

JAN 20 2017

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# 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 two new sections to part III to be  
3 appropriately designated and to read as follows:

4           "§235-A 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  
11 credit, for the appropriate taxable year, shall be equal to  
12 per cent of the federal earned income tax credit allowed  
13 under section 32 of the Internal Revenue Code, as amended, and  
14 reported as such on the individual's federal income tax return.

15 If the tax credits claimed by a resident individual exceed the  
16 amount of income tax payment due from the resident individual,  
17 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; 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        (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; and
- 6        (4) May adopt rules pursuant to chapter 91 to effectuate
- 7            this section.

8        **§235-B Earned income tax credit special fund; established.**

9        (a) There is established an earned income tax credit special  
10 fund into which shall be deposited revenues collected pursuant  
11 to section 235-51; provided that in each fiscal year, of the  
12 total revenues collected pursuant to section 235-51, all  
13 revenues in excess of \$                      shall be deposited into the  
14 general fund.

15        (b) The moneys in the fund shall be used for earned income  
16 tax credit claims pursuant to section 235-A.

17        (c) The director may adopt rules pursuant to chapter 91 to  
18 effectuate this section."

19        SECTION 2. Section 235-51, Hawaii Revised Statutes, is  
20 amended by amending subsections (a), (b), and (c) to read as  
21 follows:



1           "(a) There is hereby imposed on the taxable income of (1)  
2 every taxpayer who files a joint return under section 235-93;  
3 and (2) every surviving spouse a tax determined in accordance  
4 with the following table:

5           In the case of any taxable year beginning after  
6 December 31, 2001:

7	If the taxable income is:	The tax shall be:
8	Not over \$4,000	1.40% of taxable income
9	Over \$4,000 but	\$56.00 plus 3.20% of
10	not over \$8,000	excess over \$4,000
11	Over \$8,000 but	\$184.00 plus 5.50% of
12	not over \$16,000	excess over \$8,000
13	Over \$16,000 but	\$624.00 plus 6.40% of
14	not over \$24,000	excess over \$16,000
15	Over \$24,000 but	\$1,136.00 plus 6.80% of
16	not over \$32,000	excess over \$24,000
17	Over \$32,000 but	\$1,680.00 plus 7.20% of
18	not over \$40,000	excess over \$32,000
19	Over \$40,000 but	\$2,256.00 plus 7.60% of
20	not over \$60,000	excess over \$40,000
21	Over \$60,000 but	\$3,776.00 plus 7.90% of



1	not over \$80,000	excess over \$60,000
2	Over \$80,000	\$5,356.00 plus 8.25% of
3		excess over \$80,000.

4 In the case of any taxable year beginning after  
5 December 31, 2006:

6	If the taxable income is:	The tax shall be:
7	Not over \$4,800	1.40% of taxable income
8	Over \$4,800 but	\$67.00 plus 3.20% of
9	not over \$9,600	excess over \$4,800
10	Over \$9,600 but	\$221.00 plus 5.50% of
11	not over \$19,200	excess over \$9,600
12	Over \$19,200 but	\$749.00 plus 6.40% of
13	not over \$28,800	excess over \$19,200
14	Over \$28,800 but	\$1,363.00 plus 6.80% of
15	not over \$38,400	excess over \$28,800
16	Over \$38,400 but	\$2,016.00 plus 7.20% of
17	not over \$48,000	excess over \$38,400
18	Over \$48,000 but	\$2,707.00 plus 7.60% of
19	not over \$72,000	excess over \$48,000
20	Over \$72,000 but	\$4,531.00 plus 7.90% of
21	not over \$96,000	excess over \$72,000



1 Over \$96,000 \$6,427.00 plus 8.25% of  
2 excess over \$96,000.

3 In the case of any taxable year beginning after  
4 December 31, 2016:

5	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
6	<u>Not over \$4,800</u>	<u>1.40% of taxable income</u>
7	<u>Over \$4,800 but</u>	<u>\$67.00 plus 3.20% of</u>
8	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
9	<u>Over \$9,600 but</u>	<u>\$221.00 plus 5.50% of</u>
10	<u>not over \$19,200</u>	<u>excess over \$9,600</u>
11	<u>Over \$19,200 but</u>	<u>\$749.00 plus 6.40% of</u>
12	<u>not over \$28,800</u>	<u>excess over \$19,200</u>
13	<u>Over \$28,800 but</u>	<u>\$1,363.00 plus 6.80% of</u>
14	<u>not over \$38,400</u>	<u>excess over \$28,800</u>
15	<u>Over \$38,400 but</u>	<u>\$2,016.00 plus 7.20% of</u>
16	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
17	<u>Over \$48,000 but</u>	<u>\$2,707.00 plus 7.60% of</u>
18	<u>not over \$72,000</u>	<u>excess over \$48,000</u>
19	<u>Over \$72,000 but</u>	<u>\$4,531.00 plus 7.90% of</u>
20	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
21	<u>Over \$96,000 but</u>	<u>\$6,427.00 plus 8.25% of</u>



1	<u>not over \$200,000</u>	<u>excess over \$96,000</u>
2	<u>Over \$200,000</u>	<u>\$15,007.00 plus 11.00% of</u>
3		<u>excess over \$200,000;</u>

4 provided that revenues collected from taxable income over  
 5 \$200,000 shall be deposited into the earned income tax credit  
 6 special fund established pursuant to section 235-B.

7 (b) There is hereby imposed on the taxable income of every  
 8 head of a household a tax determined in accordance with the  
 9 following table:

10 In the case of any taxable year beginning after  
 11 December 31, 2001:

12	If the taxable income is:	The tax shall be:
13	Not over \$3,000	1.40% of taxable income
14	Over \$3,000 but	\$42.00 plus 3.20% of
15	not over \$6,000	excess over \$3,000
16	Over \$6,000 but	\$138.00 plus 5.50% of
17	not over \$12,000	excess over \$6,000
18	Over \$12,000 but	\$468.00 plus 6.40% of
19	not over \$18,000	excess over \$12,000
20	Over \$18,000 but	\$852.00 plus 6.80% of
21	not over \$24,000	excess over \$18,000





1	Over \$24,000 but	\$1,260.00 plus 7.20% of
2	not over \$30,000	excess over \$24,000
3	Over \$30,000 but	\$1,692.00 plus 7.60% of
4	not over \$45,000	excess over \$30,000
5	Over \$45,000 but	\$2,832.00 plus 7.90% of
6	not over \$60,000	excess over \$45,000
7	Over \$60,000	\$4,017.00 plus 8.25% of
8		excess over \$60,000.

9 In the case of any taxable year beginning after  
10 December 31, 2006:

11	If the taxable income is:	The tax shall be:
12	Not over \$3,600	1.40% of taxable income
13	Over \$3,600 but	\$50.00 plus 3.20% of
14	not over \$7,200	excess over \$3,600
15	Over \$7,200 but	\$166.00 plus 5.50% of
16	not over \$14,400	excess over \$7,200
17	Over \$14,400 but	\$562.00 plus 6.40% of
18	not over \$21,600	excess over \$14,400
19	Over \$21,600 but	\$1,022.00 plus 6.80% of
20	not over \$28,800	excess over \$21,600
21	Over \$28,800 but	\$1,512.00 plus 7.20% of



1	not over \$36,000	excess over \$28,800
2	Over \$36,000 but	\$2,030.00 plus 7.60% of
3	not over \$54,000	excess over \$36,000
4	Over \$54,000 but	\$3,398.00 plus 7.90% of
5	not over \$72,000	excess over \$54,000
6	Over \$72,000	\$4,820.00 plus 8.25% of
7		excess over \$72,000.

8 In the case of any taxable year beginning after  
 9 December 31, 2016:

10	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
11	<u>Not over \$3,600</u>	<u>1.40% of taxable income</u>
12	<u>Over \$3,600 but</u>	<u>\$50.00 plus 3.20% of</u>
13	<u>not over \$7,200</u>	<u>excess over \$3,600</u>
14	<u>Over \$7,200 but</u>	<u>\$166.00 plus 5.50% of</u>
15	<u>not over \$14,400</u>	<u>excess over \$7,200</u>
16	<u>Over \$14,400 but</u>	<u>\$562.00 plus 6.40% of</u>
17	<u>not over \$21,600</u>	<u>excess over \$14,400</u>
18	<u>Over \$21,600 but</u>	<u>\$1,022.00 plus 6.80% of</u>
19	<u>not over \$28,800</u>	<u>excess over \$21,600</u>
20	<u>Over \$28,800 but</u>	<u>\$1,512.00 plus 7.20% of</u>
21	<u>not over \$36,000</u>	<u>excess over \$28,800</u>



1	<u>Over \$36,000 but</u>	<u>\$2,030.00 plus 7.60% of</u>
2	<u>not over \$54,000</u>	<u>excess over \$36,000</u>
3	<u>Over \$54,000 but</u>	<u>\$3,398.00 plus 7.90% of</u>
4	<u>not over \$72,000</u>	<u>excess over \$54,000</u>
5	<u>Over \$72,000 but</u>	<u>\$4,820.00 plus 8.25% of</u>
6	<u>not over \$200,000</u>	<u>excess over \$72,000</u>
7	<u>Over \$200,000</u>	<u>\$15,380.00 plus 11.00% of</u>
8		<u>excess over \$200,000;</u>

9 provided that revenues collected from taxable income over  
 10 \$200,000 shall be deposited into the earned income tax credit  
 11 special fund established pursuant to section 235-B.

12 (c) There is hereby imposed on the taxable income of (1)  
 13 every unmarried individual (other than a surviving spouse, or  
 14 the head of a household) and (2) on the taxable income of every  
 15 married individual who does not make a single return jointly  
 16 with the individual's spouse under section 235-93 a tax  
 17 determined in accordance with the following table:

18 In the case of any taxable year beginning after  
 19 December 31, 2001:

20	If the taxable income is:	The tax shall be:
21	Not over \$2,000	1.40% of taxable income

1	Over \$2,000 but	\$28.00 plus 3.20% of
2	not over \$4,000	excess over \$2,000
3	Over \$4,000 but	\$92.00 plus 5.50% of
4	not over \$8,000	excess over \$4,000
5	Over \$8,000 but	\$312.00 plus 6.40% of
6	not over \$12,000	excess over \$8,000
7	Over \$12,000 but	\$568.00 plus 6.80% of
8	not over \$16,000	excess over \$12,000
9	Over \$16,000 but	\$840.00 plus 7.20% of
10	not over \$20,000	excess over \$16,000
11	Over \$20,000 but	\$1,128.00 plus 7.60% of
12	not over \$30,000	excess over \$20,000
13	Over \$30,000 but	\$1,888.00 plus 7.90% of
14	not over \$40,000	excess over \$30,000
15	Over \$40,000	\$2,678.00 plus 8.25% of
16		excess over \$40,000.

17 In the case of any taxable year beginning after

18 December 31, 2006:

19	If the taxable income is:	The tax shall be:
20	Not over \$2,400	1.40% of taxable income
21	Over \$2,400 but	\$34.00 plus 3.20% of



1	not over \$4,800	excess over \$2,400
2	Over \$4,800 but	\$110.00 plus 5.50% of
3	not over \$9,600	excess over \$4,800
4	Over \$9,600 but	\$374.00 plus 6.40% of
5	not over \$14,400	excess over \$9,600
6	Over \$14,400 but	\$682.00 plus 6.80% of
7	not over \$19,200	excess over \$14,400
8	Over \$19,200 but	\$1,008.00 plus 7.20% of
9	not over \$24,000	excess over \$19,200
10	Over \$24,000 but	\$1,354.00 plus 7.60% of
11	not over \$36,000	excess over \$24,000
12	Over \$36,000 but	\$2,266.00 plus 7.90% of
13	not over \$48,000	excess over \$36,000
14	Over \$48,000	\$3,214.00 plus 8.25% of
15		excess over \$48,000.

16 In the case of any taxable year beginning after

17 December 31, 2016:

18	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
19	<u>Not over \$2,400</u>	<u>1.40% of taxable income</u>
20	<u>Over \$2,400 but</u>	<u>\$34.00 plus 3.20% of</u>
21	<u>not over \$4,800</u>	<u>excess over \$2,400</u>



1	<u>Over \$4,800 but</u>	<u>\$110.00 plus 5.50% of</u>
2	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
3	<u>Over \$9,600 but</u>	<u>\$374.00 plus 6.40% of</u>
4	<u>not over \$14,400</u>	<u>excess over \$9,600</u>
5	<u>Over \$14,400 but</u>	<u>\$682.00 plus 6.80% of</u>
6	<u>not over \$19,200</u>	<u>excess over \$14,400</u>
7	<u>Over \$19,200 but</u>	<u>\$1,008.00 plus 7.20% of</u>
8	<u>not over \$24,000</u>	<u>excess over \$19,200</u>
9	<u>Over \$24,000 but</u>	<u>\$1,354.00 plus 7.60% of</u>
10	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
11	<u>Over \$36,000 but</u>	<u>\$2,266.00 plus 7.90% of</u>
12	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
13	<u>Over \$48,000 but</u>	<u>\$3,214.00 plus 8.25% of</u>
14	<u>not over \$200,000</u>	<u>excess over \$48,000</u>
15	<u>Over \$200,000</u>	<u>\$15,754.00 plus 11.00% of</u>
16		<u>excess over \$200,000;</u>

17 provided that revenues collected from taxable income over  
18 \$200,000 shall be deposited into the earned income tax credit  
19 special fund established pursuant to section 235-B."

20 SECTION 3. In codifying the new sections added by section  
21 1 of this Act, the revisor of statutes shall substitute



1 appropriate section numbers for the letters used in designating  
2 the new sections in this Act.

3 SECTION 4. Notwithstanding any other law to the contrary,  
4 no penalty or interest under Title 14, Hawaii Revised Statutes,  
5 shall be imposed because of any underpayment of tax by a  
6 taxpayer or an employer attributable to the increase in tax  
7 rates under this measure until the later of:

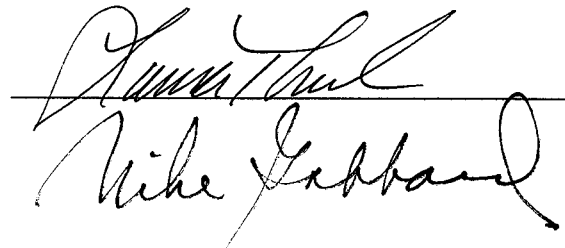
- 8 (1) Ninety days after this Act becomes law; or
- 9 (2) Immediately, after this Act becomes law, when the  
10 taxpayer's estimated tax payment is due.

11 SECTION 5. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 6. This Act, upon its approval, shall apply to  
14 taxable years beginning after December 31, 2016.

15

INTRODUCED BY:





# S.B. NO. 707

**Report Title:**

Earned Income Tax Credit; Income Tax Rates

**Description:**

Establishes a refundable state earned income tax credit and earned income tax credit special fund. Establishes an 11% income tax rate for taxable income over \$200,000 after December 31, 2016. Allocates revenues collected for deposit into the earned income tax credit special fund.

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