

Honolulu, Hawaii

FEB 15 2007

RE: S.B. No. 1882  
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. 1882 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to establish a food income tax credit in an unspecified amount.

Testimony in support of this measure was received from the Department of Taxation (Department). The Tax Foundation of Hawaii submitted comments.

Your Committee finds that the food tax credit, first adopted in 1987, was cut in half in 1995, and repealed by Act 157, Session Laws of Hawaii 1998, which also established a low-income refundable tax credit.

Your Committee notes that the Department stated in testimony that the estimated revenue loss was indeterminate because the amount of the credit is not specified. However, the Department subsequently submitted an estimated revenue loss of \$30,700,000.

The Department stated that according to the 2004 tax credit data, there were a total of 1,023,724 qualified exemptions, if the credit amount was \$30 multiplied by the number of qualified exemptions, the revenue loss would be \$30,700,000. However, with adjusted gross income restrictions, and tax credits given on a sliding scale, such as the Low-Income Refundable Tax Credit, the



revenue loss would be smaller. In 2004, there were a total of 289,944 qualified exemptions for the low-income tax credit, and the total amount of low-income credits claimed for 2004 was \$8,100,000.

In its methodology, the Department noted that the Low-Income Refundable Tax Credit is determined by the taxpayer's Hawaii adjusted gross income: Under \$10,000, a tax credit of \$35 per qualified exemption; \$10,000 to \$15,000, a tax credit of \$25 per qualified exemption; \$15,000 to \$20,000, a tax credit of \$10 per qualified exemption; over \$20,000, a tax credit of \$0. However, minor children, who cannot be claimed as dependents by another taxpayer; and receive more than half their support from public agencies, such as the State Department of Human Services, are eligible for the maximum \$35 tax credit amount.

It is the intent of your Committee to support further discussion of this measure as part of an overall approach to economic legislation designed to improve the sustainability of Hawaii's citizens.

Your Committee has amended this measure accordingly, by inserting an effective date of January 1, 2030, for the purposes of further discussion.

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. 1882, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1882, 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



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SB 1882</i>	<i>EDT, WAM</i>	<i>2/13/07</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<i>4</i>			<i>1</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Will Espero</i>				
Distribution:            Original                      Yellow                      Pink File with Committee Report    Clerk's Office              Drafting Agency				

\*Only one measure per Record of Votes