

STAND. COM. REP. NO.

474

Honolulu, Hawaii

FEB 16 2007

RE: S.B. No. 148
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 148 entitled:

"A BILL FOR AN ACT RELATING TO INCOME TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to provide a mandatory tax credit to taxpayers pursuant to article VII, section 6 of the Constitution of the State of Hawaii.

Testimony in support of the concept of this measure was received from the Department of Taxation. The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO submitted testimony in opposition.

Your Committee finds that the winter 2007 edition of "The People's Pulse" a quarterly public opinion newsletter sponsored by the Hawaii Business Roundtable and Pacific Resource Partnership reports that:

"...state residents consistently show a preference for investing the tax surplus rather than dispensing of the cash outright to tax-payers. Statistically more (65%) favor paying out part of the \$250 to \$300 cash rebate to taxpayers and investing the balance in a specific area that will benefit the public long term."



The newsletter goes on to note that this preference is consistent with past results, with over half the residents polled in winter 2006 favoring a split of the surplus between a tax credit and long term investment.

Your Committee believes that the opinions of Hawaii taxpayers should be considered in any decision on how to distribute the current surplus. Therefore, it is the intent of your Committee to continue discussion on how best to meet the constitutional mandate cited in this measure.

Your Committee received a revenue impact statement from the Department of Taxation that due to the unspecified amount of the credit in this measure, the revenue impact is indeterminate. However, if the tax credit is \$100 per qualified exemption and the bill takes effect on July 1, 2007, a projected revenue loss would be \$103,000,000 in fiscal year 2008. The Department was also asked to provide an estimate on the costs for postage and processing associated with distribution of a tax rebate, as opposed to a tax credit.

Your Committee has amended this measure by changing the applicability of the tax credit from taxable year 2006 to taxable year 2007.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 148, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 148, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,


CAROL FUKUNAGA, Chair



