
A BILL FOR AN ACT

RELATING TO THE EARNED INCOME TAX CREDIT.

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

1 SECTION 1. Section 235-55.75, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending subsections (a) to (c) to read as follows:

4 "(a) Each qualifying individual taxpayer may claim a
5 refundable earned income tax credit. ~~[The]~~ Unless otherwise
6 provided by law, the tax credit, for the appropriate taxable
7 year, shall be forty per cent of the federal earned income tax
8 credit allowed and properly claimed under section 32 of the
9 Internal Revenue Code and reported as such on the individual's
10 federal income tax return.

11 (b) For a part-year resident~~[7]~~ or a nonresident, the tax
12 credit shall equal the amount of the tax credit calculated in
13 subsection (a) multiplied by the ratio of Hawaii adjusted gross
14 income to federal adjusted gross income.

15 (c) For purposes of this section, "qualifying individual
16 taxpayer" means a ~~[taxpayer]~~ resident or nonresident individual
17 that:



(1) Files a federal income tax return for the taxable year claiming the earned income tax credit under section 32 of the Internal Revenue Code; and

(2) Files a Hawaii income tax return using the filing status used on the federal income tax return for the taxable year and claiming the same dependents claimed on the federal income tax return for the taxable year."

2. By amending subsection (g) to read as follows:

"(g) If nonrefundable credits claimed under this section for any of the four consecutive taxable years beginning after December 31, 2017, exceed the taxpayer's income tax liability for the original claim year, the excess of the tax credits over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted; provided that no credit carried forward under this subsection shall be used as a credit for a taxable year beginning after December 31, 2024. No nonrefundable credits claimed for the taxable year beginning after December 31, 2021, and carried forward under this section, shall be used as a credit for a taxable year beginning after December 31, 2025."



1 SECTION 2. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 3. This Act shall take effect on July 1, 3000;
4 provided that this Act shall apply to taxable years beginning
5 after December 31, 2024; provided further that the amendments
6 made to section 235-55.75(a), Hawaii Revised Statutes, by this
7 Act shall not be repealed when section 235-55.75(a), Hawaii
8 Revised Statutes, is reenacted on December 31, 2027, pursuant to
9 section 5 of Act 163, Session Laws of Hawaii 2023.



Report Title:

Income Tax; Earned Income Tax Credit

Description:

Clarifies that nonresidents who claim the state refundable earned income tax credit are required to adjust the amount claimed using the ratio of their Hawaii adjusted gross income to federal adjusted gross income. Eliminates the unlimited carryforward on nonrefundable earned income tax credits claimed for tax year 2022. Effective 7/1/3000. (HD1)

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