

**DEPARTMENT OF TAXATION  
RESEARCH DIVISION • REVENUE IMPACTS ANALYSIS**

**S.B. NO. 2240, RELATING TO TAXATION  
January 22, 2008**

**PROPOSAL:** This bill establishes a refundable earned income tax credit equal to 20% of the federal earned income tax credit for resident taxpayers and applies to taxable years beginning after December 31, 2007.

**REVENUE IMPACT:** Annual revenue loss of approximately \$23.8 million.

**METHODOLOGY:** Based on data used for the 2005 Income Patterns Report, 68,560 resident taxpayers claimed the federal earned income tax credit totaling \$114 million. Taking 20% of that, we estimate a revenue loss of approximately \$22.8 million for residents. We do not have federal income tax returns for part-year residents. We estimate part-year residents' state earned income tax credits to total approximately \$1 million.

**DISCUSSION:** See also HB 2379.

date: 01-30-08

\*\*Note: Federal returns were only available for Form N-11 filers.  
Source: 2005 Hawaii Income Patterns Report and 2005 Return Data

Resident Taxpayers Claiming the Federal Earned Income Tax Credit					
AGI Range			Total # of Returns*	# Claiming EITC	% Claiming EITC
	Under	5,000	24,728	10,907	44.1
5,000	"	10,000	40,877	14,757	36.1
10,000	"	20,000	76,933	20,109	26.1
20,000	"	30,000	72,211	17,333	24.0
30,000	"	40,000	55,353	5,383	9.7
40,000	"	50,000	39,434	60	0.2
Total Under \$50,000			309,536	68,549	22.1

\*The total number of returns includes all residents, including those who filed Form N-12 and Form N-13.