
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that the federal earned
2 income tax credit (EITC) is one of the most successful anti-
3 poverty programs that provides tax relief and refunds to low-
4 income and working class families. According to the National
5 Partnership for Women and Families, over ten thousand families
6 in the state have incomes that fall below the poverty level.
7 Since it is targeted especially at workers with children, a
8 state EITC could keep about eighteen thousand children in Hawaii
9 out of poverty each year. It is particularly important to
10 women, who typically earn less than men and are more likely to
11 bear the expenses of raising children on their own. Research
12 shows that the federal EITC increases employment rates and wages
13 of single mothers, thereby helping to narrow the gender income
14 gap, increasing lifetime earnings, and reducing their reliance
15 on government benefits. Studies even suggest that it may
16 improve the health of mothers and their children. So far,
17 twenty-six states and the District of Columbia have built on



1 this success and created state working family tax credits. It
2 is estimated that a similar credit in Hawaii would cost the
3 State approximately \$24,000,000 per year.

4 The purpose of this Act is to create a tax credit, set at
5 ten per cent of the federal EITC, which would help over ten
6 thousand families in the State.

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

10 "§235- Hawaii working family tax credit. (a) Each
11 resident individual taxpayer who:

12 (1) Files an individual income tax return for a taxable
13 year; and

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

16 may claim a refundable Hawaii working family tax credit. The
17 tax credit, for the appropriate taxable year, shall be equal to
18 ten per cent of the federal earned income tax credit allowed
19 under section 32 of the Internal Revenue Code of 1986, as
20 amended, and reported as such on the individual's federal income
21 tax return. If the tax credits claimed by a resident individual



1 exceed the amount of income tax payment due from the resident
2 individual, the excess of credit over payment due shall be
3 refunded to the resident individual; provided that a tax credit
4 properly claimed by a resident individual who has no income tax
5 liability shall be paid to the resident individual; provided
6 further that no refund or payment on account of the tax credit
7 allowed by this section shall be made for an amount less than
8 \$1.

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

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

19 (d) Any claim, including any amended claim, for tax
20 credits under this section shall be filed on or before the end
21 of the twelfth month following the close of the taxable year for



1 which the tax credit may be claimed. Failure to comply with
2 this subsection shall constitute a waiver of the right to claim
3 the tax credit.

4 (e) No credit shall be allowed under this section for any
5 taxable year in the disallowance period. For purposes of this
6 subsection, the disallowance period is:

7 (1) The period of ten taxable years after the most recent
8 taxable year for which there was a final determination
9 that the taxpayer's claim of credit under this section
10 was due to fraud; and

11 (2) The period of two taxable years after the most recent
12 taxable year for which there was a final determination
13 that the taxpayer's claim of credit under this section
14 was due to the reckless or intentional disregard of
15 rules and regulations to qualify for the tax credit,
16 but not due to fraud.

17 (f) Any person who is a tax return preparer with respect
18 to any return or claim for refund who fails to comply with due
19 diligence requirements imposed by the Secretary of the United
20 States Department of the Treasury by regulations with respect to
21 determining eligibility for, or the amount of, the credit



1 allowable by section 32 of the Internal Revenue Code of 1986, as
2 amended, shall pay a penalty of \$100 for each failure.

3 (g) The director of taxation:

4 (1) Shall prepare any forms necessary to claim a tax
5 credit under this section;

6 (2) May require proof of the claim for the tax credit;

7 (3) Shall notify eligible taxpayers of the tax credit
8 using appropriate and available means;

9 (4) Shall prepare an annual report to the legislature, the
10 governor, and the public 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 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2030, and
2 shall apply to taxable years beginning after December 31, 2016.



Report Title:

Tax Credit; Earned Income

Description:

Creates the Hawaii Working Family Tax Credit, a refundable credit capped at 10 percent of the federal earned income tax credit. (HB670 HD1)

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

