
A BILL FOR AN ACT

RELATING TO ASSET BUILDING.

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

1 PART I

2 EARNED INCOME TAX CREDIT

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

6 "§235- Earned income tax credit. (a) Each resident
7 individual taxpayer who:

8 (1) Files an individual income tax return for a taxable
9 year; and

10 (2) Is not claimed or is not eligible to be claimed as a
11 dependent by another taxpayer for income tax purposes,

12 may claim a refundable earned income tax credit. The tax
13 credit, for the appropriate taxable year, shall be equal to
14 per cent of the federal earned income tax credit
15 allowed under Section 32 of the Internal Revenue Code as amended
16 as of December 31, 2008, and reported as such on the resident
17 individual's federal income tax return.



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

7 (c) To claim the tax credit allowed under this section, a
8 resident individual taxpayer shall use the same filing status on
9 the taxpayer's Hawaii income tax return as used on the
10 taxpayer's federal income tax return for the taxable year. In
11 the case of a husband and wife filing separately, the allowable
12 tax credit may be applied against the income tax liability of
13 either or divided between them, as they elect.

14 (d) All claims including any amended claims for tax
15 credits under this section shall be filed on or before the end
16 of the twelfth month following the close of the taxable year for
17 which the tax credit may be claimed. Failure to comply with
18 this subsection shall constitute a waiver of the right to claim
19 the tax credit.

20 (e) The director of taxation:

21 (1) Shall prepare any forms necessary to claim a tax
22 credit under this section;



- 1 (2) May require proof of the claim for the tax credit;
2 (3) Shall alert eligible taxpayers of the tax credit using
3 appropriate and available means;
4 (4) Shall prepare an annual report to the legislature, the
5 governor, and the public containing the:
6 (A) Number of credits granted for the prior calendar
7 year;
8 (B) Total amount of the credits granted; and
9 (C) Average value of the credits granted to taxpayers
10 whose earned income falls within various income
11 ranges;
12 and
13 (5) May adopt rules pursuant to chapter 91 to effectuate
14 this section."

PART II

FINANCIAL EDUCATION

17 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
18 amended by adding a new section to part II to be appropriately
19 designated and to read as follows:

20 "§346- Financial education. In addition to any
21 mandatory programs available to certain applicants for and
22 recipients of temporary assistance for needy families as



1 required by federal law, the department shall offer financial
2 education to applicants for and recipients of temporary
3 assistance for needy families. For purposes of this section,
4 "financial education" means education that promotes an
5 understanding of consumer, economic, and personal finance
6 concepts, including the basic principles involved in earning,
7 budgeting, spending, saving, investing, and taxation."

8 SECTION 3. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$ or so
10 much thereof as may be necessary for fiscal year 2010-2011 for
11 the department of human services to offer financial education to
12 applicants for and recipients of temporary assistance for needy
13 families.

14 The sums appropriated shall be expended by the department
15 of human services for the purposes of this part.

16 PART III

17 ENCOURAGE SAVINGS

18 SECTION 4. Section 257-3, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "[+]§257-3[+] **Fiduciary organizations.** (a) [~~Fiduciary~~
21 ~~organizations~~] A fiduciary organization shall serve as an
22 intermediary between individual development account holders and



1 financial institutions holding accounts. The fiduciary
2 organization's responsibilities may include:

- 3 (1) Marketing participation;
- 4 (2) Soliciting matching contributions;
- 5 (3) Counseling program participants; and
- 6 (4) Conducting verification and compliance activities.

7 (b) Locally-based organizations shall enter into a
8 competitive process for the right to become fiduciary
9 organizations for a portion of the state matching dollars [~~that~~
10 ~~would be authorized initially~~]. Fiduciary organization
11 proposals shall be evaluated and participation rights awarded on
12 the basis of [~~such items as~~]:

- 13 (1) Their ability to market the program to potential
14 individual development account holders and potential
15 matching fund contributors;
- 16 (2) Their ability to provide safe and secure investments
17 for individual development accounts;
- 18 (3) Their overall administrative capacity, including:
 - 19 (A) Certifications or verifications required to
20 assure compliance with eligibility requirements;
 - 21 (B) Authorized uses of the accounts matching
22 contributions by individuals or businesses; and



- 1 (C) Penalties for unauthorized distributions;
- 2 (4) Their capacity to provide financial counseling and
3 other related services to potential participants; and
- 4 (5) Their links to other activities designed to increase
5 the independence of individuals and families through
6 high return investments, including homeownership,
7 education and training, and small business
8 development.

9 The department of human services, or an agency contracted
10 by the department of human services, shall provide technical and
11 administrative assistance to fiduciary organizations to meet the
12 criteria under this subsection; provided that the State may
13 expend appropriate federal moneys, including temporary
14 assistance for needy families and community development block
15 grants, for this purpose as applicable.

16 (c) If the [State] the department of human services
17 approves an application to fund an individual development
18 account project under this section, the [State] department of
19 human services shall [~~not later than one month after June 28,~~
20 ~~1999,~~] authorize the applicant to conduct the project with state
21 funds [~~for five project years~~] in accordance with the approved
22 application and this section; provided that an applicant may



1 apply for funding during future fiscal years [~~for five project~~
2 ~~years if the State lacks the~~] if there are insufficient
3 resources to fund an individual development account project
4 pursuant to this subsection.

5 [~~(d) For each individual development account program~~
6 ~~approved under this section, the State shall make a grant to the~~
7 ~~qualified entity or collaboration of entities authorized to~~
8 ~~conduct the project on the first day of the project year in an~~
9 ~~amount not to exceed \$100,000 per year for five years.~~

10 ~~(e)]~~ (d) From among the individuals eligible for
11 assistance under the Hawaii individual development account
12 program, each selected fiduciary organization shall select the
13 individuals whom the fiduciary organization deems to be best
14 suited to receive such assistance."

15 SECTION 5. Section 257-11, Hawaii Revised Statutes, is
16 amended as follows:

17 1. By amending subsection (a) to read:

18 "(a) The fiduciary organization running an individual
19 development account program shall have sole authority over the
20 administration of the project. The [State] department of human
21 services may [~~prescribe only such regulations~~] adopt rules with



1 respect to demonstration projects [~~under this chapter~~] as are
2 necessary to ensure compliance [~~pursuant to~~] with this chapter."

3 2. By amending subsection (d) to read:

4 "(d) Selected fiduciary organizations may use no more than
5 [~~ten~~] twenty-five per cent of state funds as appropriated under
6 this [~~+~~]chapter[~~+~~] to cover [~~administrative~~] operating costs in
7 any given year."

8 SECTION 6. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$ or so much
10 thereof as may be necessary for fiscal year 2010-2011 for
11 fiduciary organizations as defined in section 257-1, Hawaii
12 Revised Statutes, to conduct individual development account
13 programs, as provided in section 257-3, Hawaii Revised Statutes.

14 The sum appropriated shall be expended by the department of
15 human services for the purposes of this section.

16 PART IV

17 MISCELLANEOUS

18 SECTION 7. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.



1 SECTION 8. This Act shall take effect on January 1, 2050;
2 provided that, upon its approval, section 1 shall apply to
3 taxable years beginning after December 31, .



Report Title:

Asset Building; Omnibus

Description:

Establishes a refundable state earned income tax credit. Requires the Department of Human Services to provide financial education to applicants for and recipients of Temporary Assistance for Needy Families. Amends provisions of 257, HRS, regarding Individual Development Accounts. (HB1915 HD1)

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