
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 control their financial situation and increase
7 their overall self-sufficiency and resiliency.

8 The purpose of this Act is implement recommendations
9 submitted by the Hawaii state asset building and financial
10 education task force by enacting a refundable earned income tax
11 credit and appropriating funds to provide tax workshops and
12 financial education.

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

16 "§235- Earned income tax credit. (a) Each resident
17 individual taxpayer who:

18 (1) Files an individual income tax return for a taxable
19 year; and

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



1 may claim a refundable earned income tax credit. The tax
2 credit, for the appropriate taxable year, shall be equal to
3 per cent of the federal earned income tax credit allowed
4 under section 32 of the Internal Revenue Code, as amended, and
5 reported as such on the resident individual's federal income tax
6 return. If the tax credits claimed by a resident taxpayer
7 exceed the amount of income tax payment due from the resident
8 taxpayer, the excess of credits over payments due shall be
9 refunded to the resident taxpayer; provided that tax credits
10 properly claimed by a resident individual who has no income tax
11 liability shall be paid to the resident individual; provided
12 further that no refunds or payment on account of the tax credits
13 allowed by this section shall be made for amounts less than \$1.

14 (b) In the case of a part-year resident, the tax credit
15 shall equal the amount of the tax credit calculated in
16 subsection (a) multiplied by the ratio of adjusted gross income
17 attributed to this State to the entire adjusted gross income
18 computed without regard to source in the State pursuant to
19 section 235-5.

20 (c) To claim the tax credit allowed under this section, a
21 resident individual taxpayer shall use the same filing status on



1 the taxpayer's Hawaii income tax return as used on the
2 taxpayer's federal income tax return for the taxable year.

3 (d) All claims including any amended claims for tax
4 credits under this section shall be filed on or before the end
5 of the twelfth month following the close of the taxable year for
6 which the tax credit may be claimed. Failure to comply with
7 this subsection shall constitute a waiver of the right to claim
8 the tax credit.

9 (e) No credit shall be allowed under this section for any
10 taxable year in the disallowance period. For purposes of this
11 subsection, the disallowance period is:

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

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

21 (f) Any person who is a tax return preparer under section
22 231-36.5(h) shall be subject to regulations issued by the



1 Secretary of the United States Department of the Treasury at
2 title 31 Code of Federal Regulations part 10 (2012) (with
3 respect to practice before the Internal Revenue Service). Any
4 tax return preparer who fails to comply with due diligence
5 requirements under such regulations with respect to determining
6 eligibility for, or the amount of, the credit allowable by
7 section 32 of the Internal Revenue Code shall pay a penalty of
8 \$100 for each such failure.

9 (g) The director of taxation:

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

12 (2) May require proof of the claim for the tax credit;

13 (3) Shall alert eligible taxpayers of the tax credit using
14 appropriate and available means;

15 (4) Shall prepare an annual report to the legislature, the
16 governor, and the public containing the:

17 (A) Number of credits granted for the prior calendar
18 year;

19 (B) Total amount of the credits granted; and

20 (C) Average value of the credits granted to taxpayers
21 whose earned income falls within various income
22 ranges; and



1 (5) May adopt rules pursuant to chapter 91 to effectuate
2 this section."

3 SECTION 3. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so
5 much thereof as may be necessary for fiscal year 2013-2014 as a
6 grant pursuant to chapter 42F, Hawaii Revised Statutes, for the
7 Hawaii Alliance for Community-Based Economic Development to
8 provide tax workshops and financial education.

9 The sum appropriated shall be expended by the department of
10 human services for the purposes of this Act.

11 SECTION 4. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$ or so
13 much thereof as may be necessary for fiscal year 2014-2015 as a
14 grant pursuant to chapter 42F, Hawaii Revised Statutes, for the
15 Hawaii Alliance for Community-Based Economic Development to
16 provide tax workshops and financial education.

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

19 SECTION 5. New statutory material is underscored.

20 SECTION 6. This Act, upon its approval, shall apply to
21 taxable years beginning after December 31, 2012; provided that
22 sections 3 and 4 shall take effect on July 1, 2013.



Report Title:

Earned Income Tax Credit; Asset Building; Appropriation; Grant

Description:

Establishes a refundable state earned income tax credit.
Appropriates grants for financial education and tax workshops.
(SD1)

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