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# A BILL FOR AN ACT

RELATING TO HELPING WORKING FAMILIES.

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

1 PART I

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

4 " ~~[+] §235-55.75 []-~~ Refundable earned income tax  
5 credit. (a) Each qualifying individual taxpayer may claim a  
6 ~~[nonrefundable]~~ refundable earned income tax credit. The tax  
7 credit, for the appropriate taxable year, shall be twenty per  
8 cent of the federal earned income tax credit allowed and  
9 properly claimed under section 32 of the Internal Revenue Code  
10 and reported as such on the individual's federal income tax  
11 return.

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

16 (c) For purposes of this section, "qualifying individual  
17 taxpayer" means a taxpayer that:



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

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

8 (d) The credit allowed under this section shall be claimed  
9 against the net income tax liability for the taxable year. [~~If~~  
10 ~~the tax credit under this section exceeds the taxpayer's income~~  
11 ~~tax liability, the excess of the tax credit over liability may~~  
12 ~~be used as a credit against the taxpayer's net income tax~~  
13 ~~liability in subsequent years until exhausted.] If the tax  
14 credit claimed by the taxpayer under this section exceeds the  
15 amount of the income tax payments due from the taxpayer, the  
16 excess of credit over payments due shall be refunded to the  
17 taxpayer; provided that the tax credit properly claimed by a  
18 taxpayer who has no income tax liability shall be paid to the  
19 taxpayer; provided further that no refunds or payments on  
20 account of the tax credit allowed by this section shall be made  
21 for amounts less than \$1. All claims, including amended claims,~~



1 for a tax credit under this section shall be filed on or before  
2 the end of the twelfth month following the close of the taxable  
3 year for which the credit may be claimed. Failure to comply  
4 with the foregoing provision shall constitute a waiver of the  
5 right to claim the credit.

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

9 (1) The period of ten taxable years after the most recent  
10 taxable year for which there was a final  
11 administrative or judicial decision that the  
12 taxpayer's claim for credit under this section was due  
13 to fraud; and

14 (2) The period of two taxable years after the most recent  
15 taxable year for which there was a final  
16 administrative or judicial decision disallowing the  
17 taxpayer's claim for credit.

18 (f) The director of taxation:

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

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



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

3 (4) Shall prepare an annual public report to the  
4 legislature and the governor containing the:

5 (A) Number of credits granted for the prior calendar  
6 year;

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

8 (C) Average value of the credits granted to taxpayers  
9 whose earned income falls within various income  
10 ranges; and

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

13 (g) ~~[This section shall apply to]~~ If nonrefundable credits  
14 claimed under this section for either of the two consecutive  
15 taxable years beginning after December 31, 2017, [but shall not  
16 apply to taxable years] exceeds the taxpayer's income tax  
17 liability for the original claim year, the excess of the tax  
18 credits over liability may be used as a credit against the  
19 taxpayer's net income tax liability in subsequent years until  
20 exhausted; provided that no credit carried forward under this



1 subsection shall be used as a credit for a taxable year  
2 beginning after December 31, 2022."

3 PART II

4 SECTION 2. Section 235-55.85, Hawaii Revised Statutes, is  
5 amended as follows:

6 1. By amending subsection (b) to read:

7 "(b) Each individual taxpayer with Hawaii earned income of  
8 at least \$1 but less than \$30,000 and a federal adjusted gross  
9 income of less than \$30,000 may claim a refundable food/excise  
10 tax credit of \$150 multiplied by the number of qualified  
11 exemptions to which the taxpayer is entitled [~~in accordance with~~  
12 ~~the table below~~]; provided that for taxpayers with a filing  
13 status of head of household, married filing separate, and  
14 married filing jointly, the taxpayer has Hawaii earned income of  
15 at least \$1 but less than \$50,000 and federal adjusted gross  
16 income of less than \$50,000; provided further that a husband and  
17 wife filing separate tax returns for a taxable year for which a  
18 joint return could have been filed by them shall claim only the  
19 tax credit to which they would have been entitled had a joint  
20 return been filed.



<del>1</del>	<del>[Adjusted gross income</del>	<del>Credit per exemption</del>
<del>2</del>	<del>for taxpayers filing</del>	
<del>3</del>	<del>a single return</del>	
<del>4</del>	<del>Under \$5,000</del>	<del>\$110</del>
<del>5</del>	<del>\$5,000 under \$10,000</del>	<del>\$100</del>
<del>6</del>	<del>\$10,000 under \$15,000</del>	<del>\$ 85</del>
<del>7</del>	<del>\$15,000 under \$20,000</del>	<del>\$ 70</del>
<del>8</del>	<del>\$20,000 under \$30,000</del>	<del>\$ 55</del>
<del>9</del>	<del>\$30,000 and over</del>	<del>\$ 0.</del>

10

<del>11</del>	<del>Adjusted gross income</del>	<del>Credit per exemption</del>
<del>12</del>	<del>for heads of household,</del>	
<del>13</del>	<del>married individuals filing</del>	
<del>14</del>	<del>separate returns, and</del>	
<del>15</del>	<del>married couples filing</del>	
<del>16</del>	<del>joint returns</del>	
<del>17</del>	<del>Under \$5,000</del>	<del>\$110</del>
<del>18</del>	<del>\$5,000 under \$10,000</del>	<del>\$100</del>
<del>19</del>	<del>\$10,000 under \$15,000</del>	<del>\$ 85</del>
<del>20</del>	<del>\$15,000 under \$20,000</del>	<del>\$ 70</del>
<del>21</del>	<del>\$20,000 under \$30,000</del>	<del>\$ 55</del>



1        ~~\$30,000 under \$40,000~~                    ~~\$ 45~~  
 2        ~~\$40,000 under \$50,000~~                    ~~\$ 35~~  
 3        ~~\$50,000 and over~~                            ~~\$—0.] "~~

4        2. By amending subsection (g) to read:

5        "(g) For the purposes of this section[, "~~adjusted gross~~  
 6 ~~income~~" means ~~adjusted gross income as defined by the Internal~~  
 7 ~~Revenue Code.~~]:

8        (1) "Hawaii earned income" means:

9        (A) Wages, salaries, tips, and other employee  
 10        compensation that is subject to the taxes imposed  
 11        by this chapter, but only if these amounts are  
 12        includible in gross income for the taxable year;

13        and

14        (B) The amount of the taxpayer's net earnings from  
 15        self-employment that is subject to the taxes  
 16        imposed by this chapter for the taxable year  
 17        (within the meaning of section 1402(a) of the  
 18        Internal Revenue Code); provided that the net  
 19        earnings shall be determined with regard to the  
 20        deduction allowed to the taxpayer by section  
 21        164(f) of the Internal Revenue Code; and



- 1        (2) For purposes of paragraph (1):
- 2            (A) The Hawaii earned income of an individual shall  
3            be computed without regard to any community  
4            property laws;
- 5            (B) No amount received as a pension or annuity shall  
6            be taken into account;
- 7            (C) No amount to which section 871(a) of the Internal  
8            Revenue Code applies (relating to income of  
9            nonresident alien individuals not connected with  
10           United States business) shall be taken into  
11           account;
- 12           (D) No amount received for services provided by an  
13           individual while the individual is an inmate at a  
14           penal institution shall be taken into account;
- 15           (E) No amount described in paragraph (1) received for  
16           service performed in work activities as defined  
17           in paragraph (4) or (7) of section 407(d) of the  
18           Social Security Act to which the taxpayer is  
19           assigned under any state program under part A of  
20           title IV of the Social Security Act shall be





1                   taken into account, but only to the extent the  
 2                   amount is subsidized under the state program; and  
 3           (F) A taxpayer may elect to treat amounts excluded  
 4                   from gross income by reason of section 112 of the  
 5                   Internal Revenue Code as Hawaii earned income."

PART III

7           SECTION 3. Section 387-2, Hawaii Revised Statutes, is  
 8 amended by amending subsection (a) to read as follows:

9           "(a) Except as provided in section 387-9 and this section,  
 10 every employer shall pay to each employee employed by the  
 11 employer, wages at the rate of not less than:

- 12           (1) \$6.25 per hour beginning January 1, 2003;
- 13           (2) \$6.75 per hour beginning January 1, 2006;
- 14           (3) \$7.25 per hour beginning January 1, 2007;
- 15           (4) \$7.75 per hour beginning January 1, 2015;
- 16           (5) \$8.50 per hour beginning January 1, 2016;
- 17           (6) \$9.25 per hour beginning January 1, 2017; [~~and~~]
- 18           (7) \$10.10 per hour beginning January 1, 2018 [~~+~~];
- 19           (8) \$11.00 per hour beginning January 1, 2021;
- 20           (9) \$12.00 per hour beginning January 1, 2022;
- 21           (10) \$12.50 per hour beginning January 1, 2023; and





**Report Title:**

Income Tax; Earned Income Tax Credit; Refundable Food/Excise Tax Credit; Minimum Wage

**Description:**

Makes the state earned income tax credit refundable and permanent. Increases and amends the refundable food/excise tax credit by basing the amount of the credit on a taxpayer's Hawaii earned income and federal adjusted gross income. Increases minimum wage rate to \$11.00 per hour beginning on 1/1/2021, \$12.00 per hour beginning on 1/1/2022, \$12.50 per hour beginning on 1/1/2023, and \$13.00 per hour beginning on 1/1/2024. (HD1)

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

