	,	legislature and the governor containing the:
8		(A) Number of credits granted for the prior calendar
9		<pre>year;</pre>
10		(B) Total amount of the credits granted; and
11		(C) Average value of the credits granted to taxpayers
12		whose earned income falls within various income
13		ranges; and
14	<u>(5)</u>	May adopt rules pursuant to chapter 91 to effectuate
15		this section."
16		PART V
17	SECT	ION 5. Statutory material to be repealed is bracketed
18	and stric	ken. New statutory material is underscored.

- 1 SECTION 6. This Act, upon its approval, shall apply to
- 2 taxable years beginning after December 31, 2013.

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INTRODUCED BY:

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Report Title:

Refundable Food/Excise Tax Credit; Income Tax Credit for Low-Income Household Renters; Low-Income Tax Credit; Earned Income Tax Credit

Description:

(1) Increases the amount and threshold of the refundable food/excise tax credit. (2) Increases the amount and threshold of the income tax credit for low-income household renters. (3) Reduces the tax liability for low-income taxpayers by creating a tax credit that will eliminate a taxpayer's income tax liability if their federal adjusted gross income falls below federal poverty guidelines. Reduces a taxpayer's income tax liability by 50% if the taxpayer's federal adjusted gross income falls between 100-125% of federal poverty guidelines. (4) Establishes a state earned income tax credit.

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