

JAN 17 2025

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 has had a disproportionate impact on working families for
3 many years. According to a 2018 study by the Institute on
4 Taxation and Economic Policy, Hawaii has historically placed the
5 second-highest tax burden on low-income households, with
6 Hawaii's lowest-income households paying approximately fifteen
7 per cent of their income in state and local taxes. In
8 comparison, Hawaii's highest earning households pay roughly nine
9 per cent of their income in state and local taxes.

10 The legislature further finds that investing in the well-
11 being of Hawaii's children is essential to the creation of a
12 prosperous and sustainable future. To address child poverty,
13 the American Rescue Plan Act of 2021 increased the federal child
14 tax credit from \$2,000 to \$3,600 for qualifying children under
15 age six, and \$3,000 for other qualifying children under age
16 eighteen, while allowing the credit to be distributed to
17 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, fifteen jurisdictions have
10 enacted a state child tax credit. State laws vary regarding
11 refundability and how child tax credits are calculated. The two
12 primary approaches are either establishing a fixed limit or a
13 percentage of the federal child tax credit. The fixed limit for
14 state child tax credits ranges from \$25 to \$1,750 per child.
15 The percentage for state child tax credits range from five per
16 cent to thirty-three per cent of the federal child tax credit.

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



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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.



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, 2025.



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INTRODUCED BY:

Kal Rhoads



S.B. NO. 1053

Report Title:

Refundable Child Tax Credit

Description:

Establishes a refundable child tax credit. Applies to taxable years beginning after 12/31/2025.

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