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# A BILL FOR AN ACT

RELATING TO A CHILD TAX CREDIT.

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

1           SECTION 1. The legislature finds that investing in the  
2 well-being of Hawaii's children is essential to the creation of  
3 a prosperous and sustainable future. To address child poverty,  
4 the American Rescue Plan Act of 2021 increased the federal child  
5 tax credit from \$2,000 to \$3,600 for qualifying children under  
6 age six, and to \$3,000 for other qualifying children under age  
7 eighteen, while allowing the credit to be distributed to  
8 qualifying taxpayers on a monthly basis.

9           The legislature additionally finds that the provisions of  
10 the American Rescue Plan Act that strengthened the child tax  
11 credit expired at the end of 2021, despite lifting millions of  
12 families and their children out of poverty. In the face of  
13 federal inaction to maintain a robust child tax credit, states  
14 have a responsibility to enact policies that assist working  
15 families with children in meeting their basic needs.

16           The legislature further finds that according to the  
17 National Conference of State Legislatures, twelve other



1 jurisdictions have enacted a state child tax credit. State laws  
2 vary regarding refundability and how child tax credits are  
3 calculated. The two primary approaches are either establishing  
4 a fixed limit or a percentage of the federal child tax credit.  
5 The fixed limit for state child tax credits ranges from \$75 to  
6 \$1,000 per child. The percentage for state child tax credits  
7 range from five per cent to thirty-three per cent of the federal  
8 child tax credit.

9 The purpose of this Act is to establish a nonrefundable  
10 child tax credit for Hawaii's working families.

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

14 "§235- Nonrefundable child tax credit. (a) Each  
15 qualifying individual taxpayer with an adjusted gross income of  
16 \$60,000 or less may claim a nonrefundable child tax credit. The  
17 tax credit shall be \$ \_\_\_\_\_ per taxable year for each child  
18 dependent aged five years or less and \$ \_\_\_\_\_ for each child  
19 dependent aged six years but less than eighteen years.

20 (b) The credit allowed under this section shall be claimed  
21 against the net income tax liability for the taxable year. If



1 the tax credit under this section exceeds the taxpayer's net  
2 income tax liability, the excess of the tax credit over  
3 liability may be used as a credit against the taxpayer's net  
4 income liability in subsequent years until exhausted.

5 (c) All claims, including amended claims, for a tax credit  
6 under this section shall be filed on or before the end of the  
7 twelfth month following the close of the taxable year for which  
8 the credit may be claimed. Failure to comply with the foregoing  
9 provision shall constitute a waiver of the right to claim the  
10 credit.

11 (d) No credit shall be allowed under this section for any  
12 taxable year in the disallowance period. For purposes of this  
13 subsection, the disallowance period is:

14 (1) The period of ten taxable years after the most recent  
15 taxable year for which there was a final  
16 administrative or judicial decision that the  
17 taxpayer's claim for credit under this section was due  
18 to fraud; or

19 (2) The period of two taxable years after the most recent  
20 taxable year for which there was a final  
21 administrative or judicial decision disallowing the



1           taxpayer's claim for credit for reasons other than  
2           fraud.

3           (e) 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 alert eligible taxpayers of the tax credit using  
8           appropriate and available means;

9           (4) Shall submit an annual public report to the governor  
10           and legislature 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 adjusted gross income falls within various

16           income ranges; and

17           (5) May adopt rules pursuant to chapter 91 to effectuate  
18           this section.

19           (f) For purposes of this section, "qualifying individual  
20           taxpayer" means a taxpayer who:



1       (1) Files a federal income tax return for the taxable year  
2           claiming the child tax credit under section 24 of the  
3           Internal Revenue Code; and

4       (2) Files a Hawaii income tax return using the same filing  
5           status used on the taxpayer's federal income tax  
6           return for the taxable year and claiming the same  
7           dependents claimed on the federal income tax return  
8           for the taxable year.

9       (g) This section shall apply to taxable years beginning  
10       after December 31, 2023."

11       SECTION 3. New statutory material is underscored.

12       SECTION 4. This Act shall take effect on June 30, 2050,  
13 and shall apply to taxable years beginning after December 31,  
14 2023.



**Report Title:**

Taxation; State Child Tax Credit

**Description:**

Establishes a nonrefundable state child tax credit.  
Effective 6/30/2050. (SD1)

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

