

JAN 17 2020

A BILL FOR AN ACT

RELATING TO THE EARNED INCOME TAX CREDIT.

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

1 SECTION 1. The legislature finds that Act 107, Session
2 Laws of Hawaii 2017, established a nonrefundable earned income
3 tax credit (EITC). However, the legislature notes that the
4 federal EITC is refundable, and that two-thirds of families in
5 Hawaii who are eligible for Hawaii's EITC are not benefitting
6 because the tax credit is nonrefundable. A refundable tax
7 credit means that a person's income tax can be reduced to zero,
8 and any unused credit is refunded. The EITC is designed as an
9 anti-poverty program to help low-income families, and making the
10 State's EITC refundable would assist a greater number of
11 families in need.

12 Accordingly, the purpose of this Act is to make Hawaii's
13 EITC refundable.

14 SECTION 2. Section 235-55.75, Hawaii Revised Statutes, is
15 amended to read as follows:

16 1. By amending subsection (a) to read:



1 "(a) Each qualifying individual taxpayer may claim a
2 ~~[nonrefundable]~~ refundable earned income tax credit. The tax
3 credit, for the appropriate taxable year, shall be twenty per
4 cent of the federal earned income tax credit allowed and
5 properly claimed under section 32 of the Internal Revenue Code
6 and reported as such on the individual's federal income tax
7 return."

8 2. By amending subsection (d) to read:

9 "(d) The credit allowed under this section shall be
10 claimed against the net income tax liability for the taxable
11 year. ~~[If the tax credit under this section exceeds the
12 taxpayer's income tax liability, the excess of the tax credit
13 over liability may be used as a credit against the taxpayer's
14 net income tax liability in subsequent years until exhausted.]~~
15 If the tax credits claimed by a taxpayer exceed the amount of
16 income tax payment due from the taxpayer, the excess of credits
17 over payments due shall be refunded to the taxpayer; provided
18 that tax credits properly claimed by an individual who has no
19 income tax liability shall be paid to the individual; provided
20 further that no refunds or payment on account of the tax credits
21 allowed by this section shall be made for amounts less than \$1.



1 All claims, including amended claims, for a tax credit under
 2 this section shall be filed on or before the end of the twelfth
 3 month following the close of the taxable year for which the
 4 credit may be claimed. Failure to comply with the foregoing
 5 provision shall constitute a waiver of the right to claim the
 6 credit."

7 SECTION 3. Statutory material to be repealed is bracketed
 8 and stricken. New statutory material is underscored.

9 SECTION 4. This Act shall, upon its approval, apply to
 10 taxable years beginning after December 31, 2019.

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S.B. NO. 2399

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S.B. NO. 2399

Report Title:

Earned Income Tax Credit; Refundable Tax Credit; Department of Taxation

Description:

Changes the earned income tax credit from a nonrefundable tax credit to a refundable tax credit.

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