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# 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 be appropriately designated  
5 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 otherwise eligible to be  
11 claimed as a dependent by another taxpayer for income  
12 tax purposes,

13 may claim a refundable earned income tax credit. The tax  
14 credit, for the appropriate taxable year, shall be equal to  
15 per cent of the federal earned income tax credit  
16 allowed under Section 32 of the Internal Revenue Code as amended  
17 as of December 31, 2008, and reported as such on the resident  
18 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; provided that the  
14 total tax credit allowance for the husband and wife shall not  
15 exceed the tax credit that could have been claimed if the  
16 husband and wife filed a joint tax return.

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



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

PART II

FINANCIAL EDUCATION

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



1           "§346-     Financial education.   In addition to any  
2 mandatory programs available to certain applicants for, and  
3 recipients of temporary assistance for needy families as  
4 required by federal law, the department shall offer financial  
5 education to applicants for, and recipients of temporary  
6 assistance for needy families.

7           For purposes of this section, "financial education" means  
8 education that promotes an understanding of consumer, economic,  
9 and personal finance concepts, including the basic principles  
10 involved with an individual's earnings, budgeting (including  
11 taxes), spending, savings, and investing."

12           SECTION 3. There is appropriated out of the general  
13 revenues of the State of Hawaii the sum of \$                    or so  
14 much thereof as may be necessary for fiscal year 2011-2012 and  
15 the same sum or so much thereof as may be necessary for fiscal  
16 year 2012-2013 for the department of human services to offer  
17 financial education to applicants for and recipients of  
18 temporary assistance for needy families pursuant to this part.

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

21   PART III

22   ENCOURAGE SAVINGS



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

3 " ~~[+] §257-3 [+] Fiduciary organizations.~~ (a) ~~[Fiduciary~~  
4 ~~organizations]~~ A fiduciary organization shall serve as an  
5 intermediary between individual development account holders and  
6 financial institutions holding accounts. The fiduciary  
7 organization's responsibilities may include:

- 8 (1) Marketing participation;  
9 (2) Soliciting matching contributions;  
10 (3) Counseling program participants; and  
11 (4) Conducting verification and compliance activities.

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

- 18 (1) Their ability to market the program to potential  
19 individual development account holders and potential  
20 matching fund contributors;  
21 (2) Their ability to provide safe and secure investments  
22 for individual development accounts;



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

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

21 (c) If the [State] department of human services approves  
22 an application to fund an individual development account project



1 under this section, the [State] department of human services  
2 shall [~~not later than one month after June 28, 1999,~~] authorize  
3 the applicant to conduct the project with state funds [~~for five~~  
4 ~~project years~~] in accordance with the approved application and  
5 this section; provided that an applicant may apply for funding  
6 during future fiscal years [~~for five project years if the State~~  
7 ~~lacks the~~] if there are insufficient resources to fund an  
8 individual development account project pursuant to this  
9 subsection.

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

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

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

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



1           "(a) The fiduciary organization [~~running~~] operating an  
2 individual development account program shall have sole authority  
3 over the administration of the project. The [~~State~~] department  
4 of human services may [~~prescribe only such regulations~~] adopt  
5 rules with respect to demonstration projects [~~under this~~  
6 ~~chapter~~] as are necessary to ensure compliance [~~pursuant to~~]  
7 with this chapter."

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

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

13           SECTION 6. There is appropriated out of the general  
14 revenues of the State of Hawaii the sum of \$                    or so  
15 much thereof as may be necessary for fiscal year 2011-2012 and  
16 the same sum or so much thereof as may be necessary for fiscal  
17 year 2012-2013 for fiduciary organizations as defined in section  
18 257-1, Hawaii Revised Statutes, to conduct individual  
19 development account programs, as provided in section 257-3,  
20 Hawaii Revised Statutes.

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



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PART IV

MISCELLANEOUS

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

SECTION 8. This Act shall take effect on January 1, 2012; provided that upon its approval, section 1 shall apply to taxable years beginning after December 31, 2010.

INTRODUCED BY:

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JAN 21 2011



**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 and promote participation in 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.*

