

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

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GARY S. SUGANUMA
DIRECTOR OF TAXATION

DEPT. COMM. NO. 174
KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

December 22, 2023

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

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

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

For your information and consideration, the Department of Taxation (Department) hereby transmits a copy of the Department's Earned Income Tax Credit Report, as required by Section 235-55.75, Hawai'i Revised Statutes (HRS).

In accordance with section 93-16, HRS, the Department also informs you that the report may be viewed electronically at: https://tax.hawaii.gov/stats/a5_1annual/

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary S. Suganuma".

Gary S. Suganuma
Director of Taxation

- c: The Honorable Josh Green, M.D., Governor
The Honorable 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, Hawai'i State Public Library System
David Lassner, Ph.D., President, University of Hawai'i

Enclosure

Earned Income Tax Credit Report

Tax Year 2022

(January 1, 2022 – December 31, 2022)

Department of Taxation

State of Hawaii

December 2023

STATE OF HAWAII

Josh Green, M.D., Governor

DEPARTMENT OF TAXATION

Gary S. Suganuma, Director

Kristen M.R. Sakamoto, Deputy 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.

Act163, SLH 2023 increased the amount of the credit from 20% to 40% of the federal EITC allowed and properly claimed under IRC section 32 starting in the tax year 2023.

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 2022 and processed by October 20, 2023, the automatic extension deadline, with a query run on October 31, 2023, the last business day of October.

3. ANALYSES OF THE TAX CREDIT

This section describes the earned income tax credit for tax year 2022, including unused tax credits in 2021 carried forward and applied against tax liabilities in tax year 2022. It also

compares the amount of the tax credit that was claimed in tax year 2022 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 2021, tax credits newly claimed for 2022, and unused credits in 2022 to carryover to 2023.

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

In tax year 2022, 60,422 taxpayers claimed the state EITC, amounting to \$19.7 million, down from \$21.6 million in 2021 and \$21.0 million in 2020. Taxpayers with Federal AGI less than \$45,000 claimed 88.9% of the total credit or 88.8% of such returns. The highest average amount per claim (at \$456) was from taxpayers with a Federal AGI between \$30,000 and \$44,999. The lowest average amount per claim (at \$77) 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 2022

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	13,438	\$6,565,365	32,523	\$8,412,144	30,541	\$14,008,164	12,670	\$969,345	\$77
\$15,000 to \$29,999	11,298	\$8,359,569	20,537	\$15,427,881	15,779	\$16,553,795	20,628	\$7,233,655	\$351
\$30,000 to \$44,999	5,174	\$3,849,678	19,368	\$8,539,520	3,944	\$3,114,946	20,331	\$9,274,252	\$456
\$45,000 to \$54,999	1,172	\$768,742	4,609	\$926,038	404	\$208,537	5,109	\$1,486,243	\$291
\$55,000 or more	1,389	\$807,572	489	\$36,473	234	\$146,688	1,684	\$697,357	\$414
Total	32,471	\$20,350,926	77,526	\$33,342,056	50,902	\$34,032,130	60,422	\$19,660,852	\$325

Total tax credits carried over from 2021 amounted \$20.4 million while newly claimed tax credits in 2022 totaled \$33.3 million. A total of \$34.0 million of unused credits will be carried over to 2023.

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 2022

Tax District	Number of Credits Claimed	Amount of Credit	Average Amount per Claim
OAHU (District 1)	39,832	\$12,579,822	\$316
MAUI (District 2)	7,278	\$2,423,550	\$333
HAWAII (District 3)	10,156	\$3,626,388	\$357
KAUAI (District 4)	3,156	\$1,031,092	\$327
State Total	60,422	\$19,660,852	\$325

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

The most claims (39,832 or 65.9%) and largest amount (\$12.6 million or 64.0%) 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 \$357 per return, which has the lowest personal income per capita among the four counties (DBEDT Data Book 2022, Table 13.12).

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

Residents who filed Form N-11 claimed 93.3% of the total number of credits and 97.4% 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 \$124.

Table 3
Claims for the Earned Income Tax Credits by Resident Status
Tax Year 2022

Tax Form	Number of Credits Claimed	Amount of Credit	Average Amount per Claim
Forms N-11	56,370	\$19,156,832	\$340
Forms N-15	4,052	\$504,020	\$124
Total	60,422	\$19,660,852	\$325

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

Head of household taxpayers claimed the largest number of EITC (24,461 or 40.5% of total number of claims), and largest amount of the credit, which represents \$10.2 million or 51.7% of the total amount of credit. They also had the highest average value of credit among the filing status at \$416 per return.

Table 4
Claims for the Earned Income Tax Credits by Filing Status
Tax Year 2022

Filing Status	Number of Credits Claimed	Amount of Credit	Average Amount per Claim
Head of household	24,461	\$10,163,881	\$416
Single	22,106	\$3,778,060	\$171
Joint	13,640	\$5,639,256	\$413
Married filing separately	188	\$69,159	\$368
Qualifying widow(er)	27	\$10,496	\$389
Total	60,422	\$19,660,852	\$325