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

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

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

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

11 may claim a refundable earned income tax credit. The tax
12 credit, for the appropriate taxable year, shall be per

13 cent of the federal earned income tax credit allowed under

14 section 32 of the Internal Revenue Code and reported as such on

15 the individual's federal income tax return. If the tax credit

16 claimed by a taxpayer exceeds the amount of income tax payment

17 due from the taxpayer, the excess of credit over payment due

18 shall be refunded to the taxpayer; provided that a tax credit



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

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

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

14 (d) Any claim, including any amended claim, for tax
15 credits under this section shall be filed on or before the end
16 of the twelfth month following the close of the taxable year for
17 which the tax credit may be claimed. Failure to comply with
18 this subsection shall constitute a waiver of the right to claim
19 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, as defined
15 under section 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 regulations with respect to determining eligibility for, or the
19 amount of, the credit allowable by section 32 of the Internal
20 Revenue Code shall pay a 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 public report to the
- 7 legislature and the governor 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."

PART II

17 SECTION 2. Section 235-51, Hawaii Revised Statutes, is
18 amended by amending subsections (a), (b), and (c) to read as
19 follows:

20 "(a) There is hereby imposed on the taxable income of (1)
21 every taxpayer who files a joint return under section 235-93;



1 and (2) every surviving spouse a tax determined in accordance
2 with the following table:

3 In the case of any taxable year beginning after
4 December 31, 2001:

5	If the taxable income is:	The tax shall be:
6	Not over \$4,000	1.40% of taxable income
7	Over \$4,000 but	\$56.00 plus 3.20% of
8	not over \$8,000	excess over \$4,000
9	Over \$8,000 but	\$184.00 plus 5.50% of
10	not over \$16,000	excess over \$8,000
11	Over \$16,000 but	\$624.00 plus 6.40% of
12	not over \$24,000	excess over \$16,000
13	Over \$24,000 but	\$1,136.00 plus 6.80% of
14	not over \$32,000	excess over \$24,000
15	Over \$32,000 but	\$1,680.00 plus 7.20% of
16	not over \$40,000	excess over \$32,000
17	Over \$40,000 but	\$2,256.00 plus 7.60% of
18	not over \$60,000	excess over \$40,000
19	Over \$60,000 but	\$3,776.00 plus 7.90% of
20	not over \$80,000	excess over \$60,000
21	Over \$80,000	\$5,356.00 plus 8.25% of



1 excess over \$80,000.

2 In the case of any taxable year beginning after
3 December 31, 2006:

4	If the taxable income is:	The tax shall be:
5	Not over \$4,800	1.40% of taxable income
6	Over \$4,800 but	\$67.00 plus 3.20% of
7	not over \$9,600	excess over \$4,800
8	Over \$9,600 but	\$221.00 plus 5.50% of
9	not over \$19,200	excess over \$9,600
10	Over \$19,200 but	\$749.00 plus 6.40% of
11	not over \$28,800	excess over \$19,200
12	Over \$28,800 but	\$1,363.00 plus 6.80% of
13	not over \$38,400	excess over \$28,800
14	Over \$38,400 but	\$2,016.00 plus 7.20% of
15	not over \$48,000	excess over \$38,400
16	Over \$48,000 but	\$2,707.00 plus 7.60% of
17	not over \$72,000	excess over \$48,000
18	Over \$72,000 but	\$4,531.00 plus 7.90% of
19	not over \$96,000	excess over \$72,000
20	Over \$96,000	\$6,427.00 plus 8.25% of
21		excess over \$96,000.



1 In the case of any taxable year beginning after

2 December 31, 2016:

3	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
4	<u>Not over \$6,600</u>	<u>0% of taxable income</u>
5	<u>Over \$6,600 but</u>	<u>\$0.00 plus 3.20% of</u>
6	<u>not over \$9,600</u>	<u>excess over \$6,600</u>
7	<u>Over \$9,600 but</u>	<u>\$221.00 plus 5.50% of</u>
8	<u>not over \$19,200</u>	<u>excess over \$9,600</u>
9	<u>Over \$19,200 but</u>	<u>\$749.00 plus 6.40% of</u>
10	<u>not over \$28,800</u>	<u>excess over \$19,200</u>
11	<u>Over \$28,800 but</u>	<u>\$1,363.00 plus 6.80% of</u>
12	<u>not over \$38,400</u>	<u>excess over \$28,800</u>
13	<u>Over \$38,400 but</u>	<u>\$2,016.00 plus 7.20% of</u>
14	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
15	<u>Over \$48,000 but</u>	<u>\$2,707.00 plus 7.60% of</u>
16	<u>not over \$72,000</u>	<u>excess over \$48,000</u>
17	<u>Over \$72,000 but</u>	<u>\$4,531.00 plus 7.90% of</u>
18	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
19	<u>Over \$96,000 but</u>	<u>\$6,427.00 plus 8.25% of</u>
20	<u>not over \$300,000</u>	<u>excess over \$96,000</u>
21	<u>Over \$300,000 but</u>	<u>\$23,257.00 plus 9.00% of</u>



1	<u>not over \$350,000</u>	<u>excess over \$300,000</u>
2	<u>Over \$350,000 but</u>	<u>\$27,757.00 plus 10.00% of</u>
3	<u>not over \$400,000</u>	<u>excess over \$350,000</u>
4	<u>Over \$400,000</u>	<u>\$32,757.00 plus 11.00% of</u>
5		<u>excess over \$400,000.</u>

6 (b) There is hereby imposed on the taxable income of every
7 head of a household a tax determined in accordance with the
8 following table:

9 In the case of any taxable year beginning after
10 December 31, 2001:

11	If the taxable income is:	The tax shall be:
12	Not over \$3,000	1.40% of taxable income
13	Over \$3,000 but	\$42.00 plus 3.20% of
14	not over \$6,000	excess over \$3,000
15	Over \$6,000 but	\$138.00 plus 5.50% of
16	not over \$12,000	excess over \$6,000
17	Over \$12,000 but	\$468.00 plus 6.40% of
18	not over \$18,000	excess over \$12,000
19	Over \$18,000 but	\$852.00 plus 6.80% of
20	not over \$24,000	excess over \$18,000
21	Over \$24,000 but	\$1,260.00 plus 7.20% of



1	not over \$30,000	excess over \$24,000
2	Over \$30,000 but	\$1,692.00 plus 7.60% of
3	not over \$45,000	excess over \$30,000
4	Over \$45,000 but	\$2,832.00 plus 7.90% of
5	not over \$60,000	excess over \$45,000
6	Over \$60,000	\$4,017.00 plus 8.25% of
7		excess over \$60,000.

8 In the case of any taxable year beginning after
9 December 31, 2006:

10	If the taxable income is:	The tax shall be:
11	Not over \$3,600	1.40% of taxable income
12	Over \$3,600 but	\$50.00 plus 3.20% of
13	not over \$7,200	excess over \$3,600
14	Over \$7,200 but	\$166.00 plus 5.50% of
15	not over \$14,400	excess over \$7,200
16	Over \$14,400 but	\$562.00 plus 6.40% of
17	not over \$21,600	excess over \$14,400
18	Over \$21,600 but	\$1,022.00 plus 6.80% of
19	not over \$28,800	excess over \$21,600
20	Over \$28,800 but	\$1,512.00 plus 7.20% of
21	not over \$36,000	excess over \$28,800



1	Over \$36,000 but	\$2,030.00 plus 7.60% of
2	not over \$54,000	excess over \$36,000
3	Over \$54,000 but	\$3,398.00 plus 7.90% of
4	not over \$72,000	excess over \$54,000
5	Over \$72,000	\$4,820.00 plus 8.25% of
6		excess over \$72,000.

7 In the case of any taxable year beginning after
8 December 31, 2016:

9	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
10	<u>Not over \$4,800</u>	<u>0% of taxable income</u>
11	<u>Over \$4,800 but</u>	<u>\$0.00 plus 3.20% of</u>
12	<u>not over \$7,200</u>	<u>excess over \$4,800</u>
13	<u>Over \$7,200 but</u>	<u>\$166.00 plus 5.50% of</u>
14	<u>not over \$14,400</u>	<u>excess over \$7,200</u>
15	<u>Over \$14,400 but</u>	<u>\$562.00 plus 6.40% of</u>
16	<u>not over \$21,600</u>	<u>excess over \$14,400</u>
17	<u>Over \$21,600 but</u>	<u>\$1,022.00 plus 6.80% of</u>
18	<u>not over \$28,800</u>	<u>excess over \$21,600</u>
19	<u>Over \$28,800 but</u>	<u>\$1,512.00 plus 7.20% of</u>
20	<u>not over \$36,000</u>	<u>excess over \$28,800</u>
21	<u>Over \$36,000 but</u>	<u>\$2,030.00 plus 7.60% of</u>



1	<u>not over \$54,000</u>	<u>excess over \$36,000</u>
2	<u>Over \$54,000 but</u>	<u>\$3,398.00 plus 7.90% of</u>
3	<u>not over \$72,000</u>	<u>excess over \$54,000</u>
4	<u>Over \$72,000 but</u>	<u>\$4,820.00 plus 8.25% of</u>
5	<u>not over \$225,000</u>	<u>excess over \$72,000</u>
6	<u>Over \$225,000 but</u>	<u>\$17,443.00 plus 9.00% of</u>
7	<u>not over \$262,500</u>	<u>excess over \$225,000</u>
8	<u>Over \$262,500 but</u>	<u>\$20,818.00 plus 10.00% of</u>
9	<u>not over \$300,000</u>	<u>excess over \$262,500</u>
10	<u>Over \$300,000</u>	<u>\$24,568.00 plus 11.00% of</u>
11		<u>excess over \$300,000.</u>

12 (c) There is hereby imposed on the taxable income of (1)
13 every unmarried individual (other than a surviving spouse, or
14 the head of a household) and (2) on the taxable income of every
15 married individual who does not make a single return jointly
16 with the individual's spouse under section 235-93 a tax
17 determined in accordance with the following table:

18 In the case of any taxable year beginning after
19 December 31, 2001:

20	If the taxable income is:	The tax shall be:
21	Not over \$2,000	1.40% of taxable income



1	Over \$2,000 but	\$28.00 plus 3.20% of
2	not over \$4,000	excess over \$2,000
3	Over \$4,000 but	\$92.00 plus 5.50% of
4	not over \$8,000	excess over \$4,000
5	Over \$8,000 but	\$312.00 plus 6.40% of
6	not over \$12,000	excess over \$8,000
7	Over \$12,000 but	\$568.00 plus 6.80% of
8	not over \$16,000	excess over \$12,000
9	Over \$16,000 but	\$840.00 plus 7.20% of
10	not over \$20,000	excess over \$16,000
11	Over \$20,000 but	\$1,128.00 plus 7.60% of
12	not over \$30,000	excess over \$20,000
13	Over \$30,000 but	\$1,888.00 plus 7.90% of
14	not over \$40,000	excess over \$30,000
15	Over \$40,000	\$2,678.00 plus 8.25% of
16		excess over \$40,000.

17 In the case of any taxable year beginning after

18 December 31, 2006:

19	If the taxable income is:	The tax shall be:
20	Not over \$2,400	1.40% of taxable income
21	Over \$2,400 but	\$34.00 plus 3.20% of



1	not over \$4,800	excess over \$2,400
2	Over \$4,800 but	\$110.00 plus 5.50% of
3	not over \$9,600	excess over \$4,800
4	Over \$9,600 but	\$374.00 plus 6.40% of
5	not over \$14,400	excess over \$9,600
6	Over \$14,400 but	\$682.00 plus 6.80% of
7	not over \$19,200	excess over \$14,400
8	Over \$19,200 but	\$1,008.00 plus 7.20% of
9	not over \$24,000	excess over \$19,200
10	Over \$24,000 but	\$1,354.00 plus 7.60% of
11	not over \$36,000	excess over \$24,000
12	Over \$36,000 but	\$2,266.00 plus 7.90% of
13	not over \$48,000	excess over \$36,000
14	Over \$48,000	\$3,214.00 plus 8.25% of
15		excess over \$48,000.

16 In the case of any taxable year beginning after

17 December 31, 2016:

18	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
19	<u>Not over \$3,300</u>	<u>0% of taxable income</u>
20	<u>Over \$3,300 but</u>	<u>\$0.00 plus 3.20% of</u>
21	<u>not over \$4,800</u>	<u>excess over \$3,300</u>



1	<u>Over \$4,800 but</u>	<u>\$110.00 plus 5.50% of</u>
2	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
3	<u>Over \$9,600 but</u>	<u>\$374.00 plus 6.40% of</u>
4	<u>not over \$14,400</u>	<u>excess over \$9,600</u>
5	<u>Over \$14,400 but</u>	<u>\$682.00 plus 6.80% of</u>
6	<u>not over \$19,200</u>	<u>excess over \$14,400</u>
7	<u>Over \$19,200 but</u>	<u>\$1,008.00 plus 7.20% of</u>
8	<u>not over \$24,000</u>	<u>excess over \$19,200</u>
9	<u>Over \$24,000 but</u>	<u>\$1,354.00 plus 7.60% of</u>
10	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
11	<u>Over \$36,000 but</u>	<u>\$2,266.00 plus 7.90% of</u>
12	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
13	<u>Over \$48,000 but</u>	<u>\$3,214.00 plus 8.25% of</u>
14	<u>not over \$150,000</u>	<u>excess over \$48,000</u>
15	<u>Over \$150,000 but</u>	<u>\$11,629.00 plus 9.00% of</u>
16	<u>not over \$175,000</u>	<u>excess over \$150,000</u>
17	<u>Over \$175,000 but</u>	<u>\$13,879.00 plus 10.00% of</u>
18	<u>not over \$200,000</u>	<u>excess over \$175,000</u>
19	<u>Over \$200,000</u>	<u>\$16,379.00 plus 11.00% of</u>
20		<u>excess over \$200,000."</u>

21 PART III



1 SECTION 3. Act 223, Session Laws of Hawaii 2015, is
2 amended by amending section 4 to read as follows:

3 "SECTION 4. This Act, upon its approval, shall apply to
4 taxable years beginning after December 31, 2015 [~~; provided that~~
5 ~~this Act shall be repealed on December 31, 2017, and section~~
6 ~~235-55.85, Hawaii Revised Statutes, shall be reenacted in the~~
7 ~~form in which it read on the day prior to the effective date of~~
8 ~~this Act]."~~

9 PART IV

10 SECTION 4. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$250,000 or so much
12 thereof as may be necessary for fiscal year 2017-2018 and the
13 same sum or so much thereof as may be necessary for fiscal year
14 2018-2019 for the purchase of services for organizations that
15 operate outreach programs to provide tax preparation assistance
16 and assistance in claiming the earned income tax credit, but do
17 not receive Volunteer Income Tax Assistance grants, so as to
18 maximize outreach into the community and to reduce preparation
19 error.

20 The sums appropriated shall be expended by the department
21 of taxation for the purposes of this Act.



1 PART V

2 SECTION 5. Statutory material to be repealed is bracketed
3 and stricken. New statutory material is underscored.

4 SECTION 6. This Act shall take effect on August 30, 2050;
5 provided that:

- 6 (1) Parts I and II shall apply to taxable years beginning
7 after December 31, 2049; and
8 (2) Part IV shall take effect on July 1, 2050.



Report Title:

Earned Income Tax Credit; Income Tax Rates; Refundable Food/Excise Tax Credit; Appropriations

Description:

Establishes a state earned income tax credit. Changes income tax rates after 12/31/16. Repeals the sunset date for amendments made to the refundable food/excise tax credit by Act 223, SLH 2015. Appropriates funds to DOTAX for certain tax preparation assistance outreach programs. Effective 8/30/2050. Applies to taxable years beginning after 12/31/2049. Appropriation effective 7/1/2050. (SD1)

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

