
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 temporarily
2 require a refundable tax credit owed an individual income
3 taxpayer to be paid with a debit card valid only for the
4 purchase of goods or services in the State of Hawaii from
5 persons licensed under chapter 237, Hawaii Revised Statutes.
6 The legislature intends for this Act to promote economic
7 revitalization by retaining dollars for circulation within the
8 State.

9 SECTION 2. Section 231-23, Hawaii Revised Statutes, is
10 amended by amending subsection (c) to read as follows:

11 "(c) This subsection shall apply to all taxes.

12 (1) All refunds shall be paid only upon a form to be known
13 as a "refund voucher" prepared by the collector. The
14 refund vouchers shall set forth all the details of
15 each transaction, shall be approved by the director,
16 and shall be forwarded to the comptroller from time to
17 time. The comptroller shall issue a warrant[7] in the
18 form prescribed by section 40-52[7] or debit card in



1 accordance with section 235-110(d), as applicable, for
2 the payment of any such refund out of the tax reserve
3 fund hereinafter created; provided that if the person
4 entitled to the refund is delinquent in the payment of
5 any tax, the comptroller, upon demand of the collector
6 and after notice to the delinquent taxpayer, shall
7 withhold the amount of the delinquent taxes, together
8 with penalties and interest thereon, from the amount
9 of the refund and pay the same to the collector.

10 (2) There is hereby appropriated, from the general
11 revenues of the State not otherwise appropriated, the
12 sum of \$25,000, which shall be set aside as a trust
13 fund to be known as the tax reserve fund. All refunds
14 of taxes collected by the department under chapters of
15 the law under title 14 administered by the department
16 shall be made out of the tax reserve fund. The
17 director of taxation, from time to time, may deposit
18 taxes collected under chapters of the law under title
19 14 administered by the department in the state
20 treasury to the credit of the tax reserve fund so that
21 there may be maintained at all times a fund not
22 exceeding \$25,000. The amounts deposited shall be



1 made from the taxes with respect to which a particular
2 refund is made."

3 SECTION 3. Section 235-110, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§235-110 Credits and refunds.** (a) If the taxpayer has
6 paid as an installment of the tax more than the amount
7 determined to be the correct amount of such installment, the
8 overpayment shall be credited against the unpaid installments,
9 if any. If the amount already paid, whether or not on the basis
10 of installments, exceeds the amount determined to be the correct
11 amount of the tax, the amount of the credit shall be refunded in
12 the manner provided in section 231-23(c) [~~7~~] and, if applicable,
13 subsection (d). Within the meaning of this subsection, each
14 amount of tax deducted and withheld from a taxpayer's wages is
15 an installment of taxes paid by the taxpayer. A refund or
16 credit shall be made to an employer only to the extent that the
17 amount of overpayment claimed by the employer as a credit or
18 refund was not deducted and withheld by the employer.

19 (b) This section does not apply in the case of a payment
20 made pursuant to an assessment by the department of taxation
21 under section 235-107 or 235-108(b). No refund or overpayment
22 credit may be had under this section in any event unless the



1 original payment of the tax was due to the law having been
2 interpreted or applied in respect of the taxpayer concerned
3 differently than in respect of the taxpayers generally. As to
4 all tax payments for which a refund or credit is not authorized
5 by this section (including without prejudice to the generality
6 of the foregoing cases of unconstitutionality) the remedies
7 provided by appeal or under section 40-35 are exclusive.
8 However, nothing in this subsection shall be deemed applicable
9 to a credit or refund authorized by sections 235-55, 235-66, or
10 235-71, or resulting from the tax as returned being less than
11 the tax as estimated; in any of these cases a credit or refund
12 is authorized even though the tax for the taxable year remains
13 subject to determination by the department and assessment as
14 provided by law.

15 (c) Any refund earned under this section shall be made in
16 the manner provided in section 231-23(c) [-] and, if applicable,
17 subsection (d).

18 (d) When an individual taxpayer is owed a refund because
19 of a refundable tax credit made available under this chapter,
20 the refund amount shall be refunded by debit card. The debit
21 card shall have a cash limit equaling the refund amount, be
22 issued to the individual taxpayer without charge or a fee, and



1 be valid only for the purchase of goods or services within the
2 State from a person licensed under chapter 237. For spouses
3 filing a joint return, only one debit card shall be issued.

4 The executive department designated by the governor shall
5 maintain in the tax reserve fund under section 231-23(c) an
6 account for each individual taxpayer who is issued a debit card,
7 make cash payments to the seller of goods or services to an
8 individual taxpayer who uses the card, debit the payment amount
9 from the individual taxpayer's account, and otherwise administer
10 the program. In the alternative, the executive department
11 designated by the governor may contract with a private person to
12 administer the debit card program under the department's
13 supervision. The executive department designated by the
14 governor may charge a seller of goods or services under the
15 program a reasonable transaction fee to cover the cost of the
16 program.

17 The executive department designated by the governor may
18 replace a damaged, lost, or stolen debit card with a new card
19 having the unused cash balance; provided that the department
20 cancels the account for the damaged, lost, or stolen card.

21 For the purpose of this subsection, "debit card" means a
22 card, plate, or other single credit device issued to an



1 individual that may be used in lieu of cash to purchase goods
2 and services within the State from a person licensed under
3 chapter 237."

4 SECTION 4. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 5. This Act, upon its approval, shall apply to
7 taxable years beginning after December 31, 2010; provided that
8 this Act shall be repealed on December 31, 2012, and sections
9 231-23(c) and 235-110, Hawaii Revised Statutes, shall be
10 reenacted in the form in which they read on December 31, 2010.

11

INTRODUCED BY:

Calvin K. King

JAN 25 2011



Report Title:

Refundable Income Tax Credit; Debit Card

Description:

Requires the temporary issuance of a debit card to an individual taxpayer who is owed a refund due to a refundable income tax credit. Limits use to purchases of goods or services within the State from persons licensed under general excise tax law.

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

