

JAN 23 2015

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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§235-    Earned income tax credit.    (a) Each resident  
5 individual taxpayer who:

6           (1) Files an individual income tax return for a taxable  
7           year; and

8           (2) Is not claimed or is not eligible to be claimed as a  
9           dependent by another taxpayer for income tax purposes,

10 may claim a refundable earned income tax credit. The tax

11 credit, for the appropriate taxable year, shall be equal to ten

12 per cent of the federal earned income tax credit allowed under

13 section 32 of the Internal Revenue Code, as amended, and

14 reported as such on the individual's federal income tax return.

15 If the tax credits claimed by a resident individual exceed the

16 amount of income tax payment due from the resident individual,

17 the excess of credit over payment due shall be refunded to the



1 resident individual; provided that a tax credit properly claimed  
2 by a resident individual who has no income tax liability shall  
3 be paid to the resident individual; and provided further that no  
4 refund or payment on account of the tax credit allowed by this  
5 section shall be made for an amount less than \$1.

6 (b) For a non-resident individual taxpayer, the tax credit  
7 shall equal the amount of the tax credit calculated in  
8 subsection (a) multiplied by the ratio of adjusted gross income  
9 attributed to this State to the entire adjusted gross income  
10 computed without regard to source in the State pursuant to  
11 section 235-5.

12 (c) To claim the tax credit allowed under this section, an  
13 individual taxpayer shall use the same filing status on the  
14 taxpayer's Hawaii income tax return as used on the taxpayer's  
15 federal income tax return for the taxable year.

16 (d) Any claim, including any amended claim, for tax  
17 credits under this section shall be filed on or before the end  
18 of the twelfth month following the close of the taxable year for  
19 which the tax credit may be claimed. Failure to comply with  
20 this subsection shall constitute a waiver of the right to claim  
21 the tax credit.



1       (e) No credit shall be allowed under this section for any  
2 taxable year in the disallowance period. For purposes of this  
3 subsection, 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       (f) Any person who is a tax return preparer with respect  
15 to any return or claim for refund who fails to comply with due  
16 diligence requirements imposed by the Secretary of the United  
17 States Department of the Treasury by regulations with respect to  
18 determining eligibility for, or the amount of, the credit  
19 allowable by section 32 of the Internal Revenue Code shall pay a  
20 penalty of \$100 for each failure.

21       (g) The director of taxation:



- 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 report to the legislature, the
- 7        governor, and the public containing the:
- 8        (A) Number of credits granted for the prior calendar
- 9        year;
- 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       (5) May adopt rules pursuant to chapter 91 to effectuate
- 15       this section."

16       SECTION 2. New statutory material is underscored.

17       SECTION 3. This Act, upon its approval, shall apply to  
18 taxable years beginning after December 31, 2015.

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INTRODUCED BY: Will Evers  
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# S.B. NO. 556

**Report Title:**

Taxation; Earned Income Tax Credit

**Description:**

Establishes a refundable state earned income tax credit. Requires DOTAX to prepare an annual report on the tax credit's usage for the previous year. Applies to taxable years beginning after 12/31/2015.

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

