

JAN 17 2014

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 be appropriately designated
3 and to read as follows:
4 "§235- Earned income tax credit. (a) Each individual
5 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
11 credit, for the appropriate taxable year, shall be per
12 cent of the federal earned income tax credit allowed under
13 section 32 of the Internal Revenue Code and reported as such on
14 the individual's federal income tax return. If the tax credit
15 claimed by a taxpayer exceeds the amount of income tax payment
16 due from the taxpayer, the excess of credit over payment due
17 shall be refunded to the taxpayer; provided that a tax credit
18 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 part-year resident, the tax credit
5 shall equal the amount of the tax credit calculated in
6 subsection (a) multiplied by the ratio of adjusted gross income
7 attributed to this State to the entire adjusted gross income
8 computed without regard to source in the State pursuant to
9 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, as defined
12 under section 231-36.5(h), shall be subject to regulations
13 referred to in section 231-36.5. Any tax return preparer who
14 fails to comply with due diligence requirements under the
15 regulations with respect to determining eligibility for, or the
16 amount of, the credit allowable by section 32 of the Internal
17 Revenue Code shall pay a 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 containing 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, upon its approval, shall apply to

15 taxable years beginning after December 31, 2013.

INTRODUCED BY:

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S.B. NO. 2278

Report Title:

Earned Income Tax Credit

Description:

Establishes a state earned income tax credit.

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