

STAND. COM. REP. NO.

623

Honolulu, Hawaii

FEB 16 2007

RE: S.B. No. 1919
S.D. 2

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. 1919, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ASSET BUILDING,"

begs leave to report as follows:

The purpose of this measure is to provide a comprehensive set of asset building opportunities for Hawaii's low- and moderate-income families by establishing a self-sufficiency standard that will determine the assistance allowance.

Specifically, this measure:

- (1) Establishes a refundable state earned income tax credit (EITC);
- (2) Provides for financial education to TANF applicants and recipients;
- (3) Expands the provision of individual development accounts; and
- (4) Appropriates funds.

Testimony in support of this measure was received from the Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; Hawai'i Alliance for Community Based Economic Development, Hawaii State Democratic Women's Caucus, Hawaii Women Work!, 3Point, Aloha United Way, the Asset Building Initiative of Hawaii,

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and two individuals. The Department of Business, Economic Development, and Tourism; Department of Human Services; Department of Taxation; and Tax Foundation of Hawaii submitted comments.

Your Committee finds that the asset building components of this measure provide a multi-faceted approach to helping Hawaii families achieve self-sufficiency. This is especially challenging given Hawaii's high cost of living, and your Committee is in strong support of the concepts in this measure.

Your Committee received a revenue impact statement from the Department of Taxation that the legislation will result in a loss of approximately \$24,000,000. The Department did not submit any further information or the methodology used to determine this revenue loss.

Your Committee also heard concerns regarding noncompliance with the federal EITC program, on which the program in this measure is based. However, these noncompliance rates - estimated at twenty-seven to thirty-two per cent -- are from a June 2003 Internal Revenue report, which is based on tax year 1999 returns.

Your Committee prefers not to make decisions based on outdated information, and has requested further clarification from the Department of Taxation. It is the intent of your Committee to continue the legislative deliberations on this measure until that information is received.

Your Committee has amended this measure accordingly, by:

- (1) Changing the EITC percentage to an unspecified amount; and
- (2) Inserting an effective date of July 1, 2030, for 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. 1919, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 1919, S.D. 2.



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

Carol Fukunaga

CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:* SB 1919 SD1	Committee Referral: HSP, EDT, WAM	Date: 2/15/07
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The committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312
 Pass, with amendments 2311
 Hold 2310
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	4			1

Recommendation:
 Adopted
 Not Adopted

Chair's or Designee's Signature: *Will Espero*

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