
Earned Income Tax Credit Report

Tax Year 2019

(January 1, 2019 – December 31, 2019)

Department of Taxation

State of Hawaii

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STATE OF HAWAII

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1. INTRODUCTION

Act 107, Session Laws of Hawaii (SLH) 2017 created Section 235-55.75, Hawaii Revised Statutes (HRS) to establish a state nonrefundable earned income tax credit (EITC) equal to 20 percent of the federal EITC claimed on the qualifying taxpayer's federal income tax return for taxable years 2018 through 2022.

A qualifying individual taxpayer is a taxpayer that: (1) files a federal income tax return for the taxable year and claims the earned income credit under IRC section 32, and (2) files a Hawaii income tax return (Form N-11 for residents, Form N-15 for nonresidents/part-year residents) for the taxable 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 Hawaii 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 2019 and processed by October 20, 2020, the automatic extension deadline, with a query run in October 30, 2020, the last business day of October.

3. ANALYSES OF THE TAX CREDIT

This section describes the earned income tax credit for tax year 2019, including unused tax credit in 2018 carried forward and applied against tax liabilities in tax year 2019. It also compares the amount of the tax credit that was claimed in tax year 2019 to the previous year.

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

In tax year 2019, 61,102 taxpayers claimed the state EITC, amounted to \$18.0 million, up by 17.6% from \$15.3 million in 2018. Taxpayers with Federal AGI less than \$45,000 claimed 94.5% of the total credit or 93.0% of such returns. The highest average amount per claim (at \$397) is from taxpayers with \$55,000 or more Federal AGI (most claims from this category are carryovers from 2018) whereas the lowest average amount per claim (at \$58) is from taxpayers with less than \$15,000 Federal AGI.

Table 1
Claims for the Earned Income Tax Credit by Income Range
Tax Year 2019

| Federal Adjusted Gross Income Range | Number of Credits Claimed | Amount of Credit | Average Amount per Claim |
|--|----------------------------------|-------------------------|---------------------------------|
| less than \$15,000 | 14,448 | \$835,109 | \$58 |
| \$15,000 to \$29,999 | 21,769 | \$8,288,714 | \$381 |
| \$30,000 to \$44,999 | 20,591 | \$7,926,126 | \$385 |
| \$45,000 to \$54,999 | 3,615 | \$723,527 | \$200 |
| \$55,000 or more | 679 | \$269,239 | \$397 |
| Total | 61,102 | \$18,042,715 | \$295 |

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

The most claims (39,773 or 65.1%) and largest amount (\$11.4 million or 63.2%) for the tax credit is from Oahu district followed by Hawaii, Maui and Kauai. This is in line with the population distribution in each district. The highest average amount per claim is from Hawaii district at \$327 per return, which has the lowest personal income per capita among the four counties (DBEDT Data Book 2019, Table 13.12).

Table 2
Claims for the Earned Income Tax Credits by Tax District
Tax Year 2019

| Tax District | Number of Credits Claimed | Amount of Credit | Average Amount per Claim |
|---------------------|----------------------------------|-------------------------|---------------------------------|
| OAHU (District 1) | 39,773 | \$11,401,785 | \$287 |
| MAUI (District 2) | 7,623 | \$2,254,558 | \$296 |
| HAWAII (District 3) | 10,346 | \$3,378,769 | \$327 |
| KAUAI (District 4) | 3,360 | \$1,007,603 | \$300 |
| State Total | 61,102 | \$18,042,715 | \$295 |

* Forms N-15 for non-residents that have an out-of-state address are allocated to Oahu.

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

Residents who filed Form N-11 claimed 92.8% of the total number of credits and 97.2% of the total amount. The rest of the credits were claimed by non-residents/part year residents who filed Form N-15.

Table 3
Claims for the Earned Income Tax Credits by Resident Status
Tax Year 2019

| Tax Form | Number of Credits Claimed | Amount of Credit | Average Amount per Claim |
|-----------------|----------------------------------|-------------------------|---------------------------------|
| Forms N-11 | 56,703 | \$17,540,978 | \$309 |
| Forms N-15 | 4,399 | \$501,737 | \$114 |
| Total | 61,102 | \$18,042,715 | \$295 |

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

Head of household claimed 27,059 or 44.3% of the number of EITC claims, which represents \$9.9 million or 55.1% of the total amount of credit. Head of household also has the highest average value of credit among the filing status at \$368 per return.

Table 4
Claims for the Earned Income Tax Credits by Filing Status
Tax Year 2019

| Filing Status | Number of Credits Claimed | Amount of Credit | Average Amount per Claim |
|---------------------------|----------------------------------|-------------------------|---------------------------------|
| Head of household | 27,059 | \$9,944,246 | \$368 |
| Single | 19,640 | \$2,996,440 | \$153 |
| Joint | 14,296 | \$5,070,933 | \$355 |
| Married filing separately | 53 | \$12,793 | \$241 |
| Qualifying widow(er) | 54 | \$18,303 | \$339 |
| Total | 61,102 | \$18,042,715 | \$295 |