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## 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. The legislature finds that twenty-six other  
2 states and the District of Columbia have established state-  
3 funded earned income tax credit programs to combat poverty while  
4 boosting local economies. The legislature believes that Hawaii  
5 should invest in its future by joining those states that already  
6 utilize a state earned income tax credit program and boost the  
7 earnings of working families and businesses.

8           The purpose of this Act is to establish a state earned  
9 income tax credit.

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

13          "§235-       Earned income tax credit.   (a) Each individual  
14 taxpayer who:

15           (1) Files an individual income tax return for a taxable  
16           year; and



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1        (2) Is not claimed or is not eligible to be claimed as a  
2        dependent by another taxpayer for income tax purposes,  
3        may claim a refundable earned income tax credit. The  
4        tax credit, for the appropriate taxable year, shall be  
5        equal to ten per cent of the federal earned income tax  
6        credit allowed under section 32 of the Internal  
7        Revenue Code, as amended, and reported as such on the  
8        individual's federal income tax return. If the tax  
9        credits claimed by a resident individual exceed the  
10       amount of income tax payment due from the resident  
11       individual, the excess of credit over payment due  
12       shall be refunded to the resident individual; provided  
13       that a tax credit properly claimed by a resident  
14       individual who has no income tax liability shall be  
15       paid to the resident individual; and provided further  
16       that no refund or payment on account of the tax credit  
17       allowed by this section shall be made for an amount  
18       less than \$1.

19       (b) For a nonresident individual taxpayer, the tax credit  
20       shall equal the amount of the tax credit calculated in  
21       subsection (a) multiplied by the ratio of adjusted gross income



1 attributed to this State to the entire adjusted gross income  
2 computed without regard to source in the State pursuant to  
3 section 235-5.

4 (c) To claim the tax credit allowed under this section, an  
5 individual taxpayer shall use the same filing status on the  
6 taxpayer's Hawaii income tax return as used on the taxpayer's  
7 federal income tax return for the taxable year.

8 (d) Any claim, including any amended claim, for tax  
9 credits under this section shall be filed on or before the end  
10 of the twelfth month following the close of the taxable year for  
11 which the tax credit may be claimed. Failure to comply with  
12 this subsection shall constitute a waiver of the right to claim  
13 the tax credit.

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

17 (1) The period of ten taxable years after the most recent  
18 taxable year for which there was a final determination  
19 that the taxpayer's claim of credit under this section  
20 was due to fraud; and



1        (2) The period of two taxable years after the most recent  
2                    taxable year for which there was a final determination  
3                    that the taxpayer's claim of credit under this section  
4                    was due to the reckless or intentional disregard of  
5                    rules and regulations to qualify for the tax credit,  
6                    but not due to fraud.

7        (f) Any person who is a tax return preparer with respect  
8                    to any return or claim for refund who fails to comply with due  
9                    diligence requirements imposed by the Secretary of the United  
10                   States Treasury by regulations with respect to determining  
11                   eligibility for, or the amount of, the credit allowable by  
12                   section 32 of the Internal Revenue Code shall pay a penalty of  
13                   \$100 for each failure.

14        (g) 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;



- 1        (4) Shall prepare an annual public report to the
- 2                legislature, the governor, and the public containing
- 3                the:
- 4                (A) Number of credits granted for the prior calendar
- 5                        year;
- 6                (B) Total amount of the credits granted; and
- 7                (C) Average value of the credits granted to taxpayers
- 8                        whose earned income falls within various income
- 9                        ranges; and
- 10        (5) May adopt rules pursuant to chapter 91 to effectuate
- 11                this section."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2017.

INTRODUCED BY:

*[Signature]*  
*[Signature]*  
*[Signature]*  
*[Signature]*



# H.B. NO. 452

**Report Title:**

Taxation; Earned Income Tax Credit

**Description:**

Establishes a state earned income tax credit.

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

