

JOSH GREEN, M.D.  
GOVERNOR  
SYLVIA LUKE  
LIEUTENANT GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M. R. SAKAMOTO  
DEPUTY DIRECTOR

DEPT. COMM. NO. 292

STATE OF HAWAII  
DEPARTMENT OF TAXATION

*Ka 'Oihana 'Auhau*  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

December 29, 2022

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

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

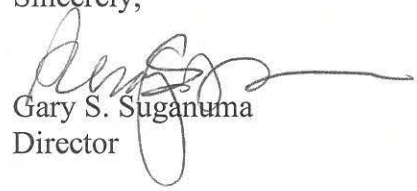
Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Department of Taxation's 2021 Earned Income Tax Credit Report, as required by section 235-55.75, Hawaii Revised Statutes (HRS).

In accordance with section 93-16, HRS, I am also informing you that the report may be viewed electronically at: [http://tax.hawaii.gov/stats/a5\\_1annual/](http://tax.hawaii.gov/stats/a5_1annual/).

If you have any questions or concerns, please feel free to call me at (808) 587- 1540.

Sincerely,

  
Gary S. Suganuma  
Director

C: Josh Green, M.D., Governor  
Sylvia Luke, Lieutenant Governor  
Legislative Reference Bureau (Attn: Karen Mau)  
Leslie H. Kondo, State Auditor  
Luis Salaveria, Director of Finance, Department of Budget and Finance  
Stacey A. Aldrich, State Librarian, Hawaii State Public Library System  
David Lassner, Ph.D., President, University of Hawai'i

Enclosure

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# **Earned Income Tax Credit Report**

**Tax Year 2021**

**(January 1, 2021 – December 31, 2021)**

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**Department of Taxation**

**State of Hawaii**

**November 2022**

STATE OF HAWAII

David Y. Ige, Governor

DEPARTMENT OF TAXATION

Isaac W. Choy, Director

TAX RESEARCH & PLANNING

Seth Colby, Tax Research & Planning Officer

Dongliang Wu, Research Statistician

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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.

Act 114, SLH 2022 made the State EITC refundable and permanent starting in the tax year 2023. All carryforwards of nonrefundable EITC expire at the end of the 2024 tax year.

## **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 2021 and processed by October 20, 2022, the automatic extension deadline, with a query run on October 31, 2022, the last business day of October.

## **3. ANALYSES OF THE TAX CREDIT**

This section describes the earned income tax credit for tax year 2021, including unused tax credits in 2020 carried forward and applied against tax liabilities in tax year 2021. It also compares the amount of the tax credit that was claimed in tax year 2021 to the two previous years. Due to Schedule CR form change since tax year 2020, it is now possible to provide total

credits carried over from 2020, tax credits newly claimed for 2021, and unused credits in 2021 to carryover to 2022.

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

In tax year 2021, 80,269 taxpayers claimed the state EITC, amounting to \$21.6 million, up from \$21.0 million in 2020 and \$18.0 million in 2019. Taxpayers with Federal AGI less than \$45,000 claimed 92.5% of the total credit or 93.2% of such returns. The highest average amount per claim (at \$467) was from taxpayers with a Federal AGI of \$55,000 or more. Most claims from this income class were carryovers from previous years. The lowest average amount per claim (at \$146) was 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 2021

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	8,537	\$4,983,994	46,265	\$13,238,069	41,713	\$15,446,008	19,015	\$2,776,055	\$146
\$15,000 to \$29,999	8,057	\$6,887,534	38,691	\$16,132,591	16,377	\$14,065,848	35,907	\$8,954,277	\$249
\$30,000 to \$44,999	3,604	\$2,709,685	19,651	\$7,853,503	3,378	\$2,306,753	19,872	\$8,256,435	\$415
\$45,000 to \$54,999	778	\$499,175	3,968	\$689,686	303	\$140,426	4,234	\$1,048,435	\$248
\$55,000 or more	1,068	\$668,714	289	\$15,952	155	\$105,106	1,241	\$579,560	\$467
<b>Total</b>	<b>22,044</b>	<b>\$15,749,102</b>	<b>108,864</b>	<b>\$37,929,802</b>	<b>61,926</b>	<b>\$32,064,141</b>	<b>80,269</b>	<b>\$21,614,762</b>	<b>\$269</b>

Total tax credits carried over from 2020 amounted \$15.7 million while newly claimed tax credits in 2021 totaled \$37.9 million. A total of \$32.1 million of unused credits will be carried over to 2022.

### 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 2021

Tax District	Number of Credits Claimed	Amount of Credit	Average Amount per Claim
OAHU (District 1)	53,658	\$13,870,040	\$258
MAUI (District 2)	9,756	\$2,685,653	\$275
HAWAII (District 3)	12,784	\$3,924,708	\$307
KAUAI (District 4)	4,071	\$1,134,361	\$279
<b>State Total</b>	<b>80,269</b>	<b>\$21,614,762</b>	<b>\$269</b>

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

The most claims (53,658 or 66.8%) and largest amount (\$13.9 million or 64.2%) for the tax credit were 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 was from Hawaii district at \$307 per return, which has the lowest personal income per capita among the four counties (DBEDT Data Book 2021, Table 13.12).

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

Residents who filed Form N-11 claimed 91.6% of the total number of credits and 96.5% 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 \$284 while non-residents /part year residents claimed an average of \$112.

**Table 3**  
**Claims for the Earned Income Tax Credits by Resident Status**  
**Tax Year 2021**

<b>Tax Form</b>	<b>Number of Credits Claimed</b>	<b>Amount of Credit</b>	<b>Average Amount per Claim</b>
Forms N-11	73,514	\$20,860,452	\$284
Forms N-15	6,755	\$754,310	\$112
<b>Total</b>	<b>80,269</b>	<b>\$21,614,762</b>	<b>\$269</b>

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

Single taxpayers claimed the largest number of EITC (39,718 or 49.5% of total number of claims), which represents \$6.2 million or 28.9% of the total amount of credit. However, they had the lowest average value of credit among the filing status at \$157 per return. Head of household had the largest amount of the credit (\$9.7 million or 45.0% of the total amount) and the highest average value of credit among the filing status at \$385 per return.

**Table 4**  
**Claims for the Earned Income Tax Credits by Filing Status**  
**Tax Year 2021**

<b>Filing Status</b>	<b>Number of Credits Claimed</b>	<b>Amount of Credit</b>	<b>Average Amount per Claim</b>
Head of household	25,295	\$9,725,955	\$385
Single	39,718	\$6,243,114	\$157
Joint	15,065	\$5,579,909	\$370
Married filing separately	138	\$48,661	\$353
Qualifying widow(er)	53	\$17,123	\$323
<b>Total</b>	<b>80,269</b>	<b>\$21,614,762</b>	<b>\$269</b>