
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to part III to be appropriately
3 designated and to read as follows:
4 "§235- Earned income tax credit. (a) Each resident
5 individual taxpayer who:
6 (1) Files an individual income tax return for a taxable
7 year; and
8 (2) Is not claimed or is not eligible to be claimed as a
9 dependent by another taxpayer for income tax purposes,
10 may claim a refundable earned income tax credit. The tax credit
11 for the appropriate taxable year shall be equal to ten per cent
12 of the federal earned income tax credit allowed under section 32
13 of the Internal Revenue Code, as amended, and reported as such
14 on the individual's federal income tax return. If the tax
15 credit claimed by a taxpayer exceeds the amount of income tax
16 payment due from the taxpayer, the excess of credit over payment
17 due shall be refunded to the taxpayer; provided that a tax
18 credit properly claimed by an individual who has no income tax



1 liability shall be paid to the individual; and provided further
2 that no refund or payment on account of the tax credit allowed
3 by this section shall be made for an amount less than \$1.

4 (b) In the case of a nonresident individual taxpayer, the
5 tax credit shall equal the amount of the tax credit calculated
6 in subsection (a), multiplied by the ratio of adjusted gross
7 income attributed to this State to the entire adjusted gross
8 income, and computed without regard to source in the State
9 pursuant to section 235-5.

10 (c) To claim the tax credit allowed under this section, an
11 individual taxpayer shall use the same filing status on the
12 taxpayer's Hawaii income tax return as used on the taxpayer's
13 federal income tax return for the taxable year.

14 (d) Any claim, including any amended claim, 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) No credit shall be allowed under this section for any
21 taxable year in the disallowance period. For purposes of this
22 subsection, the disallowance period is:

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

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

11 (f) Any person who is a tax return preparer with respect
12 to any return or claim for refund who fails to comply with due
13 diligence requirements imposed by the Secretary of the United
14 States Department of the Treasury by regulations with respect to
15 determining eligibility for, or the amount of, the credit
16 allowable by section 32 of the Internal Revenue Code shall pay a
17 penalty of \$100 for each failure.

18 (g) The director of taxation:

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

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

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

3 (4) Shall prepare an annual public report to the
4 legislature and the governor that includes the:

5 (A) Number of credits granted for the prior calendar
6 year;

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

8 (C) Average value of the credits granted to taxpayers
9 whose earned income falls within various income
10 ranges; and

11 (5) May adopt rules pursuant to chapter 91 to effectuate
12 this section."

13 SECTION 2. New statutory material is underscored.

14 SECTION 3. This Act shall take effect on July 1, 2080, and
15 apply to taxable years beginning after December 31, 2014.



Report Title:

Earned Income Tax Credit; Taxation

Description:

Establishes a refundable state earned income tax credit.
Requires the department of taxation to provide a public report
to the legislature and governor on the earned income tax
credit's usage for the previous year. Effective July 1, 2080.
(SB2205 HD1)

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