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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

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

4           "§235-     Earned income tax credit. (a) Each resident  
5 individual taxpayer who files an individual income tax return  
6 for a taxable year, and who is not claimed or is not otherwise  
7 eligible to be claimed as a dependent by another taxpayer for  
8 income tax purposes, may claim a refundable earned income tax  
9 credit. The tax credit, for the appropriate taxable year, shall  
10 be equal to twenty per cent of the earned income credit allowed  
11 under section 32 of the Internal Revenue Code and reported as  
12 such on the resident individual's federal income tax return.

13           (b) In the case of a part-year resident, the tax credit  
14 shall equal the amount of the tax credit calculated in  
15 subsection (a) multiplied by the ratio of adjusted gross income  
16 attributed to this State to the entire adjusted gross income  
17 computed without regard to source in the State pursuant to  
18 section 235-5.



1        (c) For purposes of claiming the tax credit allowed by  
2 this section, a resident individual taxpayer shall use the same  
3 filing status (i.e., "married filing jointly", "head of  
4 household", "qualifying widow(er)", or "single") on the  
5 taxpayer's Hawaii tax return as used on the taxpayer's federal  
6 return for the taxable year. In the case of a husband and wife  
7 filing separately, the credit allowed may be applied against the  
8 tax of either, or divided between them, as they elect.

9        (d) The tax credit shall be reduced by other tax credits  
10 allowed under this chapter.

11        If the tax credit under this section exceeds the taxpayer's  
12 income tax liability, the excess of tax credit over liability  
13 shall be refunded to the taxpayer; provided that no refund or  
14 payment on account of the tax credit allowed by this section  
15 shall be made for amounts less than \$1.

16        All claims including any amended claims for a tax credit  
17 under this section shall be filed on or before the end of the  
18 twelfth month following the close of the taxable year for which  
19 the tax credit may be claimed; provided that failure to comply  
20 shall constitute a waiver of the right to claim the tax credit.

21        (e) The director of taxation:



- 1        (1) Shall prepare such forms as may be necessary to claim
- 2        a tax credit under this section;
- 3        (2) May require proof of the claim for the tax credit;
- 4        (3) Shall alert eligible taxpayers of the tax credit using
- 5        appropriate and available data;
- 6        (4) Shall prepare an annual report containing:
  - 7            (A) The number of credits granted for the prior
  - 8            calendar year;
  - 9            (B) The total amount of the credits granted; and
  - 10           (C) The average value of the credits granted to
  - 11           taxpayers whose earned income falls within
  - 12           various income ranges; and
- 13        (5) May adopt rules pursuant to chapter 91 to effectuate
- 14        this section."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2005.

INTRODUCED BY:

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JAN 24 2006

HB 2613

**Report Title:**

Taxation; Earned Income Tax Credit

**Description:**

Provides for a state earned income tax credit.

