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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

2 SECTION 1. Section 235-55.85, Hawaii Revised Statutes, is  
3 amended by amending subsection (b) to read as follows:

4 "(b) Each resident individual taxpayer may claim a  
5 refundable food/excise tax credit multiplied by the number of  
6 qualified exemptions to which the taxpayer is entitled in  
7 accordance with the table below; provided that a husband and  
8 wife filing separate tax returns for a taxable year for which a  
9 joint return could have been filed by them shall claim only the  
10 tax credit to which they would have been entitled had a joint  
11 return been filed.

12	Adjusted gross income	Credit per exemption
13	Under <del>[\$5,000]</del> \$ _____	<del>[\$85]</del> <u>\$96</u>
14	<del>[\$5,000]</del> \$ _____ under <del>[\$10,000]</del> \$ _____	<del>[75]</del> \$ _____
15	<del>[\$10,000]</del> \$ _____ under <del>[\$15,000]</del> \$ _____	<del>[65]</del> \$ _____
16	<del>[\$15,000]</del> \$ _____ under <del>[\$20,000]</del> \$ _____	<del>[55]</del> \$ _____
17	<del>[\$20,000]</del> \$ _____ under <del>[\$30,000]</del> \$ _____	<del>[45]</del> \$ _____
18	<del>[\$30,000]</del> \$ _____ under <del>[\$40,000]</del> \$ _____	<del>[35]</del> \$ _____





1 income tax calculations required by this chapter, a taxpayer  
2 with a federal adjusted gross income below the federal poverty  
3 guidelines and with a state income tax liability shall receive a  
4 credit that eliminates the taxpayer's state income tax  
5 liability. A taxpayer with a federal adjusted gross income of  
6 at least one hundred but not more than one hundred twenty-five  
7 per cent of the federal poverty guidelines and with a state  
8 income tax liability shall receive a credit that reduces the  
9 taxpayer's state income tax liability by fifty per cent. A  
10 taxpayer with a federal adjusted gross income above one hundred  
11 twenty-five per cent of the federal poverty guidelines shall be  
12 ineligible for the credit.

13 (b) All claims for a tax credit under this section,  
14 including amended claims, shall be filed on or before the end of  
15 the twelfth month following the close of the taxable year for  
16 which the tax credit may be claimed. Failure to comply with the  
17 foregoing provision shall constitute a waiver of the right to  
18 claim the tax credit.

19 (c) The director of taxation shall prepare any forms that  
20 may be necessary to claim a credit under this section. The  
21 director may also require the taxpayer to furnish information to  
22 ascertain the validity of the claim for the tax credit made



1 under this section and may adopt rules pursuant to chapter 91  
2 necessary to effectuate the purposes of this section.

3 (d) For purposes of this section:

4 "Federal poverty guidelines" means the guidelines set forth  
5 by the United States Department of Health and Human Services  
6 each year for Hawaii."

7 PART IV

8 SECTION 4. Chapter 235, Hawaii Revised Statutes, is  
9 amended by adding a new section to be appropriately designated  
10 and to read as follows:

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

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

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

17 may claim a refundable earned income tax credit. The tax  
18 credit, for the appropriate taxable year, shall be per  
19 cent of the federal earned income tax credit allowed under  
20 section 32 of the Internal Revenue Code and reported as such on  
21 the individual's federal income tax return. If the tax credit  
22 claimed by a taxpayer exceeds the amount of income tax payment



1 due from the taxpayer, the excess of credit over payment due  
2 shall be refunded to the taxpayer; provided that a tax credit  
3 properly claimed by an individual who has no income tax  
4 liability shall be paid to the individual and no refund or  
5 payment on account of the tax credit allowed by this section  
6 shall be made for an amount less than \$1.

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, an  
14 individual taxpayer shall use the same filing status on the  
15 taxpayer's Hawaii income tax return as used on the taxpayer's  
16 federal income tax return for the taxable year.

17 (d) Any claim, including any amended claim, 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 the reckless or intentional disregard of  
12 rules and regulations to qualify for the tax credit,  
13 but not due to fraud.

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

21       (g) The director of taxation:



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

PART V

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

19        SECTION 6. This Act shall take effect on July 1, 2050, and  
20 shall apply to taxable years beginning after December 31,



**Report Title:**

Refundable Food/Excise Tax Credit; Income Tax Credit for Low-Income Household Renters; Low-Income Tax Credit; Earned Income Tax Credit

**Description:**

Amends the amount and threshold of the refundable food/excise tax credit and income tax credit for low-income household renters. Creates a new low-income tax credit and earned income tax credit. Effective July 1, 2050. (HB2371 HD1)

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

