

Honolulu, Hawaii

FEB 15 2007

RE: S.B. No. 1934
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. 1934 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to require the Department of Taxation to allow an individual taxpayer to request that the taxpayer's refund be electronically deposited into more than one account at financial institutions.

Testimony in support of this measure was received from The Hawai'i Alliance for Community Based Economic Development, 3Point, and one individual. The Department of Taxation submitted testimony in opposition. The Tax Foundation of Hawaii submitted comments.

Your Committee finds that for many people, particularly lower income taxpayers, a tax refund is the only substantial amount of "discretionary" income they may receive in a year. Your Committee has heard of individuals who use the tax refund to pay down debt, access a mortgage assistance program, and make tuition payments - expenses that would not be "affordable" otherwise.

Your Committee has also heard that income splitting is a standard asset management tool for the wealthy, allowing a person to split assets into separate pools for spending and for saving. This measure would provide a similar opportunity for a Hawaii



taxpayer - no matter what the income level - to split the financial asset that the tax refund represents. Doing so by electronic deposit into separate financial accounts ensures that the refund is more likely to be reserved for extraordinary expenses.

Your Committee notes that both the federal government and California allow an individual's tax refund to be electronically deposited in more than one financial account.

It is the intent of your Committee to provide Hawaii residents with refund splitting options comparable to that provided by the federal government, which allows the refund to be split into a maximum of three accounts.

Your Committee has amended this measure by allowing a taxpayer to designate up to three accounts at financial institutions for direct deposit of the taxpayer's refund.

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. 1934, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1934, 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 1934</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	✓			
TOTAL	<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