
A BILL FOR AN ACT

RELATING TO TAXATION.

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

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

1. By amending its title and subsection (a) to read:

"~~[§]§235-55.75[§]—~~**Earned** **Refundable earned income tax credit.** (a) Each qualifying individual taxpayer may claim a ~~[nonrefundable]~~ refundable 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."

2. By amending subsection (d) to read:

"(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~~



1 ~~net income tax liability in subsequent years until exhausted.]~~
2 If the tax credit claimed by the taxpayer under this section
3 exceeds the amount of the income tax payments due from the
4 taxpayer, the excess of credit over payments due shall be
5 refunded to the taxpayer; provided that the tax credit properly
6 claimed by a taxpayer who has no income tax liability shall be
7 paid to the taxpayer; provided further that no refunds or
8 payments on account of the tax credit allowed by this section
9 shall be made for amounts less than \$1. All claims, including
10 amended claims, for a tax credit under this section shall be
11 filed on or before the end of the twelfth month following the
12 close of the taxable year for which the credit may be claimed.
13 Failure to comply with the foregoing provision shall constitute
14 a waiver of the right to claim the credit."

15 3. By amending subsection (g) to read:

16 "(g) ~~[This section shall apply to]~~ If nonrefundable
17 credits claimed under this section for either of the two
18 consecutive taxable years beginning after December 31, 2017,
19 ~~[but shall not apply to taxable years]~~ exceed the taxpayer's
20 income tax liability for the original claim year, the excess of
21 the tax credits over liability may be used as a credit against



1 the taxpayer's net income tax liability in subsequent years
2 until exhausted; provided that no credit carried forward under
3 this subsection shall be used as a credit for a taxable year
4 beginning after December 31, 2022."

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 Statutory material to be repealed is bracketed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

7 SECTION 3. This Act, upon its approval, shall apply to
8 taxable years beginning after December 31, 2021.

9
INTRODUCED BY:



JAN 26 2022



H.B. NO. 2406

Report Title:

Refundable State Earned Income Tax Credit

Description:

Makes the state earned income tax credit refundable and permanent. Allows nonrefundable state earned income tax credits claimed for certain taxable years that exceeded tax liability for the original claim year to be credited against net tax liability in subsequent years until exhausted, up to the end of the 2022 tax year.

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