
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- Working families 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 working families 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 (title 26
14 U.S.C. §32), and reported as such on the individual's federal
15 income tax return. If the tax credits claimed by a resident
16 individual taxpayer exceed the amount of income tax payment due
17 from the resident individual taxpayer, the excess of credit over



1 payment due shall be refunded to the resident individual
2 taxpayer; provided that a tax credit properly claimed by a
3 resident individual taxpayer who has no income tax liability
4 shall be paid to the resident individual taxpayer; provided
5 further that no refund or payment on account of the tax credit
6 allowed by this section shall be made for an amount less than
7 \$1.

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

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

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



1 this subsection shall constitute a waiver of the right to claim
2 the tax credit.

3 (e) No credit shall be allowed under this section for any
4 taxable year in a disallowance period. For purposes of this
5 section, a disallowance period is a period after the most recent
6 taxable year for which there was a final determination that the
7 taxpayer's claim of credit was due to:

8 (1) Fraud, in which case the disallowance period shall be
9 ten years; or

10 (2) The reckless or intentional disregard of rules and
11 regulations to qualify for the tax credit, but not due
12 to fraud, in which case the disallowance period shall
13 be two years.

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, as amended
20 (title 26 U.S.C. §32), shall pay a penalty of \$100 for each
21 failure.



- 1 (g) The director of taxation:
- 2 (1) Shall prepare any forms necessary to claim a tax
- 3 credit under this section;
- 4 (2) May require proof of the claim for the tax credit;
- 5 (3) Shall alert eligible taxpayers of the tax credit using
- 6 appropriate and available means;
- 7 (4) No later than twenty days before the convening of each
- 8 regular session, shall submit to the legislature and
- 9 the governor and release to the public a report
- 10 containing the:
- 11 (A) Number of credits granted for the prior calendar
- 12 year;
- 13 (B) Total amount of the credits granted; and
- 14 (C) Average value of the credits granted to taxpayers
- 15 whose earned income falls within various income
- 16 ranges; and
- 17 (5) May adopt rules pursuant to chapter 91 to effectuate
- 18 this section."

19 SECTION 2. New statutory material is underscored.



1 SECTION 3. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2017.
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JAN 23 2017



H.B. NO. 933

Report Title:

Working Families Tax Credit

Description:

Establishes a working families tax credit. Requires the Department of Taxation to prepare an annual report on the tax credit's usage for the previous year.

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