

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR OF TAXATION

DEPT. COMM. NO. 190  
KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
*Ka 'Oihana 'Auhau*  
P. O. BOX 259  
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December 23, 2024

The Honorable Ronald D. Kouchi  
President and Members of the Senate  
Thirty-Third State Legislature  
State Capitol, Room 409  
Honolulu, HI 96813

The Honorable Nadine K. Nakamura  
Speaker and Members of the  
House of Representatives  
Thirty-Third State Legislature  
State Capitol, Room 431  
Honolulu, HI 96813

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information and consideration, the Department of Taxation (Department) hereby transmits a copy of the Earned Income Tax Credit Report for Tax Year 2023, as required by Section 235-55.75(f)(a), Hawai'i Revised Statutes (HRS).

In accordance with section 93-16, HRS, the Department also informs you that the report may be viewed electronically at: [https://tax.hawaii.gov/stats/a5\\_1annual/a5\\_3ei\\_credit/](https://tax.hawaii.gov/stats/a5_1annual/a5_3ei_credit/)

If you have any questions or concerns, please feel free to contact me at (808) 587-1540.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary S. Suganuma".

Gary S. Suganuma  
Director of Taxation

Enclosure

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# **Earned Income Tax Credit Report**

**Tax Year 2023**

**(January 1, 2023 – December 31, 2023)**

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**Department of Taxation**

**State of Hawai'i**

**December 2024**

## STATE OF HAWAI'I

Josh Green, M.D., Governor

## DEPARTMENT OF TAXATION

Gary S. Suganuma, Director

Kristen M.R. Sakamoto, Deputy Director

## TAX RESEARCH & PLANNING

Seth Colby, Tax Research & Planning Officer

Shi Fu, Research Statistician

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## **1. INTRODUCTION**

Act 107, Session Laws of Hawai'i (SLH) 2017, created section 235-55.75, Hawai'i Revised Statutes (HRS), to establish a state nonrefundable earned income tax credit (EITC) equal to 20% of the federal EITC claimed on the qualifying taxpayer's federal income tax return for taxable years 2018 through 2022. Pursuant to Act 107, SLH 2017, any unused credit in the current tax year can be carried forward to future years until exhausted.

Act 114, SLH 2022, made the state EITC refundable and permanent starting in the tax year 2023. Pursuant to Act 114, SLH 2022, carryforwards of nonrefundable EITC for tax years 2018 through 2021 expire at the end of the 2024 tax year.

Act 163, SLH 2023, increased the amount of the credit from 20% to 40% of the federal EITC allowed and properly claimed under Internal Revenue Code (IRC) section 32 starting in tax year 2023.

A qualifying individual taxpayer is a taxpayer that: (1) files a federal income tax return for the tax year and claims the earned income credit under IRC section 32, and (2) files a Hawai'i income tax return (Form N-11 for residents, Form N-15 for nonresidents/part-year residents) for the tax year using the same filing status used on the federal income tax return, and claiming the same dependents claimed on the federal income tax return.

To claim this credit, taxpayers need to complete Form N-356 and Schedule CR and attach them to their return. For part-year residents, the tax credit is prorated by the ratio of Hawai'i adjusted gross income (AGI) to total AGI.

Act 107, SLH 2017, requires the Department of Taxation (DOTAX) to prepare an annual public report to the legislature and the governor containing the following:

1. Number of credits granted for the prior calendar year;
2. Total amount of the credits granted; and
3. Average value of the credits granted to taxpayers whose earned income falls within various income ranges.

## **2. DATA SOURCE AND METHODOLOGY**

The data are from individual income tax returns (Forms N-11 and N-15) in conjunction with Schedule CR, "Schedule of Tax Credits". The data include all tax returns that were filed for tax year 2023 and processed by October 3, 2024, with a query run on October 4, 2024.

## **3. ANALYSES OF THE TAX CREDIT**

This section describes the EITC for tax year 2023, including unused tax credits in 2022 carried forward and applied against tax liabilities in tax year 2023. It also compares the amount of the

tax credit that was claimed in tax year 2023 to the two previous years. Due to Schedule CR form changes, it is now possible to provide total credits carried over from 2022, tax credits newly claimed for 2023, and unused credits in 2023 to carry over to 2024.

### 3.1. Claims for the Earned Income Tax Credit by Income Range

In tax year 2023, 82,116 taxpayers claimed the state EITC, amounting to \$75.6 million, up from \$19.7 million in 2022 and \$21.6 million in 2021. In 2023, the State did two things that increased the amount claimed. It made the credit refundable and doubled the size of the credit, increasing it from 20% to 40% of the federal credit.

Taxpayers with federal AGI less than \$45,000 claimed 93.2% of the total credit and 88.3% of the returns. The highest average amount per claim (at \$1,468) was from taxpayers with a federal AGI between \$15,000 and \$29,999. The lowest average amount per claim (at \$456) was from taxpayers with a federal AGI of \$55,000 or more.

**Table 1**  
**Claims for the Earned Income Tax Credit by Income Range**  
**Tax Year 2023**

Federal Adjusted Gross Income Range	Total Credit Carried over from last Tax Year		Total New Credit Claimed for this Tax Year		Unused Credit Carried over to next Tax Year		Total Credit Applied to this Tax Year		Average Amount per Claim
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
less than \$15,000	11,327	\$6,506,305	29,855	\$16,120,466	11,061	\$6,463,980	30,107	\$16,162,791	\$537
\$15,000 to \$29,999	8,562	\$9,642,112	21,088	\$32,618,158	7,145	\$9,348,665	22,418	\$32,911,605	\$1,468
\$30,000 to \$44,999	4,817	\$4,442,095	19,126	\$20,719,345	3,481	\$3,783,449	19,983	\$21,377,991	\$1,070
\$45,000 to \$54,999	1,246	\$1,021,125	6,639	\$3,425,972	496	\$501,357	7,064	\$3,945,740	\$559
\$55,000 or more	1,428	\$980,863	1,386	\$374,108	276	\$193,719	2,544	\$1,161,252	\$456
Total	27,380	\$22,592,500	78,094	\$73,258,049	22,459	\$20,291,170	82,116	\$75,559,379	\$920

Total tax credits carried over from 2022 amounted to \$22.6 million while newly claimed tax credits in 2023 totaled \$73.3 million. A total of \$20.3 million of unused credits will be carried over to 2024.

### 3.2. Claims for the Earned Income Tax Credit by Tax District

**Table 2**  
**Claims for the Earned Income Tax Credits by Tax District**  
**Tax Year 2023**

<b>Tax District</b>	<b>Number of Credits Claimed</b>	<b>Amount of Credit</b>	<b>Average Amount per Claim</b>
OAHU (District 1)	53,722	\$48,129,135	\$896
MAUI (District 2)	9,850	\$8,973,161	\$911
HAWAI'I (District 3)	14,497	\$14,842,497	\$1,024
KAUA'I (District 4)	4,047	\$3,614,586	\$893
<b>State Total</b>	<b>82,116</b>	<b>\$75,559,379</b>	<b>\$920</b>

\* Tax returns that have an out-of-state address are allocated to Oahu.

The most claims (53,722 or 65.4%) and largest amount (\$48.1 million or 63.7%) for the tax credit were from Oahu district followed by Hawai'i , Maui, and Kaua'i . This is in line with the population distribution in each district. The highest average amount per claim was from Hawai'i district at \$1,024 per return, which has the lowest personal income per capita among the four counties (DBEDT Data Book 2023, Table 13.12).

### 3.3. Claims for the Earned Income Tax Credit by Resident Status

Residents who filed Form N-11 claimed 94.3% of the total number of credits and 97.3% of the total amount. The rest of the credits were claimed by non-residents/part year residents who filed Form N-15. Residents claimed an average of \$949 while non-residents /part year residents claimed an average of \$440.

**Table 3**  
**Claims for the Earned Income Tax Credits by Resident Status**  
**Tax Year 2023**

<b>Tax Form</b>	<b>Number of Credits Claimed</b>	<b>Amount of Credit</b>	<b>Average Amount per Claim</b>
Forms N-11	77,424	\$73,496,673	\$949
Forms N-15	4,692	\$2,062,706	\$440
<b>Total</b>	<b>82,116</b>	<b>\$75,559,379</b>	<b>\$920</b>

### 3.4. Claims for the Earned Income Tax Credit by Filing Status

The most common filing status claiming the credit and the largest recipient in dollar amount were Head of household taxpayers (32,894 or 40.1% of total number of claims, which represents \$40.9 million or 54.1% of the total amount of credit) . They also had the highest average value of credit among the filing status at \$1,242 per return.

**Table 4**  
**Claims for the Earned Income Tax Credits by Filing Status**  
**Tax Year 2023**

<b>Filing Status</b>	<b>Number of Credits Claimed</b>	<b>Amount of Credit</b>	<b>Average Amount per Claim</b>
Head of household	32,894	\$40,869,141	\$1,242
Single	29,772	\$12,205,298	\$410
Joint	19,152	\$22,143,612	\$1,156
Married filing separately	241	\$268,260	\$1,113
Qualifying widow(er)	57	\$73,068	\$1,282
<b>Total</b>	<b>82,116</b>	<b>\$75,559,379</b>	<b>\$920</b>