HOUSE OF REPRESENTATIVES THIRTIETH LEGISLATURE, 2020 STATE OF HAWAII H.B. NO. 254

#### A BILL FOR AN ACT

RELATING TO HELPING WORKING FAMILIES.

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

1	PART I
2	SECTION 1. Section 235-55.75, Hawaii Revised Statutes, is
3	amended to read as follows:
4	"[ <del>[</del> ]§235-55.75[ <del>] Earned</del> ] <u>Refundable earned</u> income tax
5	credit. (a) Each qualifying individual taxpayer may claim a
6	[nonrefundable] refundable earned income tax credit. The tax
7	credit, for the appropriate taxable year, shall be twenty per
8	cent of the federal earned income tax credit allowed and
9	properly claimed under section 32 of the Internal Revenue Code
10	and reported as such on the individual's federal income tax
11	return.
12	(b) For a part-year resident, the tax credit shall equal
13	the amount of the tax credit calculated in subsection (a)
14	multiplied by the ratio of Hawaii adjusted gross income to

15 federal adjusted gross income.

16 (c) For purposes of this section, "qualifying individual 17 taxpayer" means a taxpayer that:



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1	(1)	Files a federal income tax return for the taxable year	
2		claiming the earned income tax credit under section 32	
3		of the Internal Revenue Code; and	
4	(2)	Files a Hawaii income tax return using the filing	
5		status used on the federal income tax return for the	
6		taxable year and claiming the same dependents claimed	
7		on the federal income tax return for the taxable year.	
8	(d)	The credit allowed under this section shall be claimed	
9	against t	he net income tax liability for the taxable year. [ <del>If</del>	
10	the tax-credit-under-this-section exceeds-the taxpayer's-income		
11	tax liability, the excess of the tax credit over liability may		
12	<del>be-used-a</del>	s-a-credit-against the taxpayer's net income tax	
13	liability	in subsequent years until exhausted.] If the tax	
14	<u>credit cl</u>	aimed by the taxpayer under this section exceeds the	
15	amount of	the income tax payments due from the taxpayer, the	
16	excess of	credit over payments due shall be refunded to the	
17	taxpayer;	provided that the tax credit properly claimed by a	
18	taxpayer	who has no income tax liability shall be paid to the	
19	taxpayer;	and provided that no refunds or payments on account of	
20	the tax c	redit allowed by this section shall be made for amounts	
21	less than	\$1. All claims, including amended claims, for a tax	

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credit under this section shall be filed on or before the end of
 the twelfth month following the close of the taxable year for
 which the credit may be claimed. Failure to comply with the
 foregoing provision shall constitute a waiver of the right to
 claim the credit.

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

9 (1) The period of ten taxable years after the most recent
10 taxable year for which there was a final

11 administrative or judicial decision that the

- 12 taxpayer's claim for credit under this section was due 13 to fraud; and
- 14 (2) The period of two taxable years after the most recent15 taxable year for which there was a final
- 16 administrative or judicial decision disallowing the17 taxpayer's claim for credit.

18 (f) The director of taxation:

- 19 (1) Shall prepare any forms necessary to claim a tax20 credit under this section;
- 21 (2) May require proof of the claim for the tax credit;



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1	(3)	Shall alert eligible taxpayers of the tax credit using
2		appropriate and available means;
3	(4)	Shall prepare an annual public report to the
4		legislature and the governor containing the:
5		(A) Number of credits granted for the prior calendar
6		year;
7		(B) Total amount of the credits granted; and
8		(C) Average value of the credits granted to taxpayers
9		whose earned income falls within various income
10		ranges; and
11	(5)	May adopt rules pursuant to chapter 91 to effectuate
12		this section.
13	[ <del>(g)</del>	This section shall apply to taxable years beginning
14	<del>after-Dee</del>	ember 31, 2017, but shall not apply to taxable years
15	<del>beginning</del>	after-December-31, 2022.]"
16		PART II
17	SECT	ION 2. Section 235-55.85, Hawaii Revised Statutes, is
18	amended a	s follows:
19	1.	By amending subsection (b) to read:
20	"(b)	Each individual taxpayer with Hawaii earned income of
21	less than	<u>\$30,000</u> may claim a refundable food/excise tax credit

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1	of \$150 multiplied by the number of qualified exemptions to		
2	which the taxpayer is entitled [in accordance with the table		
3	below]; provided that a husband and wife filing separate tax		
4	returns for a taxable year for which a joint return could have		
5	been filed by them shall claim only the tax credit to which they		
6	would have been entitled had a joint return been filed.		
7			
8	[Adjusted_gross_income Credit_per_exemption		
9	for taxpayers filing		
10	<del>a single return</del>		
11	<del>Under \$5,000</del> <del>\$110</del>		
12	<del>\$5,000_under_\$10,000</del> <del>\$100</del>		
13	<del>\$10,000 under \$15,000</del> <del>\$ 85</del>		
14	\$15,000 under \$20,000 \$-70		
15	<del>\$20,000 under \$30,000</del> <del>\$-55</del>		
16	<del>\$30,000 and over</del> <del>\$-0.</del>		
17			
18	Adjusted gross income Credit per exemption		
19	for heads of household,		
20	married individuals filing		
21	separate-returns, and		



1	married couples filing			
2	joint returns			
3	<del>Under \$5,000</del> <del>\$110</del>			
4	<del>\$5,000 un</del>	<del>der \$10,000</del>	<del>\$100</del>	
5	<del>\$10,000 u</del>	<del>nder \$15,000</del>	<del>\$ 85</del>	
6	<del>\$15,000-u</del>	<del>nder-\$20,000</del>	<del>\$-70</del>	
7	<del>\$20,000 under \$30,000 \$-55</del>			
8	\$ <del>30,000 under \$40,000</del> \$45			
9	<del>\$40,000-u</del>	<del>nder \$50,000</del>	<del>\$ 35</del>	
10	<del>\$50,000 and over</del> <del>\$-0.</del> ]"			
11	2. By am	2. By amending subsection (g) to read:		
12	"(g) For	the purposes of this section	n[ <del>, "adjusted gross</del>	
13	income" means-	adjusted gross income as def	ined by the Internal	
14	Revenue Code.]	<u>:</u>		
15	<u>(1)</u> "Haw	aii earned income" means:		
16	<u>(A)</u>	Wages, salaries, tips, and	other employee	
17		compensation earned in the	State, but only if	
18		these amounts are includibl	e in gross income for	
19		the taxable year; and		
20	<u>(B)</u>	The amount of the taxpayer'	s net earnings from	
21		self-employment, earned in	the State, for the	



1			taxable year (within the meaning of section
2			1402(a) of the Internal Revenue Code); provided
3			that the net earnings shall be determined with
4			regard to the deduction allowed to the taxpayer
5			by section 164(f) of the Internal Revenue Code;
6			and
7	(2)	For	purposes of paragraph (1):
8		(A)	The Hawaii earned income of an individual shall
9			be computed without regard to any community
10			property laws;
11		<u>(B)</u>	No amount received as a pension or annuity shall
12			be taken into account;
13		<u>(C)</u>	No amount to which section 871(a) of the Internal
14			Revenue Code applies (relating to income of
15			nonresident alien individuals not connected with
16			United States business) shall be taken into
17			account;
18		<u>(D)</u>	No amount received for services provided by an
19			individual while the individual is an inmate at a
20			penal institution shall be taken into account;



1	<u>(E)</u>	No amount described in paragraph (1) received for
2		service performed in work activities as defined
3		in paragraph (4) or (7) of section 407(d) of the
4		Social Security Act to which the taxpayer is
5		assigned under any state program under part A of
6		title IV of the Social Security Act shall be
7		taken into account, but only to the extent the
8		amount is subsidized under the state program; and
9	<u>(F)</u>	A taxpayer may elect to treat amounts excluded
10		from gross income by reason of section 112 of the
11		Internal Revenue Code as Hawaii earned income."
12		PART III
13	SECTION 3	. Section 387-2, Hawaii Revised Statutes, is
14	amended by ame	nding subsection (a) to read as follows:
15	"(a) Exc	ept as provided in section 387-9 and this section,
16	every employer	shall pay to each employee employed by the
17	employer, wage	s at the rate of not less than:
18	(1) \$6.2	5 per hour beginning January 1, 2003;
19	(2) \$6.7	5 per hour beginning January 1, 2006;
20	(3) \$7.2	5 per hour beginning January 1, 2007;
21	(4) \$7.7	5 per hour beginning January 1, 2015;



1	(5)	\$8.50 per hour beginning January 1, 2016;	
2	(6)	\$9.25 per hour beginning January 1, 2017; [ <del>and</del> ]	
3	(7)	\$10.10 per hour beginning January 1, 2018[-];	
4	(8)	\$11.00 per hour beginning January 1, 2021;	
5	(9)	\$12.00 per hour beginning January 1, 2022;	
6	(10)	\$12.50 per hour beginning January 1, 2023; and	
7	(11)	\$13.00 per hour beginning January 1, 2024."	
8		PART IV	
9	SECTION 4. Statutory material to be repealed is bracketed		
10	and stric	ken. New statutory material is underscored.	
11	SECT	ION 5. This Act shall take effect upon its approval;	
12	provided	that parts I and II shall apply to taxable years	
13	beginning	after December 31, 2019.	
14			

INTRODUCED BY:

Bener. Brie Hickesterne

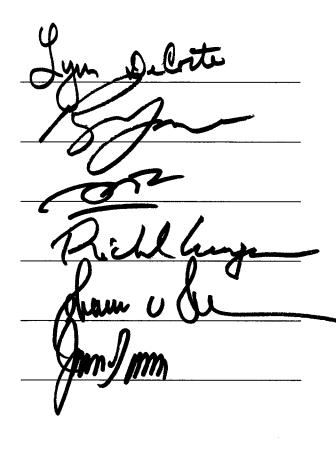
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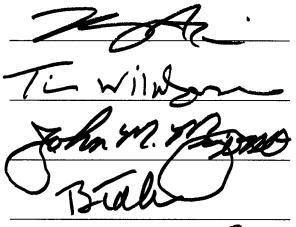


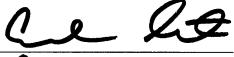


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Report Title:

Income Tax; Earned Income Tax Credit; Refundable Food/Excise Tax Credit; Minimum Wage

#### Description:

Makes the state earned income tax credit refundable and permanent. Increases and amends the refundable food/excise tax credit by basing the amount of the credit on a taxpayer's Hawaii earned income, rather than federal adjusted gross income. Increases minimum wage rate to \$11.00 per hour beginning on 1/1/2021, \$12.00 per hour beginning on 1/1/2022, \$12.50 per hour beginning on 1/1/2023, and \$13.00 per hour beginning on 1/1/2024.

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

