

ACT 107

H.B. NO. 209

A Bill for an Act Relating to Taxation.

Be It Enacted by the Legislature of the State of Hawaii:

PART I

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

“§235- Earned income tax credit. (a) Each qualifying individual taxpayer may claim a nonrefundable earned income tax credit. The tax credit, for the appropriate taxable year, shall be twenty per cent of the federal earned income tax credit allowed and properly claimed under section 32 of the Internal Revenue Code and reported as such on the individual’s federal income tax return.

(b) For a part-year resident, the tax credit shall equal the amount of the tax credit calculated in subsection (a) multiplied by the ratio of Hawaii adjusted gross income to federal adjusted gross income.

(c) For purposes of this section, “qualifying individual taxpayer” means a taxpayer 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.

(d) The credit allowed under this section shall be claimed against the net income tax liability for the taxable year. If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the tax credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted. All claims, including amended claims, for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

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

- (1) The period of ten taxable years after the most recent taxable year for which there was a final administrative or judicial decision that the taxpayer's claim for credit under this section was due to fraud; and
- (2) The period of two taxable years after the most recent taxable year for which there was a final administrative or judicial decision disallowing the taxpayer's claim for credit.

(f) The director of taxation:

- (1) Shall prepare any forms necessary to claim a tax credit under this section;
- (2) May require proof of the claim for the tax credit;
- (3) Shall alert eligible taxpayers of the tax credit using appropriate and available means;
- (4) Shall prepare an annual public report to the legislature and the governor containing the:
 - (A) Number of credits granted for the prior calendar year;
 - (B) Total amount of the credits granted; and
 - (C) Average value of the credits granted to taxpayers whose earned income falls within various income ranges; and

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

(g) This section shall apply to taxable years beginning after December 31, 2017, but shall not apply to taxable years beginning after December 31, 2022."

PART II

SECTION 2. Section 235-51, Hawaii Revised Statutes, is amended by amending subsections (a), (b), and (c) to read as follows:

"(a) There is hereby imposed on the taxable income of (1) every taxpayer who files a joint return under section 235-93; and (2) every surviving spouse a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is:	The tax shall be:
Not over \$4,000	1.40% of taxable income
Over \$4,000 but not over \$8,000	\$56.00 plus 3.20% of excess over \$4,000
Over \$8,000 but not over \$16,000	\$184.00 plus 5.50% of excess over \$8,000
Over \$16,000 but not over \$24,000	\$624.00 plus 6.40% of excess over \$16,000

Over \$24,000 but not over \$32,000	\$1,136.00 plus 6.80% of excess over \$24,000
Over \$32,000 but not over \$40,000	\$1,680.00 plus 7.20% of excess over \$32,000
Over \$40,000 but not over \$60,000	\$2,256.00 plus 7.60% of excess over \$40,000
Over \$60,000 but not over \$80,000	\$3,776.00 plus 7.90% of excess over \$60,000
Over \$80,000	\$5,356.00 plus 8.25% of excess over \$80,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over \$4,800	1.40% of taxable income
Over \$4,800 but not over \$9,600	\$67.00 plus 3.20% of excess over \$4,800
Over \$9,600 but not over \$19,200	\$221.00 plus 5.50% of excess over \$9,600
Over \$19,200 but not over \$28,800	\$749.00 plus 6.40% of excess over \$19,200
Over \$28,800 but not over \$38,400	\$1,363.00 plus 6.80% of excess over \$28,800
Over \$38,400 but not over \$48,000	\$2,016.00 plus 7.20% of excess over \$38,400
Over \$48,000 but not over \$72,000	\$2,707.00 plus 7.60% of excess over \$48,000
Over \$72,000 but not over \$96,000	\$4,531.00 plus 7.90% of excess over \$72,000
Over \$96,000	\$6,427.00 plus 8.25% of excess over \$96,000.

In the case of any taxable year beginning after December 31, 2017:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$4,800</u>	<u>1.40% of taxable income</u>
<u>Over \$4,800 but not over \$9,600</u>	<u>\$67.00 plus 3.20% of excess over \$4,800</u>
<u>Over \$9,600 but not over \$19,200</u>	<u>\$221.00 plus 5.50% of excess over \$9,600</u>
<u>Over \$19,200 but not over \$28,800</u>	<u>\$749.00 plus 6.40% of excess over \$19,200</u>
<u>Over \$28,800 but not over \$38,400</u>	<u>\$1,363.00 plus 6.80% of excess over \$28,800</u>
<u>Over \$38,400 but not over \$48,000</u>	<u>\$2,016.00 plus 7.20% of excess over \$38,400</u>
<u>Over \$48,000 but not over \$72,000</u>	<u>\$2,707.00 plus 7.60% of excess over \$48,000</u>
<u>Over \$72,000 but not over \$96,000</u>	<u>\$4,531.00 plus 7.90% of excess over \$72,000</u>
<u>Over \$96,000 but not over \$300,000</u>	<u>\$6,427.00 plus 8.25% of excess over \$96,000</u>
<u>Over \$300,000 but not over \$350,000</u>	<u>\$23,257.00 plus 9.00% of excess over \$300,000</u>
<u>Over \$350,000 but not over \$400,000</u>	<u>\$27,757.00 plus 10.00% of excess over \$350,000</u>

Over \$400,000 \$32,757.00 plus 11.00% of excess over \$400,000.

(b) There is hereby imposed on the taxable income of every head of a household a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is:	The tax shall be:
Not over \$3,000	1.40% of taxable income
Over \$3,000 but not over \$6,000	\$42.00 plus 3.20% of excess over \$3,000
Over \$6,000 but not over \$12,000	\$138.00 plus 5.50% of excess over \$6,000
Over \$12,000 but not over \$18,000	\$468.00 plus 6.40% of excess over \$12,000
Over \$18,000 but not over \$24,000	\$852.00 plus 6.80% of excess over \$18,000
Over \$24,000 but not over \$30,000	\$1,260.00 plus 7.20% of excess over \$24,000
Over \$30,000 but not over \$45,000	\$1,692.00 plus 7.60% of excess over \$30,000
Over \$45,000 but not over \$60,000	\$2,832.00 plus 7.90% of excess over \$45,000
Over \$60,000	\$4,017.00 plus 8.25% of excess over \$60,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over \$3,600	1.40% of taxable income
Over \$3,600 but not over \$7,200	\$50.00 plus 3.20% of excess over \$3,600
Over \$7,200 but not over \$14,400	\$166.00 plus 5.50% of excess over \$7,200
Over \$14,400 but not over \$21,600	\$562.00 plus 6.40% of excess over \$14,400
Over \$21,600 but not over \$28,800	\$1,022.00 plus 6.80% of excess over \$21,600
Over \$28,800 but not over \$36,000	\$1,512.00 plus 7.20% of excess over \$28,800
Over \$36,000 but not over \$54,000	\$2,030.00 plus 7.60% of excess over \$36,000
Over \$54,000 but not over \$72,000	\$3,398.00 plus 7.90% of excess over \$54,000
Over \$72,000	\$4,820.00 plus 8.25% of excess over \$72,000.

In the case of any taxable year beginning after December 31, 2017:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$3,600</u>	<u>1.40% of taxable income</u>
<u>Over \$3,600 but not over \$7,200</u>	<u>\$50.00 plus 3.20% of excess over \$3,600</u>
<u>Over \$7,200 but not over \$14,400</u>	<u>\$166.00 plus 5.50% of excess over \$7,200</u>
<u>Over \$14,400 but not over \$21,600</u>	<u>\$562.00 plus 6.40% of excess over \$14,400</u>

<u>Over \$21,600 but not over \$28,800</u>	<u>\$1,022.00 plus 6.80% of excess over \$21,600</u>
<u>Over \$28,800 but not over \$36,000</u>	<u>\$1,512.00 plus 7.20% of excess over \$28,800</u>
<u>Over \$36,000 but not over \$54,000</u>	<u>\$2,030.00 plus 7.60% of excess over \$36,000</u>
<u>Over \$54,000 but not over \$72,000</u>	<u>\$3,398.00 plus 7.90% of excess over \$54,000</u>
<u>Over \$72,000 but not over \$225,000</u>	<u>\$4,820.00 plus 8.25% of excess over \$72,000</u>
<u>Over \$225,000 but not over \$262,500</u>	<u>\$17,443.00 plus 9.00% of excess over \$225,000</u>
<u>Over \$262,500 but not over \$300,000</u>	<u>\$20,818.00 plus 10.00% of excess over \$262,500</u>
<u>Over \$300,000</u>	<u>\$24,568.00 plus 11.00% of excess over \$300,000.</u>

(c) There is hereby imposed on the taxable income of (1) every unmarried individual (other than a surviving spouse, or the head of a household) and (2) on the taxable income of every married individual who does not make a single return jointly with the individual's spouse under section 235-93 a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is:	The tax shall be:
Not over \$2,000	1.40% of taxable income
Over \$2,000 but not over \$4,000	\$28.00 plus 3.20% of excess over \$2,000
Over \$4,000 but not over \$8,000	\$92.00 plus 5.50% of excess over \$4,000
Over \$8,000 but not over \$12,000	\$312.00 plus 6.40% of excess over \$8,000
Over \$12,000 but not over \$16,000	\$568.00 plus 6.80% of excess over \$12,000
Over \$16,000 but not over \$20,000	\$840.00 plus 7.20% of excess over \$16,000
Over \$20,000 but not over \$30,000	\$1,128.00 plus 7.60% of excess over \$20,000
Over \$30,000 but not over \$40,000	\$1,888.00 plus 7.90% of excess over \$30,000
Over \$40,000	\$2,678.00 plus 8.25% of excess over \$40,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over \$2,400	1.40% of taxable income
Over \$2,400 but not over \$4,800	\$34.00 plus 3.20% of excess over \$2,400
Over \$4,800 but not over \$9,600	\$110.00 plus 5.50% of excess over \$4,800
Over \$9,600 but not over \$14,400	\$374.00 plus 6.40% of excess over \$9,600
Over \$14,400 but not over \$19,200	\$682.00 plus 6.80% of excess over \$14,400
Over \$19,200 but not over \$24,000	\$1,008.00 plus 7.20% of excess over \$19,200

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Over \$24,000 but not over \$36,000	\$1,354.00 plus 7.60% of excess over \$24,000
Over \$36,000 but not over \$48,000	\$2,266.00 plus 7.90% of excess over \$36,000
Over \$48,000	\$3,214.00 plus 8.25% of excess over \$48,000.

In the case of any taxable year beginning after December 31, 2017:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$2,400</u>	<u>1.40% of taxable income</u>
<u>Over \$2,400 but not over \$4,800</u>	<u>\$34.00 plus 3.20% of excess over \$2,400</u>
<u>Over \$4,800 but not over \$9,600</u>	<u>\$110.00 plus 5.50% of excess over \$4,800</u>
<u>Over \$9,600 but not over \$14,400</u>	<u>\$374.00 plus 6.40% of excess over \$9,600</u>
<u>Over \$14,400 but not over \$19,200</u>	<u>\$682.00 plus 6.80% of excess over \$14,400</u>
<u>Over \$19,200 but not over \$24,000</u>	<u>\$1,008.00 plus 7.20% of excess over \$19,200</u>
<u>Over \$24,000 but not over \$36,000</u>	<u>\$1,354.00 plus 7.60% of excess over \$24,000</u>
<u>Over \$36,000 but not over \$48,000</u>	<u>\$2,266.00 plus 7.90% of excess over \$36,000</u>
<u>Over \$48,000 but not over \$150,000</u>	<u>\$3,214.00 plus 8.25% of excess over \$48,000</u>
<u>Over \$150,000 but not over \$175,000</u>	<u>\$11,629.00 plus 9.00% of excess over \$150,000</u>
<u>Over \$175,000 but not over \$200,000</u>	<u>\$13,879.00 plus 10.00% of excess over \$175,000</u>
<u>Over \$200,000</u>	<u>\$16,379.00 plus 11.00% of excess over \$200,000.”</u>

PART III

SECTION 3. Act 223, Session Laws of Hawaii 2015, is amended by amending section 4 to read as follows:

“SECTION 4. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2015[; provided that this Act shall be repealed on December 31, 2017, and section 235-55.85, Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day prior to the effective date of this Act].”

PART IV

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.¹

SECTION 5. This Act shall take effect upon its approval.
(Approved July 10, 2017.)

Note

1. Edited pursuant to HRS §23G-16.5.