

JAN 16 2014

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. Chapter 235, Hawaii Revised Statutes, is
3 amended by adding a new section to part III to be appropriately
4 designated and to read as follows:

5 "§235- Earned income tax credit. (a) Each resident
6 individual taxpayer who:

7 (1) Files an individual income tax return for a taxable
8 year; and

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

11 may claim a refundable earned income tax credit. The tax
12 credit, for the appropriate taxable year, shall be equal to ten
13 per cent of the federal earned income tax credit allowed under
14 section 32 of the Internal Revenue Code, as amended, and
15 reported as such on the individual's federal income tax return.

16 If the tax credits claimed by a resident individual exceed the
17 amount of income tax payment due from the resident individual,
18 the excess of credit over payment due shall be refunded to the



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

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

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

16 (d) Any claim, including any amended claim, for tax
17 credits under this section shall be filed on or before the end
18 of the twelfth month following the close of the taxable year for
19 which the tax credit may be claimed. Failure to comply with
20 this subsection shall constitute a waiver of the right to claim
21 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 with respect
15 to any return or claim for refund who fails to comply with due
16 diligence requirements imposed by the Secretary of the United
17 States Department of the Treasury by regulations with respect to
18 determining eligibility for, or the amount of, the credit
19 allowable by section 32 of the Internal Revenue Code shall pay a
20 penalty of \$100 for each failure.

21 (g) The director of taxation:



1 taxpayer's income tax liability by fifty per cent for the
2 taxable year in which the tax credit is properly claimed;
3 provided that:

4 (1) Any taxpayer with an income tax liability and a
5 federal adjusted gross income at or below the federal
6 poverty guidelines shall receive an income tax credit
7 under this section that eliminates the taxpayer's
8 income tax liability under this chapter; and

9 (2) The tax credit under this section shall apply to a
10 taxpayer with an income tax liability and a federal
11 adjusted gross income between one hundred per cent and
12 one hundred twenty-five per cent of the federal
13 poverty guidelines.

14 Taxpayers with a federal adjusted gross income of one hundred
15 twenty-five per cent or more of the federal poverty guidelines
16 and an income tax liability shall be ineligible for the tax
17 credit under this section.

18 (b) All claims for a tax credit under this section,
19 including any amended claims, shall be filed on or before the
20 end of the twelfth month following the close of the taxable year
21 for which the tax credit may be claimed. Failure to comply with



1 the foregoing provision shall constitute a waiver of the right
2 to claim the tax credit.

3 (c) The director of taxation shall prepare any forms that
4 may be necessary to claim a credit under this section. The
5 director may also require the taxpayer to furnish information to
6 ascertain the validity of the claim for credit made under this
7 section.

8 (d) The department of taxation may adopt rules pursuant to
9 chapter 91 necessary to effectuate the purposes of this section.

10 (e) As used in this section, "federal poverty guidelines"
11 means the guidelines set forth each year by the United States
12 Department of Health and Human Services."

13 PART III

14 SECTION 3. Section 235-55.7, Hawaii Revised Statutes, is
15 amended to read as follows:

16 **"§235-55.7 Income tax credit for low-income household**
17 **renters.** (a) As used in this section:

18 (1) "Adjusted gross income" is defined by section 235-1.

19 (2) "Consumer price index" means the consumer price index
20 for All Urban Consumers published by the United States
21 Department of Labor.



1 [~~(2)~~] (3) "Qualified exemption" includes those exemptions
2 permitted under this chapter; provided that a person
3 for whom exemption is claimed has physically resided
4 in the State for more than nine months during the
5 taxable year; and provided that multiple exemption
6 shall not be granted because of deficiencies in
7 vision, hearing, or other disability.

8 [~~(3)~~] (4) "Rent" means the amount paid in cash in any
9 taxable year for the occupancy of a dwelling place
10 which is used by a resident taxpayer or the resident
11 taxpayer's immediate family as the principal residence
12 in this State. Rent is limited to the amount paid for
13 the occupancy of the dwelling place only, and is
14 exclusive of charges for utilities, parking stalls,
15 storage of goods, yard services, furniture,
16 furnishings, and the like. Rent shall not include any
17 rental claimed as a deduction from gross income or
18 adjusted gross income for income tax purposes, any
19 ground rental paid for use of land only, and any rent
20 allowance or subsidies received.

21 (b) Each resident taxpayer who occupies and pays rent for
22 real property within the State as the resident taxpayer's



1 residence or the residence of the resident taxpayer's immediate
2 family which is not partially or wholly exempted from real
3 property tax, who is not eligible to be claimed as a dependent
4 for federal or state income taxes by another, and who files an
5 individual net income tax return for a taxable year, may claim a
6 tax credit under this section against the resident taxpayer's
7 Hawaii state individual net income tax.

8 (c) Each taxpayer with an adjusted gross income of less
9 than [~~\$30,000~~] \$59,700 who has paid more than \$1,000 in rent
10 during the taxable year for which the credit is claimed may
11 claim a tax credit of [~~\$50~~] \$146 multiplied by the number of
12 qualified exemptions to which the taxpayer is entitled; provided
13 each taxpayer sixty-five years of age or over may claim double
14 the tax credit; and provided that a resident individual who has
15 no income or no income taxable under this chapter may also claim
16 the tax credit as set forth in this section.

17 (d) For each taxable year beginning after December 31,
18 2014, each dollar amount contained in subsection (c) shall be
19 increased by an amount equal to such dollar amount, multiplied
20 by the percentage, if any, by which the consumer price index for
21 the preceding calendar year exceeds the consumer price index for
22 the calendar year 2015.



1 ~~(d)~~ (e) If a rental unit is occupied by two or more
2 individuals, and more than one individual is able to qualify as
3 a claimant, the claim for credit shall be based upon a pro rata
4 share of the rent paid.

5 ~~(e)~~ (f) The tax credits shall be deductible from the
6 taxpayer's individual net income tax for the tax year in which
7 the credits are properly claimed; provided that a husband and
8 wife filing separate returns for a taxable year for which a
9 joint return could have been made by them shall claim only the
10 tax credits to which they would have been entitled had a joint
11 return been filed. In the event the allowed tax credits exceed
12 the amount of the income tax payments due from the taxpayer, the
13 excess of credits over payments due shall be refunded to the
14 taxpayer; provided that allowed tax credits properly claimed by
15 an individual who has no income tax liability shall be paid to
16 the individual; and provided further that no refunds or payments
17 on account of the tax credits allowed by this section shall be
18 made for amounts less than \$1.

19 ~~(f)~~ (g) The director of taxation shall prepare and
20 prescribe the appropriate form or forms to be used herein, may
21 require proof of the claim for tax credits, and may adopt rules
22 pursuant to chapter 91.



1 [~~(g)~~] (h) All of the provisions relating to assessments
 2 and refunds under this chapter and under section 231-23(c)(1)
 3 shall apply to the tax credits hereunder.

4 [~~(h)~~] (i) Claims for tax credits under this section,
 5 including any amended claims thereof, shall be filed on or
 6 before the end of the twelfth month following the taxable year
 7 for which the credit may be claimed."

PART IV

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 9 SECTION 4. Section 235-55.85, Hawaii Revised Statutes, is
 10 amended as follows:

11 1. By amending subsections (b) and (c) to read:

12 "(b) Each resident individual taxpayer may claim a
 13 refundable food/excise tax credit multiplied by the number of
 14 qualified exemptions to which the taxpayer is entitled in
 15 accordance with the table below; provided that a husband and
 16 wife filing separate tax returns for a taxable year for which a
 17 joint return could have been filed by them shall claim only the
 18 tax credit to which they would have been entitled had a joint
 19 return been filed.

Adjusted gross income	Credit per exemption
Under [\$5,000] <u>\$5,700</u>	[\$85] <u>\$96</u>
[\$5,000] <u>\$5,700</u> under [\$10,000] <u>\$11,300</u>	[75] <u>\$85</u>



1	[\$10,000]	<u>\$11,300</u>	under	[\$15,000]	<u>\$17,000</u>	[65]	<u>\$74</u>
2	[\$15,000]	<u>\$17,000</u>	under	[\$20,000]	<u>\$22,700</u>	[55]	<u>\$62</u>
3	[\$20,000]	<u>\$22,700</u>	under	[\$30,000]	<u>\$34,000</u>	[45]	<u>\$51</u>
4	[\$30,000]	<u>\$34,000</u>	under	[\$40,000]	<u>\$45,300</u>	[35]	<u>\$40</u>
5	[\$40,000]	<u>\$45,300</u>	under	[\$50,000]	<u>\$56,500</u>	[25]	<u>\$28</u>
6	[\$50,000]	<u>\$56,500</u>	and over				<u>\$0</u>

7 (c) ~~[For the purposes of this section, a qualified~~
8 ~~exemption is defined to include those exemptions permitted under~~
9 ~~this chapter; provided that no additional exemption may be~~
10 ~~claimed by a taxpayer who is sixty five years of age or older,~~
11 ~~provided that a person for whom exemption is claimed has~~
12 ~~physically resided in the State for more than nine months during~~
13 ~~the taxable year; and provided further that multiple exemptions~~
14 ~~shall not be granted because of deficiencies in vision or~~
15 ~~hearing, or other disability. For purposes of claiming this~~
16 ~~credit only, a minor child receiving support from the department~~
17 ~~of human services of the State, social security survivor's~~
18 ~~benefits, and the like, may be considered a dependent and a~~
19 ~~qualified exemption of the parent or guardian.] For each~~
20 taxable year beginning after December 31, 2014, each dollar
21 amount contained in subsection (b) shall be increased by an
22 amount equal to such dollar amount multiplied by the percentage,



1 if any, by which the consumer price index for the preceding
2 calendar year exceeds the consumer price index for the calendar
3 year 2015."

4 2. By amending subsection (g) to read:

5 "(g) For the purposes of this section[, ~~"adjusted~~]:

6 "Adjusted gross income" means adjusted gross income as
7 defined by the Internal Revenue Code.

8 "Consumer price index" means the consumer price index for
9 all urban consumers published by the United States Department of
10 Labor.

11 "Qualified exemption" means those exemptions permitted
12 under this chapter; provided that no additional exemption may be
13 claimed by a taxpayer who is sixty-five years of age or older;
14 provided further that a person who claims such an exemption
15 shall have physically resided in the State for more than nine
16 months during the taxable year; provided further that multiple
17 exemptions shall not be granted because of deficiencies in
18 vision or hearing or other disability. For purposes of claiming
19 this credit only, a minor child receiving support from the
20 department of human services of the State, social security
21 survivor's benefits, and the like, may be considered a dependent
22 and a qualified exemption of the parent or guardian."



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PART V

SECTION 5. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect upon its approval, and shall apply to taxable years beginning after December 31, 2014.

INTRODUCED BY:

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S.B. NO. 2206

Report Title:

Taxation; Low-Income Tax Credit; Earned-Income Tax Credit; Refundable Food/Excise Tax Credit; Low-income Household Tax Credit

Description:

Establishes an earned-income tax credit and reduces or eliminates the state income tax liability for taxpayers with a federal adjusted gross income of less than 125 percent of the federal poverty guidelines set forth each year by the United States Department of Health and Human Services. Amends existing tax incentives for low-income household renters and taxpayers utilizing the refundable food/excise tax credit. Applies to taxable years beginning after December 31, 2014.

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

