

---

---

# 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 twenty 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



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

5 (b) For a part-year resident, the tax credit shall equal  
6 the amount of the tax credit calculated in subsection (a)  
7 multiplied by the ratio of adjusted gross income attributed to  
8 this State to the entire adjusted gross income computed without  
9 regard to source in the State 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.



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.





Alan

Jeffrey Cook

Sen Clark

OL

Del Hart

Mike A. ...

H. ...

Nicole E. ...

[Signature]

JAN 19 2017



# H.B. NO. 212

**Report Title:**

Earned Income Tax Credit

**Description:**

Establishes a state earned income tax credit.

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

