

DAVID Y. IGE
GOVERNOR

JOSH GREEN, M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

DEPT. COMM. NO. 68

STATE OF HAWAII
DEPARTMENT OF TAXATION

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November 15, 2021

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Thirty First State Legislature
State Capitol, Room 409
Honolulu, HI 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Thirty First State Legislature
State Capitol, Room 431
Honolulu, HI 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting an electronic copy of the Report on the Earned Income Tax Credit for Tax Year 2020, as required by Section 235-55.75(f)(4), Hawaii Revised Statutes.

In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at https://tax.hawaii.gov/stats/a5_1annual/.

Sincerely,

A handwritten signature in blue ink, appearing to read "Isaac W. Choy".

Isaac W. Choy
Director of Taxation

Enclosure

Earned Income Tax Credit Report

Tax Year 2020

(January 1, 2020 – December 31, 2020)

Department of Taxation

State of Hawaii

November 2021

STATE OF HAWAII

David Y. Ige, Governor

DEPARTMENT OF TAXATION

Isaac W. Choy, Director

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1. INTRODUCTION

Act 107, Session Laws of Hawaii (SLH) 2017 created Section 235-55.75, Hawaii Revised Statutes (HRS) to establish a state nonrefundable earned income tax credit (EITC) equal to 20 percent of the federal EITC claimed on the qualifying taxpayer's federal income tax return for taxable years 2018 through 2022. Any unused credit in current tax year can be carried forward to future years until exhausted.

A qualifying individual taxpayer is a taxpayer that: (1) files a federal income tax return for the tax year and claims the earned income credit under IRC section 32, and (2) files a Hawaii income tax return (Form N-11 for residents, Form N-15 for nonresidents/part-year residents) for the tax year using the same filing status used on the federal income tax return, and claiming the same dependents claimed on the federal income tax return.

To claim this credit, taxpayers need to complete Form N-356 and Schedule CR and attach them to their return. For part-year residents, the tax credit is prorated by the ratio of Hawaii adjusted gross income (AGI) to total AGI.

Act 107, SLH 2017 requires the Department of Taxation (DOTAX) to prepare an annual public report to the legislature and the governor containing the following:

1. Number of credits granted for the prior calendar year;
2. Total amount of the credits granted; and
3. Average value of the credits granted to taxpayers whose earned income falls within various income ranges.

2. DATA SOURCE AND METHODOLOGY

The data are from individual income tax returns (Forms N-11 and N-15) in conjunction with Schedule CR, "Schedule of Tax Credits". The data include all tax returns that were filed for tax year 2020 and processed by October 20, 2021, the automatic extension deadline, with a query run on October 29, 2021, the last business day of October.

3. ANALYSES OF THE TAX CREDIT

This section describes the earned income tax credit for tax year 2020, including unused tax credits in 2019 carried forward and applied against tax liabilities in tax year 2020. It also compares the amount of the tax credit that was claimed in tax year 2020 to the two previous years. Due to Schedule CR form change for tax year 2020, it is now possible to provide total

credits carried over from 2019, tax credits newly claimed for 2020, and unused credits in 2020 to carryover to 2021.

3.1. Claims for the Earned Income Tax Credit by Income Range

In tax year 2020, 64,007 taxpayers claimed the state EITC, amounting to \$21.0 million, up from \$18.0 million in 2019 and \$15.3 million in 2018. Taxpayers with Federal AGI less than \$45,000 claimed 92.6% of the total credit or 92.0% of such returns. The highest average amount per claim (at \$484) is from taxpayers with a Federal AGI of \$55,000 or more. Most claims from taxpayers with higher Federal AGI are carryovers from previous years. The lowest average amount per claim (at \$83) is from taxpayers with a Federal AGI of less than \$15,000.

Table 1
Claims for the Earned Income Tax Credit by Income Range
Tax Year 2020

Federal Adjusted Gross Income Range	Total Credit Carried over from last Tax Year		Total New Credit Claimed for this Tax Year		Unused Credit to Carryover to next Tax Year		Total Credit Applied to this Tax Year		Average Amount per Claim
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
less than \$15,000	9,346	\$4,240,535	34,309	\$7,541,462	25,503	\$10,464,328	15,882	\$1,317,669	\$83
\$15,000 to \$29,999	8,193	\$6,288,948	22,196	\$14,752,228	14,172	\$12,033,687	21,575	\$9,007,489	\$417
\$30,000 to \$44,999	3,793	\$2,712,498	21,170	\$8,269,141	3,032	\$1,867,006	21,447	\$9,114,633	\$425
\$45,000 to \$54,999	746	\$534,681	3,915	\$656,462	238	\$91,488	4,186	\$1,099,655	\$263
\$55,000 or more	778	\$499,049	205	\$8,798	83	\$64,124	917	\$443,723	\$484
Total	22,856	\$14,275,711	81,795	\$31,228,091	43,028	\$24,520,633	64,007	\$20,983,169	\$328

Total tax credits carried over from 2019 amounted \$14.3 million while newly claimed tax credits in 2020 totaled \$31.2 million. A total of \$24.5 million of unused credits will be carried over to 2021.

3.2. Claims for the Earned Income Tax Credit by Tax District

Table 2
Claims for the Earned Income Tax Credits by Tax District
Tax Year 2020

Tax District	Number of Credits Claimed	Amount of Credit	Average Amount per Claim
OAHU (District 1)	41,275	\$13,056,613	\$316
MAUI (District 2)	8,281	\$2,799,252	\$338
HAWAII (District 3)	10,980	\$3,956,605	\$360
KAUAI (District 4)	3,471	\$1,170,699	\$337
State Total	64,007	\$20,983,169	\$328

* Tax returns that have an out-of-state address are allocated to Oahu.

The most claims (41,275 or 64.5%) and largest amount (\$13.1 million or 62.2%) for the tax credit are from Oahu district followed by Hawaii, Maui, and Kauai. This is in line with the population distribution in each district. The highest average amount per claimed is from Hawaii district at \$360 per return, which has the lowest personal income per capita among the four counties (DBEDT Data Book 2020, Table 13.12).

3.3. Claims for the Earned Income Tax Credit by Resident Status

Residents who filed Form N-11 claimed 94.3% of the total number of credits and 97.9% of the total amount. The rest of the credits were claimed by non-residents/part year residents who filed Form N-15. Residents claimed an average of \$340 while non-residents /part year residents claimed an average of \$123.

Table 3
Claims for the Earned Income Tax Credits by Resident Status
Tax Year 2020

Tax Form	Number of Credits Claimed	Amount of Credit	Average Amount per Claim
Forms N-11	60,352	\$20,533,187	\$340
Forms N-15	3,655	\$449,982	\$123
Total	64,007	\$20,983,169	\$328

3.4. Claims for the Earned Income Tax Credit by Filing Status

Head of household claimed 27,633 or 43.2% of the number of EITC claims, which represents \$11.2 million or 53.2% of the total amount of credit. Head of household also has the second highest average value of credit among the filing status at \$404 per return, just \$17 less than the one for joint returns.

Table 4
Claims for the Earned Income Tax Credits by Filing Status
Tax Year 2020

Filing Status	Number of Credits Claimed	Amount of Credit	Average Amount per Claim
Head of household	27,633	\$11,160,564	\$404
Single	20,983	\$3,348,741	\$160
Joint	15,234	\$6,415,479	\$421
Married filing separately	80	\$31,276	\$391
Qualifying widow(er)	77	\$27,109	\$352
Total	64,007	\$20,983,169	\$328