

JAN 23 2020

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 "[+]§235-55.75[+]—~~Earned~~ Refundable earned 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 the net income tax liability for the taxable year. [~~If
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 be used as a credit against the taxpayer's net income tax
13 liability in subsequent years until exhausted.~~] If the tax
14 credit claimed 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 credit allowed by this section shall be made for amounts
21 less than \$1. All claims, including amended claims, for a tax



1 credit under this section shall be filed on or before the end of
2 the twelfth month following the close of the taxable year for
3 which the credit may be claimed. Failure to comply with the
4 foregoing provision shall constitute a waiver of the right to
5 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 recent
15 taxable year for which there was a final
16 administrative or judicial decision disallowing the
17 taxpayer's claim for credit.

18 (f) The director of taxation:

19 (1) Shall prepare any forms necessary to claim a tax
20 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 ~~[(g) This section shall apply to taxable years beginning~~
14 ~~after December 31, 2017, but shall not apply to taxable years~~
15 ~~beginning after December 31, 2022.]"~~

PART II

17 SECTION 2. Section 235-55.85, Hawaii Revised Statutes, is
18 amended as follows:

19 1. By amending subsection (b) to read:

20 "(b) Each individual taxpayer with Hawaii earned income of
21 less than \$30,000 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 9 10 | Credit per exemption |
|--|---------------------------------|
| [Adjusted gross income for taxpayers filing a single return | |
| 11 Under \$5,000 | \$110 |
| 12 \$5,000 under \$10,000 | \$100 |
| 13 \$10,000 under \$15,000 | \$ 85 |
| 14 \$15,000 under \$20,000 | \$ 70 |
| 15 \$20,000 under \$30,000 | \$ 55 |
| 16 \$30,000 and over | \$ 0. |

17

| 18 19 20 | Credit per exemption |
|---|---------------------------------|
| Adjusted gross income for heads of household, married individuals filing | |
| 21 separate returns, and | |



| | | |
|----|------------------------------------|---------------------|
| 1 | married couples filing | |
| 2 | joint returns | |
| 3 | Under \$5,000 | \$110 |
| 4 | \$5,000 under \$10,000 | \$100 |
| 5 | \$10,000 under \$15,000 | \$ 85 |
| 6 | \$15,000 under \$20,000 | \$ 70 |
| 7 | \$20,000 under \$30,000 | \$ 55 |
| 8 | \$30,000 under \$40,000 | \$ 45 |
| 9 | \$40,000 under \$50,000 | \$ 35 |
| 10 | \$50,000 and over | \$ 0.] " |

11 2. By amending subsection (g) to read:

12 "(g) For the purposes of this section[~~,"adjusted gross~~
13 ~~income" means adjusted gross income as defined by the Internal~~
14 ~~Revenue Code.]~~:"

15 (1) "Hawaii earned income" means:

16 (A) Wages, salaries, tips, and other employee
17 compensation earned in the State, but only if
18 these amounts are includible in gross income for
19 the taxable year; and

20 (B) 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 (B) No amount received as a pension or annuity shall
12 be taken into account;

13 (C) 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 (D) 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 (E) 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 (F) 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."

PART III

SECTION 3. Section 387-2, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Except as provided in section 387-9 and this section, every employer shall pay to each employee employed by the employer, wages at the rate of not less than:

- (1) \$6.25 per hour beginning January 1, 2003;
- (2) \$6.75 per hour beginning January 1, 2006;
- (3) \$7.25 per hour beginning January 1, 2007;
- (4) \$7.75 per hour beginning January 1, 2015;



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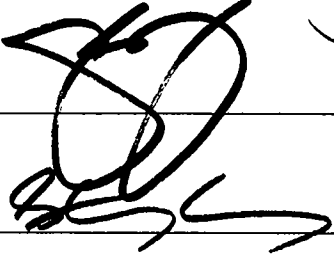
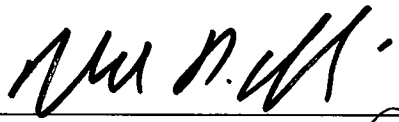
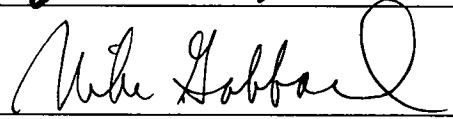

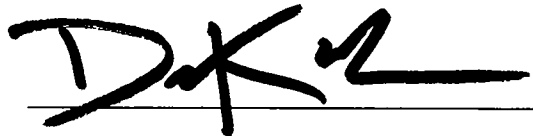
- 1 (5) \$8.50 per hour beginning January 1, 2016;
- 2 (6) \$9.25 per hour beginning January 1, 2017; [~~and~~]
- 3 (7) \$10.10 per hour beginning January 1, 2018[~~-~~];
- 4 (8) \$11.00 per hour beginning January 1, 2021;
- 5 (9) \$12.00 per hour beginning January 1, 2022;
- 6 (10) \$12.50 per hour beginning January 1, 2023; and
- 7 (11) \$13.00 per hour beginning January 1, 2024."

PART IV

9 SECTION 4. Statutory material to be repealed is bracketed
 10 and stricken. New statutory material is underscored.

11 SECTION 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.

INTRODUCED BY:

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Rose E. Bell

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Clarence A. McArthur

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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.

