

JAN 19 2024

S.B. NO. 2660

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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 Hawaii's taxation  
2 system disproportionately impacts working families. According  
3 to the Institute on Taxation and Economic Policy, Hawaii places  
4 the second-highest tax burden on low-income households, with  
5 Hawaii's lowest-income households paying approximately fifteen  
6 per cent of their income in state and local taxes. In  
7 comparison, Hawaii's highest earning households pay roughly nine  
8 per cent of their income in state and local taxes.

9           The legislature further finds that investing in the well-  
10 being of Hawaii's children is essential to the creation of a  
11 prosperous and sustainable future. To address child poverty,  
12 the American Rescue Plan Act of 2021 increased the federal child  
13 tax credit from \$2,000 to \$3,600 for qualifying children under  
14 age six, and \$3,000 for other qualifying children under age  
15 eighteen, while allowing the credit to be distributed to  
16 qualifying taxpayers on a monthly basis.



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1           The legislature additionally finds that the provisions of  
2 the American Rescue Plan that strengthened the child tax credit  
3 expired at the end of 2021, despite lifting millions of families  
4 and their children out of poverty. In the face of federal  
5 inaction to maintain a robust child tax credit, states have a  
6 responsibility to enact policies that assist working families  
7 with children in meeting their basic needs.

8           The legislature also finds that according to the National  
9 Conference of State Legislatures, twelve other jurisdictions  
10 have enacted a state child tax credit. State laws vary  
11 regarding refundability and how child tax credits are  
12 calculated. The two primary approaches are either establishing  
13 a fixed limit or a percentage of the federal child tax credit.  
14 The fixed limit for state child tax credits ranges from \$75 to  
15 \$1,000 per child. The percentage for state child tax credits  
16 range from five per cent to thirty-three per cent of the federal  
17 child tax credit.

18           The purpose of this Act is to strengthen tax fairness for  
19 working families by establishing a refundable State child tax  
20 credit.



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

4 "§235- Refundable child tax credit. (a) Each  
5 qualifying individual taxpayer may claim a refundable child tax  
6 credit multiplied by the number of dependents of the taxpayer  
7 who are under the age of eighteen and with respect to whom the  
8 taxpayer is entitled to a deduction under section 235-54(a);  
9 provided that spouses filing separate tax returns for a taxable  
10 year for which a joint return could have been filed by them  
11 shall claim only the tax credit to which they would have been  
12 entitled had a joint return been filed. The tax credit shall be  
13 calculated in accordance with the table below.

14	<u>Adjusted gross income</u>	<u>Credit per dependent</u>
15	<u>Under \$40,000</u>	<u>\$650</u>
16	<u>\$40,000 under \$47,500</u>	<u>\$585</u>
17	<u>\$47,500 under \$55,000</u>	<u>\$520</u>
18	<u>\$55,000 under \$62,500</u>	<u>\$455</u>
19	<u>\$62,500 under \$70,000</u>	<u>\$390</u>
20	<u>\$70,000 under \$77,500</u>	<u>\$325</u>
21	<u>\$77,500 under \$85,000</u>	<u>\$260</u>



1	<u>\$85,000 under \$92,500</u>	<u>\$195</u>
2	<u>\$92,500 under \$100,000</u>	<u>\$130</u>
3	<u>\$100,000 under \$115,000</u>	<u>\$ 65</u>
4	<u>\$115,000 and over</u>	<u>\$ 0.</u>

5       (b) The credit allowed under this section shall be claimed  
6 against the net income tax liability for the taxable year. If  
7 the tax credit under this section exceeds the amount of the  
8 income tax payments due from the taxpayer, the excess of credits  
9 over payments due shall be refunded to the taxpayer; provided  
10 that the tax credit properly claimed by a taxpayer who has no  
11 income tax liability shall be paid to the taxpayer; provided  
12 further that no refunds or payment on account of the tax credit  
13 allowed by this section shall be made for amounts less than \$1.

14       (c) All claims, including amended claims, for a tax credit  
15 under this section shall be filed on or before the end of the  
16 twelfth month following the close of the taxable year for which  
17 the credit may be claimed. Failure to comply with the foregoing  
18 provision shall constitute a waiver of the right to claim the  
19 credit.



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

4        (1) The period of ten taxable years after the most recent  
5 taxable year for which there was a final  
6 administrative or judicial decision that the  
7 taxpayer's claim for credit under this section was due  
8 to fraud; or

9        (2) The period of two taxable years after the most recent  
10 taxable year for which there was a final  
11 administrative or judicial decision disallowing the  
12 taxpayer's claim for credit for reasons other than  
13 fraud.

14        (e) The director of taxation:

15        (1) Shall prepare any forms necessary to claim a tax  
16 credit under this section;

17        (2) May require proof of the claim for the tax credit;

18        (3) Shall alert eligible taxpayers of the tax credit using  
19 appropriate and available means;

20        (4) Shall submit an annual public report to the governor  
21 and legislature containing the:



1           (A) Number of credits granted for the prior calendar  
2           year;

3           (B) Total amount of the credits granted; and

4           (C) Average value of the credits granted to taxpayers  
5           whose adjusted gross income falls within various  
6           income ranges; and

7           (5) May adopt rules pursuant to chapter 91 to effectuate  
8           this section.

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

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

14           (2) Files a Hawaii income tax return using the same filing  
15           status used on the taxpayer's federal income tax  
16           return for the taxable year and claiming the same  
17           dependents claimed on the federal income tax return  
18           for the taxable year."

19           SECTION 3. New statutory material is underscored.

20           SECTION 4. This Act, upon its approval, shall apply to  
21 taxable years beginning after December 31, 2024.

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INTRODUCED BY:





# S.B. NO. 2660

**Report Title:**

Refundable Child Tax Credit

**Description:**

Establishes a refundable child tax credit. Applies to taxable years beginning after 12/31/2024.

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

