

JAN 19 2007

S.B. NO. 714

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to establish a
2 refundable state earned income tax credit to further encourage
3 work and to counterbalance regressive state and local taxes.
4 The refundable state earned income tax credit is equal to twenty
5 per cent of the federal earned income tax credit.

6 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§235- Earned income tax credit. (a) Each resident
10 individual taxpayer who files an individual income tax return
11 for a taxable year, and who is not claimed or is not otherwise
12 eligible to be claimed as a dependent by another taxpayer for
13 income tax purposes, may claim a refundable earned income tax
14 credit. The tax credit, for the appropriate taxable year, shall
15 be equal to twenty per cent of the earned income credit allowed
16 under section 32 of the Internal Revenue Code and reported as
17 such on the resident 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, a resident individual taxpayer shall use the same
9 filing status (i.e., "married filing jointly", "head of
10 household", "qualifying widow(er)", or "single") on the
11 taxpayer's Hawaii tax return as used on the taxpayer's federal
12 return for the taxable year. In the case of a husband and wife
13 filing separately, the credit allowed may be applied against the
14 tax of either, or divided between them, as they elect.

15 (d) If the tax credit under this section exceeds the
16 taxpayer's income tax liability, the excess of tax credit over
17 liability shall be refunded to the taxpayer; provided that no
18 refund or payment on account of the tax credit allowed by this
19 section shall be made for amounts less than \$1.

20 All claims including any amended claims for a tax credit
21 under this section shall be filed on or before the end of the
22 twelfth month following the close of the taxable year for which



1 the tax credit may be claimed; provided that failure to comply
2 shall constitute a waiver of the right to claim the tax credit.

3 (e) The director of taxation:

4 (1) Shall prepare such forms as may be necessary to claim
5 a tax credit under this section;

6 (2) May require proof of the claim for the tax credit;

7 (3) Shall alert eligible taxpayers of the tax credit using
8 appropriate and available data;

9 (4) Shall prepare an annual report containing:

10 (A) The number of credits granted for the prior
11 calendar year;

12 (B) The total amount of the credits granted; and

13 (C) The average value of the credits granted to
14 taxpayers whose earned income falls within
15 various income ranges; and

16 (5) May adopt rules pursuant to chapter 91 to effectuate
17 this section."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect upon its approval



1 and shall apply to taxable years beginning after December 31,
2 2006.

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INTRODUCED BY:

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Report Title:

Taxation; Earned Income Tax Credit

Description:

Provides for a state earned income tax credit.

