#### THE SENATE TWENTY-SEVENTH LEGISLATURE, 2013 STATE OF HAWAII

S.B. NO. <sup>301</sup> S.D. 2 H.D. 1

# A BILL FOR AN ACT

RELATING TO ASSET BUILDING.

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

1 SECTION 1. The legislature finds that one-third of 2 Hawaii's middle class families are asset poor, lacking the 3 resources to subsist at the poverty level for three months in 4 the absence of a source of income. The legislature further 5 finds that assets are necessary to provide financial security 6 during economically difficult times, create economic 7 opportunities, and improve future generations' quality of life. 8 Senate Concurrent Resolution No. 92, S.D. 1 (2008), and 9 Senate Resolution No. 52, S.D. 1 (2008), established the Hawaii 10 state asset building and financial education task force, charged 11 with developing policy recommendations to implement various 12 asset building strategies in the State. In 2010, the task force 13 submitted its recommendations to the legislature. The 14 recommendations included implementing tax policies that make 15 work pay, improving financial education, helping people start 16 businesses, helping people become homeowners, and removing 17 barriers to asset building.



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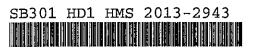
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1	The legislature further finds that financial education and
2	tax workshops are important to ensure that those most in need
3	will have the necessary skills to take advantage of tax policies
4	and begin building assets. The tools and strategies from
5	financial education and tax workshops will empower families by
6	helping them to control their financial situation and increase
7	their overall self-sufficiency and resiliency.
8	The purpose of this Act is to implement recommendations
9	submitted by the Hawaii state asset building and financial
10	education task force by enacting an earned income tax credit.
11	SECTION 2. Chapter 235, Hawaii Revised Statutes, is
12	amended by adding a new section to part III to be appropriately
13	designated and to read as follows:
14	" <u>§235-</u> Earned income tax credit. (a) Each resident
15	individual taxpayer who:
16	(1) Files an individual income tax return for a taxable
17	year; and
18	(2) Is not claimed or is not eligible to be claimed as a
19	dependent by another taxpayer for income tax purposes,
20	may claim an earned income tax credit. The tax credit, for the
21	
	appropriate taxable year, shall be equal to per cent of
22	appropriate taxable year, shall be equal to <u>per cent of</u> the federal earned income tax credit allowed under section 32 of

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1	the Internal Revenue Code, as amended, and reported as such on
2	the resident individual's federal income tax return. If the tax
3	credits claimed by a resident taxpayer exceed the amount of
4	income tax payment due from the resident taxpayer, it may be
5	used as a credit against the taxpayer's income tax liability in
6	subsequent years until exhausted.
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, a
14	resident individual taxpayer shall use the same filing status on
15	the taxpayer's Hawaii income tax return as used on the
16	taxpayer's federal income tax return for the taxable year.
17	(d) All claims including any amended claims 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	<u>(e)</u>	No credit shall be allowed under this section for any			
2	taxable y	ear in the disallowance period. For purposes of this			
3	subsection, the disallowance period is:				
4	<u>(1)</u>	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 reckless or intentional disregard of rules			
12		and regulations, but not due to fraud.			
13	<u>(f)</u>	Any person who is a tax return preparer, as defined			
14	under sec	tion 231-36.5(h), shall be subject to regulations in			
15	section 2	31-36.5. Any tax return preparer who fails to comply			
16	with due	diligence requirements under the regulations with			
17	<u>respect t</u>	o determining eligibility for, or the amount of, the			
18	<u>credit al</u>	lowable by section 32 of the Internal Revenue Code			
19	shall pay	a penalty of \$100 for each failure.			
20	<u>(g)</u>	The director of taxation:			
21	(1)	Shall prepare any forms necessary to claim a tax			
22		credit under this section;			



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1	(2)	May require proof of the claim for the tax credit;
2	<u>(3)</u>	Shall alert eligible taxpayers of the tax credit using
3		appropriate and available means;
4	(4)	Shall prepare an annual report to the legislature, the
5		governor, and the public containing the:
6		(A) Number of credits granted for the prior calendar
7		year;
8		(B) Total amount of the credits granted; and
9		(C) Average value of the credits granted to taxpayers
10		whose earned income falls within various income
11		ranges; and
12	<u>(5)</u>	May adopt rules pursuant to chapter 91 to effectuate
13		this section."
14	SECT	ION 3. New statutory material is underscored.
15	SECT	ION 4. This Act shall take effect on July 1, 2050, and
16	shall app	ly to taxable years beginning after December 31, 2014.



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Report Title: Earned Income Tax Credit; Asset Building

#### Description:

Establishes a state earned income tax credit. Effective July 1, 2050. (SB301 HD1)

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