

JAN 21 2011

A BILL FOR AN ACT

RELATING TO ASSET BUILDING.

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

1

PART I

2

PURPOSE

3

SECTION 1. The legislature finds that one third of
Hawaii's middle class families are asset poor, lacking the
resources to subsist at the poverty level for three months in
the absence of a source of income. The legislature further
finds that assets are necessary to provide financial security
during economically difficult times, create economic
opportunities, and improve future generations' quality of life.

10

11

12

13

14

15

16

17

18

Senate Concurrent Resolution No. 92, S.D. 1, and Senate
Resolution No. 52 (2008) established the Hawaii state asset
building and financial education task force, charged with
developing policy recommendations to implement various asset
building strategies in the State. In 2010, the task force
submitted its recommendations to the legislature. The
recommendations included implementing tax policies that make
work pay, improving financial education, encouraging people to
save, helping people start businesses, helping people become



1 homeowners, and removing barriers to asset building. The
2 purpose of this Act is to implement some of the recommendations
3 submitted by the Hawaii state asset building and financial
4 education task force.

5 **PART II**

6 **EARNED INCOME TAX CREDIT**

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

10 "§235- Earned income tax credit. (a) Each resident
11 individual taxpayer who:

12 (1) Files an individual income tax return for a taxable
13 year; and

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

16 may claim a refundable earned income tax credit. The tax
17 credit, for the appropriate taxable year, shall be equal to

18 _____ per cent of the federal earned income tax credit

19 allowed under Section 32 of the Internal Revenue Code, as

20 amended, and reported as such on the resident individual's

21 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; and
- 12 (5) May adopt rules pursuant to chapter 91 to effectuate
- 13 this section."

PART III

FINANCIAL EDUCATION

16 SECTION 3. Chapter 346, Hawaii Revised Statutes, is
17 amended by adding a new section to part II to be appropriately
18 designated and to read as follows:

19 "§346- Financial education. The department shall offer
20 financial education to applicants for and recipients of
21 temporary assistance for needy families, in addition to any



1 mandatory programs available to these applicants, as required by
2 federal law.

3 For purposes of this section, "financial education" means
4 education that promotes an understanding of consumer, economic,
5 and personal finance concepts, including the basic principles
6 involved in earning, budgeting, spending, saving, investing, and
7 taxation."

8 SECTION 4. 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 2011-2012 and
11 the same sum or so much thereof as may be necessary for fiscal
12 year 2012-2013 for the department of human services to offer
13 financial education to applicants for and recipients of
14 temporary assistance for needy families.

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

17 PART IV

18 ENCOURAGE SAVINGS

19 SECTION 5. Section 257-3, Hawaii Revised Statutes, is
20 amended to read as follows:

21 "[+]§257-3[+] **Fiduciary organizations.** (a) [~~Fiduciary~~
22 ~~organizations~~] A fiduciary organization shall serve as an



1 intermediary between individual development account holders and
2 financial institutions holding accounts. The fiduciary
3 organization's responsibilities may include:

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

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

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



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

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

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



1 ~~project years]~~ in accordance with the approved application and
2 this section; provided that an applicant may apply for funding
3 during future fiscal years [~~for five project years if the State~~
4 ~~lacks the]~~ if there are insufficient resources to fund an
5 individual development account project pursuant to this
6 subsection.

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

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

17 SECTION 6. Section 257-11, Hawaii Revised Statutes, is
18 amended as follows:

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

20 "(a) The fiduciary organization running an individual
21 development account program shall have sole authority over the
22 administration of the project. The [~~State]~~ department of human



1 services may [~~prescribe only such regulations~~] adopt rules with
2 respect to demonstration projects [~~under this chapter~~] as are
3 necessary to ensure compliance [~~pursuant to~~] with this chapter."

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

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

9 SECTION 7. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ _____ or so
11 much thereof as may be necessary for fiscal year 2011-2012 and
12 the same sum or so much thereof as may be necessary for fiscal
13 year 2012-2013 for fiduciary organizations, as defined in
14 section 257-1, Hawaii Revised Statutes, to conduct individual
15 development account programs, as provided in section 257-3,
16 Hawaii Revised Statutes.

17 The sums appropriated shall be expended by the department
18 of human services for the purposes of this section.

19 **PART V**

20 **MISCELLANEOUS**

21 SECTION 8. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.



1 SECTION 9. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2010; provided that
3 sections 4 and 7 of this Act shall take effect on July 1, 2011.

4

INTRODUCED BY: Shiranne Chun Calalang

Will Eyo



Report Title:

Asset Building; Appropriation

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 section 257, HRS, regarding individual development accounts.

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

