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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           SECTION 1. The legislature finds that one-third of  
2 Hawaii's middle class families are asset poor, lacking the  
3 resources to subsist at the poverty level for three months in  
4 the absence of a source of income. The legislature further  
5 finds that assets are necessary to provide financial security  
6 during economically difficult times, create economic  
7 opportunities, and improve future generations' quality of life.  
8           Senate Concurrent Resolution No. 92, S.D. 1 (2008), and  
9 Senate Resolution No. 52, S.D. 1 (2008), established the Hawaii  
10 state asset building and financial education task force, charged  
11 with developing policy recommendations to implement various  
12 asset building strategies in the State. In 2010, the task force  
13 submitted its recommendations to the legislature. The  
14 recommendations included implementing tax policies that make  
15 work pay, improving financial education, helping people start  
16 businesses, helping people become homeowners, and removing  
17 barriers to asset building.



1       The legislature further finds that financial education and  
 2 tax workshops are important to ensure that those most in need  
 3 will have the necessary skills to take advantage of tax policies  
 4 and begin building assets. The tools and strategies from  
 5 financial education and tax workshops will empower families by  
 6 helping them to control their financial situation and increase  
 7 their overall self-sufficiency and resiliency.

8       The purpose of this Act is to implement recommendations  
 9 submitted by the Hawaii state asset building and financial  
 10 education task force by enacting an earned income tax credit.

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

14       "§235-    Earned income tax credit. (a) Each resident  
 15 individual taxpayer who:

16       (1) Files an individual income tax return for a taxable  
 17       year; and

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

20 may claim an earned income tax credit. The tax credit, for the  
 21 appropriate taxable year, shall be equal to       per cent of  
 22 the federal earned income tax credit allowed under section 32 of



1 the Internal Revenue Code, as amended, and reported as such on  
2 the resident individual's federal income tax return. If the tax  
3 credits claimed by a resident taxpayer exceed the amount of  
4 income tax payment due from the resident taxpayer, it may be  
5 used as a credit against the taxpayer's income tax liability in  
6 subsequent years until exhausted.

7 (b) In the case of a part-year resident, the tax credit  
8 shall equal the amount of the tax credit calculated in  
9 subsection (a) multiplied by the ratio of adjusted gross income  
10 attributed to this State to the entire adjusted gross income  
11 computed without regard to source in the State pursuant to  
12 section 235-5.

13 (c) To claim the tax credit allowed under this section, a  
14 resident individual taxpayer shall use the same filing status on  
15 the taxpayer's Hawaii income tax return as used on the  
16 taxpayer's federal income tax return for the taxable year.

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) No credit shall be allowed under this section for any  
2 taxable year in the disallowance period. For purposes of this  
3 subsection, the disallowance period is:

4       (1) The period of ten taxable years after the most recent  
5 taxable year for which there was a final determination  
6 that the taxpayer's claim of credit under this section  
7 was due to fraud; and

8       (2) The period of two taxable years after the most recent  
9 taxable year for which there was a final determination  
10 that the taxpayer's claim of credit under this section  
11 was due to reckless or intentional disregard of rules  
12 and regulations, but not due to fraud.

13       (f) Any person who is a tax return preparer, as defined  
14 under section 231-36.5(h), shall be subject to regulations in  
15 section 231-36.5. Any tax return preparer who fails to comply  
16 with due diligence requirements under the regulations with  
17 respect to determining eligibility for, or the amount of, the  
18 credit allowable by section 32 of the Internal Revenue Code  
19 shall pay a penalty of \$100 for each failure.

20       (g) 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."

14        SECTION 3. New statutory material is underscored.

15        SECTION 4. This Act shall take effect on July 1, 2050, and

16 shall apply to taxable years beginning after December 31, 2014.



**Report Title:**

Earned Income Tax Credit; Asset Building

**Description:**

Establishes a state earned income tax credit. Effective July 1, 2050. (SB301 HD1)

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

