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# A BILL FOR AN ACT

RELATING TO ASSET BUILDING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 PART I

2 EARNED INCOME TAX CREDIT

3 SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
4 amended by adding a new section to be appropriately designated  
5 and to read as follows:

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

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

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

12 may claim a refundable earned income tax credit. The tax  
13 credit, for the appropriate taxable year, shall be equal to

14 per cent of the federal earned income tax credit

15 allowed under section 32 (with respect to earned income) of the

16 Internal Revenue Code and reported as such on the resident

17 individual's federal income tax return.



1       (b) In the case of a part-year resident, the tax credit  
2 shall equal the amount of the tax credit calculated in  
3 subsection (a) multiplied by the ratio of adjusted gross income  
4 attributed to this state to the entire adjusted gross income  
5 computed without regard to source in the state pursuant to  
6 section 235-5.

7       (c) For purposes of claiming the tax credit allowed by  
8 this section, an individual taxpayer shall use the same filing  
9 status (i.e., "married filing jointly", "head of household",  
10 "surviving spouse", or "single") on the taxpayer's Hawaii tax  
11 return as used on the taxpayer's federal tax return for the  
12 taxable year. In the case of a husband and wife filing  
13 separately, the credit allowed may be applied against the tax of  
14 either or divided between them, as they elect.

15       (d) All claims including any amended claims for tax  
16 credits under this section shall be filed on or before the end  
17 of the twelfth month following the close of the taxable year for  
18 which the tax credit may be claimed. Failure to comply with  
19 this subsection shall constitute a waiver of the right to claim  
20 the tax credit.

21       (e) The director of taxation:



- 1        (1) Shall prepare any forms that may be necessary to claim
- 2                a tax 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 data;
- 6        (4) Shall prepare an annual report to be presented to the
- 7                legislature and the public containing the:
- 8                (A) Number of credits granted for the prior calendar
- 9                        year;
- 10                (B) Total amount of the credits granted; and
- 11                (C) Average value of the credits granted to taxpayers
- 12                        whose earned income falls within various income
- 13                        ranges;
- 14                and
- 15        (5) May adopt rules pursuant to chapter 91 to effectuate
- 16                this section."

PART II

FINANCIAL EDUCATION

19        SECTION 2. Chapter 346, Hawaii Revised Statutes, is  
20 amended by adding a new section to be appropriately designated  
21 and to read as follows:



1           "§346-     Financial education.     In addition to any  
 2 mandatory programs for certain applicants for and recipients of  
 3 temporary assistance for needy families required by federal law,  
 4 the department shall offer financial education to applicants for  
 5 and recipients of temporary assistance for needy families. For  
 6 purposes of this section, "financial education" means education  
 7 that promotes an understanding of consumer, economic, and  
 8 personal finance concepts, including the basic principles  
 9 involved with earning, budgeting, spending, saving, investing,  
 10 and taxation."

11           SECTION 3. There is appropriated out of the general  
 12 revenues of the State of Hawaii the sum of \$           , or so  
 13 much thereof as may be necessary for fiscal year 2007-2008, and  
 14 the same sum, or so much thereof as may be necessary for fiscal  
 15 year 2008-2009, for the department of human services to offer  
 16 financial education to applicants for and recipients of  
 17 temporary assistance for needy families.

18           The sums appropriated shall be expended by the department  
 19 of human services for the purposes of this part.

20    PART III  
 21    ENCOURAGE SAVINGS

1 SECTION 4. Section 257-3, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[+]§257-3[+] **Fiduciary organizations.** (a) Fiduciary  
4 organizations shall serve as an intermediary between individual  
5 development account holders and financial institutions holding  
6 accounts. The fiduciary organization's responsibilities may  
7 include:

- 8 (1) Marketing participation;
- 9 (2) Soliciting matching contributions;
- 10 (3) Counseling program participants; and
- 11 (4) Conducting verification and compliance activities.

12 (b) Locally-based organizations shall enter into a  
13 competitive process for the right to become fiduciary  
14 organizations for a portion of the state matching dollars [~~that~~  
15 ~~would be authorized initially~~]. Fiduciary organization  
16 proposals shall be evaluated and participation rights awarded on  
17 the basis of [~~such items as~~]:

- 18 (1) Their ability to market the program to potential  
19 individual development account holders and potential  
20 matching fund contributors;
- 21 (2) Their ability to provide safe and secure investments  
22 for individual development accounts;



- 1 (3) Their overall administrative capacity, including:
- 2 (A) Certifications or verifications required to
- 3 assure compliance with eligibility requirements;
- 4 (B) Authorized uses of the accounts matching
- 5 contributions by individuals or businesses; and
- 6 (C) Penalties for unauthorized distributions;
- 7 (4) Their capacity to provide financial counseling and
- 8 other related services to potential participants; and
- 9 (5) Their links to other activities designed to increase
- 10 the independence of individuals and families through
- 11 high return investments, including homeownership,
- 12 education and training, and small business
- 13 development.

14 The department of human services, or an agency contracted

15 by the department of human services, shall provide technical and

16 administrative assistance to fiduciary organizations to meet the

17 criteria under this subsection; provided that the State may

18 expend appropriate federal moneys, including temporary

19 assistance for needy families and community development block

20 grants, for this purpose, as applicable.

21 (c) If the [State] the department of human services

22 approves an application to fund an individual development



1 account project under this section, the [~~State~~] department of  
2 human services shall [~~, not later than one month after June 28,~~  
3 ~~1999,~~] authorize the applicant to conduct the project with state  
4 funds [~~for five project years~~] in accordance with the approved  
5 application and this section; provided that an applicant may  
6 apply for funding during future fiscal years [~~for five project~~  
7 ~~years if the State lacks the~~] if there are insufficient  
8 resources to fund an individual development account project  
9 pursuant to this subsection.

10 [~~(d) For each individual development account program~~  
11 ~~approved under this section, the State shall make a grant to the~~  
12 ~~qualified entity or collaboration of entities authorized to~~  
13 ~~conduct the project on the first day of the project year in an~~  
14 ~~amount not to exceed \$100,000 per year for five years.~~

15 ~~(e)]~~ (d) From among the individuals eligible for  
16 assistance under the Hawaii individual development account  
17 program, each selected fiduciary organization shall select the  
18 individuals whom the fiduciary organization deems to be best  
19 suited to receive such assistance."

20 SECTION 5. Section 257-11, Hawaii Revised Statutes, is  
21 amended as follows:

22 1. By amending subsection (a) to read:



1           "(a) The fiduciary organization running an individual  
2 development account program shall have sole authority over the  
3 administration of the project. The [~~State~~] department of human  
4 services may [~~prescribe only such regulations~~] adopt rules with  
5 respect to demonstration projects [~~under this chapter~~] as are  
6 necessary to ensure compliance [~~pursuant to~~] with this chapter."

7           2. By amending subsection (d) to read:

8           "(d) Selected fiduciary organizations may use no more than  
9 [~~ten~~] twenty-five per cent of state funds as appropriated under  
10 this [~~+~~]chapter[~~+~~] to cover [~~administrative~~] operating costs in  
11 any given year."

12           SECTION 6. There is appropriated out of the general  
13 revenues of the State of Hawaii the sum of \$           , or so much  
14 thereof as may be necessary for fiscal year 2007-2008, and the  
15 same sum, or so much thereof as may be necessary for fiscal year  
16 2008-2009, for fiduciary organizations, as defined in section  
17 257-1, Hawaii Revised Statutes, to conduct individual  
18 development account programs, as provided in section 257-3,  
19 Hawaii Revised Statutes.

20           The sum appropriated shall be expended by the department of  
21 human services for the purposes of this section.





1 PART IV  
2 MISCELLANEOUS PROVISIONS  
3 SECTION 7. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.  
5 SECTION 8. This Act shall take effect on July 1, 2020;  
6 provided that, upon its approval, section 1 shall apply to  
7 taxable years beginning after December 31, ; provided  
8 further that sections 2, 3, 4, 5, and 6 shall take effect on  
9 July 1, 2020.



**Report Title:**

Asset Building; Omnibus Package

**Description:**

Establishes a refundable state earned income tax credit.  
Provides financial education to TANF applicants and recipients.  
Expands the provision of individual development accounts.  
Appropriates funds. (SB1919 HD2)

