
A BILL FOR AN ACT

RELATING TO INCOME.

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

1

PART I

2

SECTION 1. The legislature finds that the coronavirus

3

disease 2019 (COVID-19) pandemic presented the world with

4

unprecedented issues, forcing people out of employment or even

5

their own homes. The COVID-19 pandemic further exacerbated the

6

economic hardship for many Hawaii families who are above the

7

federal poverty line but still struggle to make ends meet.

8

According to Aloha United Way, the COVID-19 pandemic

9

significantly increased the percentage of households that are

10

considered to be asset limited, income constrained, and employed

11

(ALICE) to fifty-nine per cent, which is up from forty-two per

12

cent prior to the pandemic. Aloha United Way further reported a

13

six hundred per cent increase in calls received from people

14

seeking assistance during the pandemic.

15

The legislature recognizes that to address the

16

unprecedented issues presented by the COVID-19 pandemic for

17

residents of the State, changes to the existing tax structure



H.B. NO. 2510

1 and minimum wage must be made to help working families succeed.
2 Amending certain tax credits targeted for the working class will
3 improve the quality of life for many and will help lessen the
4 financial burden of the working class.

5 The legislature further finds that increases to the cost of
6 living in the State, combined with stagnant wages, have
7 contributed to the increase in the number of ALICE households.
8 The legislature also finds that while the cost of living
9 continues to increase, minimum wage has not increased to an
10 appropriate amount necessary to offset the higher increase in
11 cost of living. Increasing the minimum wage to support the
12 working class is necessary to ensure that living in Hawaii is
13 affordable. The legislature acknowledges the economic hardships
14 experienced not only by ALICE households, but also by businesses
15 that employ many of these families. While increasing the
16 minimum wage will support employees, it will also have an impact
17 on certain businesses, especially during a time of significant
18 economic hardships brought on by government mandates to mitigate
19 the spread of COVID-19. However, the legislature believes that
20 helping working families by increasing the minimum wage is a
21 necessary step to foster economic stability in Hawaii.



H.B. NO. 2510

1 multiplied by the ratio of Hawaii adjusted gross income to
2 federal adjusted gross income.

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

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

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

12 (d) The credit allowed under this section shall be claimed
13 against the net income tax liability for the taxable year. [~~If~~
14 ~~the tax credit under this section exceeds the taxpayer's income~~
15 ~~tax liability, the excess of the tax credit over liability may~~
16 ~~be used as a credit against the taxpayer's net income tax~~
17 ~~liability in subsequent years until exhausted.] If the tax
18 credit claimed by the taxpayer under this section exceeds the
19 amount of the income tax payments due from the taxpayer, the
20 excess of credit over payments due shall be refunded to the
21 taxpayer; provided that the tax credit properly claimed by a~~



1 taxpayer who has no income tax liability shall be paid to the
2 taxpayer; provided further that no refunds or payments on
3 account of the tax credit allowed by this section shall be made
4 for amounts less than \$1. All claims, including amended claims,
5 for a tax credit under this section shall be filed on or before
6 the end of the twelfth month following the close of the taxable
7 year for which the credit may be claimed. Failure to comply with
8 the foregoing provision shall constitute a waiver of the right
9 to claim the credit.

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

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

18 (2) The period of two taxable years after the most recent
19 taxable year for which there was a final
20 administrative or judicial decision disallowing the
21 taxpayer's claim for credit.



- 1 (f) The director of taxation:
- 2 (1) Shall prepare any forms necessary to claim a tax
- 3 credit under this section;
- 4 (2) May require proof of the claim for the tax credit;
- 5 (3) Shall alert eligible taxpayers of the tax credit using
- 6 appropriate and available means;
- 7 (4) Shall prepare an annual public report to the
- 8 legislature and the governor containing the:
- 9 (A) Number of credits granted for the prior calendar
- 10 year;
- 11 (B) Total amount of the credits granted; and
- 12 (C) Average value of the credits granted to taxpayers
- 13 whose earned income falls within various income
- 14 ranges; and
- 15 (5) May adopt rules pursuant to chapter 91 to effectuate
- 16 this section.
- 17 ~~[(g) This section shall apply to taxable years beginning~~
- 18 ~~after December 31, 2017, but shall not apply to taxable years~~
- 19 ~~beginning after December 31, 2022.]~~
- 20 (g) If nonrefundable credits claimed under this section
- 21 for any of the four consecutive taxable years beginning after



1 December 31, 2017, exceed the taxpayer's income tax liability
2 for the original claim year, the excess of the tax credits over
3 liability may be used as a credit against the taxpayer's net
4 income tax liability in subsequent years until exhausted;
5 provided that no credit carried forward under this subsection
6 shall be used as a credit for a taxable year beginning after
7 December 31, 2024."

8 PART III

9 SECTION 4. The purpose of this part is to amend the
10 eligibility and claimable amount of the food/excise tax credit.

11 SECTION 5. Section 235-55.85, Hawaii Revised Statutes, is
12 amended by amending subsection (b) to read as follows:

13 "(b) Each [individual]:

14 (1) Individual taxpayer with a federal adjusted gross
15 income equal to or less than \$30,000; or

16 (2) Heads of household, married couples filing joint
17 returns, and surviving spouses with a federal adjusted
18 gross income equal to or less than \$50,000,

19 may claim a refundable food/excise tax credit of \$150 multiplied
20 by the number of qualified exemptions to which the taxpayer is
21 entitled [in accordance with the table below]; provided that a



H.B. NO. 2510

1 ~~[husband and wife]~~ married couple filing separate tax returns
 2 for a taxable year for which a joint return could have been
 3 filed by them shall claim only the tax credit to which they
 4 would have been entitled had a joint return been filed.

5	[Adjusted gross income	Credit per exemption
6	for taxpayers filing	
7	a single return	
8	Under \$5,000	\$110
9	\$5,000 under \$10,000	\$100
10	\$10,000 under \$15,000	\$ 85
11	\$15,000 under \$20,000	\$ 70
12	\$20,000 under \$30,000	\$ 55
13	\$30,000 and over	\$ 0.

14	Adjusted gross income	Credit per exemption
15	for heads of household,	
16	married individuals filing	
17	separate returns, and	
18	married couples filing	
19	joint returns	
20	Under \$5,000	\$110
21	\$5,000 under \$10,000	\$100



H.B. NO. 2510

1	\$10,000 under \$15,000	\$ 85
2	\$15,000 under \$20,000	\$ 70
3	\$20,000 under \$30,000	\$ 55
4	\$30,000 under \$40,000	\$ 45
5	\$40,000 under \$50,000	\$ 35
6	\$50,000 and over	\$ 0.]"

PART IV

SECTION 6. The purpose of this part is to:

- (1) Increase the minimum wage each year starting on January 1, 2023, through January 1, 2030; and
- (2) Increase the tip credit starting on January 1, 2023, through January 1, 2030.

SECTION 7. Section 387-2, Hawaii Revised Statutes, is amended to read as follows:

"§387-2 Minimum wages. (a) Except as provided in section 387-9 and this section, every employer shall pay to each employee employed by the employer, wages at the rate of not less than:

- (1) \$6.25 per hour beginning January 1, 2003;
- (2) \$6.75 per hour beginning January 1, 2006;
- (3) \$7.25 per hour beginning January 1, 2007;



- 1 (4) \$7.75 per hour beginning January 1, 2015;
- 2 (5) \$8.50 per hour beginning January 1, 2016;
- 3 (6) \$9.25 per hour beginning January 1, 2017; [~~and~~]
- 4 (7) \$10.10 per hour beginning January 1, 2018[~~;~~];
- 5 (8) \$11.00 per hour beginning January 1, 2023;
- 6 (9) \$12.00 per hour beginning January 1, 2024;
- 7 (10) \$13.00 per hour beginning January 1, 2025;
- 8 (11) \$14.00 per hour beginning January 1, 2026;
- 9 (12) \$15.00 per hour beginning January 1, 2027;
- 10 (13) \$16.00 per hour beginning January 1, 2028;
- 11 (14) \$17.00 per hour beginning January 1, 2029; and
- 12 (15) \$18.00 per hour beginning January 1, 2030.

13 (b) The hourly wage of a tipped employee may be deemed to
14 be increased on account of tips if the employee is paid [~~not~~] no
15 less than:

- 16 (1) 25 cents;
- 17 (2) 50 cents per hour beginning January 1, 2015; [~~and~~]
- 18 (3) 75 cents per hour beginning January 1, 2016[~~;~~];
- 19 (4) \$1.00 per hour beginning January 1, 2023;
- 20 (5) \$1.25 per hour beginning January 1, 2024;
- 21 (6) \$1.50 per hour beginning January 1, 2025;



H.B. NO. 2510

1 SECTION 9. Section 235-55.6, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) Definitions of qualifying individual and employment-
4 related expenses. For purposes of this section:

5 (1) Qualifying individual. The term "qualifying
6 individual" means:

7 (A) A dependent of the taxpayer who is [~~under the age~~
8 ~~of thirteen and~~] a recipient or eligible to be a
9 recipient of Social Security Disability Insurance
10 under title 42 United States Code sections 1381
11 to 1383 and with respect to whom the taxpayer is
12 entitled to a deduction under section 235-
13 54(a) [~~7~~];

14 (B) A dependent of the taxpayer who is a recipient,
15 or eligible to be a recipient, of Social Security
16 Disability Insurance under title 42 United States
17 Code sections 1381 to 1383 and physically or
18 mentally incapable of caring for oneself [~~7~~]; or

19 (C) The spouse of the taxpayer, if the spouse is a
20 recipient or eligible to be a recipient of Social
21 Security Disability Insurance under title 42



1 United States Code sections 1381 to 1383 and
2 physically or mentally incapable of caring for
3 oneself.

4 (2) Employment-related expenses.

5 (A) In general. The term "employment-related
6 expenses" means amounts paid for the following
7 expenses, but only if such expenses are incurred
8 to enable the taxpayer to be gainfully employed
9 for any period for which there are one or more
10 qualifying individuals with respect to the
11 taxpayer:

- 12 (i) Expenses for household services~~[7]~~; and
- 13 (ii) Expenses for the care of a qualifying
14 individual.

15 ~~[Such]~~ The term shall not include any amount paid
16 for services outside the taxpayer's household at
17 a camp where the qualifying individual stays
18 overnight.

19 (B) Exception. Employment-related expenses described
20 in subparagraph (A) ~~[which]~~ that are incurred for
21 services outside the taxpayer's household shall



1 be taken into account only if incurred for the
2 care of:

3 (i) A qualifying individual described in
4 paragraph (1) (A) [~~7~~]; or

5 (ii) A qualifying individual (not described in
6 paragraph (1) (A)) who regularly spends at
7 least eight hours each day in the taxpayer's
8 household.

9 (C) Dependent care centers. Employment-related
10 expenses described in subparagraph (A) [~~which~~
11 that are incurred for services provided outside
12 the taxpayer's household by a dependent care
13 center (as defined in subparagraph (D)) shall be
14 taken into account only if:

15 (i) [~~Such~~] The center complies with all
16 applicable laws, rules, and regulations of
17 this State, if the center is located within
18 the jurisdiction of this State; or

19 (ii) [~~Such~~] The center complies with all
20 applicable laws, rules, and regulations of
21 the jurisdiction in which the center is



1 located, if the center is located outside
2 the State; and

3 (iii) The requirements of subparagraph (B) are
4 met.

5 (D) Dependent care center defined. For purposes of
6 this paragraph, the term "dependent care center"
7 means any facility ~~[which]~~ that:

8 (i) Provides care for more than six individuals
9 (other than individuals who reside at the
10 facility) ~~[7]~~; and

11 (ii) Receives a fee, payment, or grant for
12 providing services for any of the
13 individuals (regardless of whether such
14 facility is operated for profit)."

15 PART VI

16 SECTION 10. The purpose of this part is to appropriate
17 funds specifically for the department of taxation to provide an
18 outreach campaign for low-wage earners to educate them about
19 their income withholding options and provide support when
20 completing their federal and state withholding forms.



H.B. NO. 2510

1 SECTION 11. There is appropriated out of the general
 2 revenues of the State of Hawaii the sum of \$ or so
 3 much thereof as may be necessary for fiscal year 2022-2023 for
 4 the department of taxation to provide an outreach campaign for
 5 low-wage earners to educate them about their income withholding
 6 options and provide support when completing their federal and
 7 state withholding forms.

8 The sum appropriated shall be expended by the department of
 9 taxation for the purposes of this Act.

10 PART VII

11 SECTION 12. Statutory material to be repealed is bracketed
 12 and stricken. New statutory material is underscored.

13 SECTION 13. This Act shall take effect on July 1, 2022;
 14 provided that parts II, III, and V shall apply to taxable years
 15 beginning after December 31, 2022.

16

INTRODUCED BY: *Scott K. Dunn*
 JAN 26 2022



H.B. NO. 2510

Report Title:

Earned Income Tax Credit; Refundable Food/Excise Tax Credit;
Minimum Wage; Household and Dependent Care Tax Credit;
Appropriation

Description:

Part II: Makes the state earned income tax credit refundable and permanent. Provides for carryforward of nonrefundable credits previously claimed. Part III: Increases and amends the refundable food/excise tax credit. Part IV: Increases minimum wage rate to \$11.00 per hour beginning on 1/1/2023, \$12.00 per hour beginning on 1/1/2024, \$13.00 per hour beginning on 1/1/2025, \$14.00 per hour beginning on 1/1/2026, \$15.00 per hour beginning on 1/1/2027, \$16.00 per hour beginning on 1/1/2028, \$17.00 per hour beginning on 1/1/2029, and \$18.00 per hour beginning 1/1/2030. Increases the tip credit over the same period. Part V: Amends the household and dependent care tax credit to apply to expenses paid for the care of a qualifying individual, regardless of age and specify that a qualified individual is, among other things, a recipient or eligible to be a recipient of Social Security disability insurance. Part VI: Appropriates funds for an outreach campaign to educate low-wage earners about their withholding options and to provide support when completing their withholding forms.

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

