

JAN 18 2008

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to establish a
2 refundable state earned income tax credit to encourage
3 individual residents of Hawaii to work and also to
4 counterbalance state and local taxes. The refundable state
5 earned income tax credit is equal to twenty per cent of the
6 federal earned income tax credit.

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

10 "§235- Earned income tax credit. (a) Each resident
11 individual taxpayer who files an individual income tax return
12 for a taxable year and who is not claimed, or is not otherwise
13 eligible to be claimed, for income tax purposes as a dependent
14 by another taxpayer, may claim a refundable earned income tax
15 credit. The tax credit shall be equal to twenty per cent of the
16 earned income credit allowed and reported, for the appropriate



1 taxable year, on the resident individual's federal income tax
2 return under section 32 of the Internal Revenue Code.

3 (b) In the case of a part-year resident, the tax credit
4 shall equal the amount of the tax credit calculated in
5 subsection (a) multiplied by the ratio of adjusted gross income
6 attributed to this State to the entire adjusted gross income
7 computed without regard to source in the State pursuant to
8 section 235-5.

9 (c) For purposes of claiming the tax credit allowed by
10 this section, a resident individual taxpayer shall use the same
11 filing status (i.e., "married filing jointly", "head of
12 household", "qualifying widow(er)", or "single") on the
13 individual taxpayer's Hawaii income tax return as the taxpayer
14 used on the taxpayer's federal income tax return for the taxable
15 year. In the case of a husband and wife filing separately, the
16 tax credit allowed may be applied against the tax of either, or
17 divided between them, as they elect.

18 (d) If the tax credit under this section exceeds the
19 individual taxpayer's income tax liability, the excess of tax
20 credit over liability shall be refunded to the taxpayer;
21 provided that no refund or payment on account of the tax credit
22 allowed by this section shall be made for amounts less than \$1.



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

6 (e) The director of taxation:

7 (1) Shall prepare the forms as may be necessary to claim a
8 tax credit under this section;

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

10 (3) Shall alert eligible taxpayers of the tax credit using
11 appropriate and available data;

12 (4) Shall prepare an annual report containing:

13 (A) The number of credits granted for the prior
14 calendar year;

15 (B) The total amount of the credits granted; and

16 (C) The average value of the credits granted to
17 taxpayers whose earned income falls within
18 various income ranges; and

19 (5) May adopt rules pursuant to chapter 91 to effectuate
20 this section."

21 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval
2 and shall apply to taxable years beginning after December 31,
3 2007.
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Report Title:

Taxation; Earned Income Tax Credit

Description:

Creates a refundable state earned income tax credit for individual taxpayers' which is equal to 20% of the federal earned income tax credit.

