

STAND. COM. REP. NO. 2189

Honolulu, Hawaii

FEB 12 2008

RE: S.B. No. 2153

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 2153 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 or refund to taxpayers pursuant to article VII, section 6, of the Hawaii State Constitution.

Specifically, this measure provides a targeted tax relief approach by establishing income tax credits for the different classes of individual taxpayers on a sliding scale to ensure that taxpayers who need tax relief get it.

Testimony in support of this measure was submitted by the Department of Taxation. Comments on this measure were submitted by the Tax Foundation of Hawaii.

Your Committee finds that the balance of the state general fund at the close of each of the past two successive fiscal years has exceeded five per cent of general fund revenues for each of the two fiscal years. Thus, the taxpayers of the State of Hawaii should be provided a tax credit or refund.

Your Committee further finds that S.B. No. 2153 and S.B. No. 2495 were similar measures that proposed the mandatory tax credit or refund, but that S.B. No. 2153 was preferred over S.B. No. 2495 for purposes of clarity and completeness.



Accordingly, it is the intent of your Committee to support a tax credit or refund to the taxpayers of the State of Hawaii.

Your Committee received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in a revenue loss of \$26,000,000 for fiscal year 2009. Their methodology is as follows:

The Department of Taxation's fiscal impact assumes that the tax credit or refund is allowable for each tax return filed and not for every dependent on a tax return. The statement also assumes that qualifying widows will be allowed the same tax credit or refund schedule as joint filers. For the 2005 taxable year, 554,563 tax returns were filed in Hawaii, which for fiscal year 2009 would result in a revenue loss of \$26,000,000 from the tax credit or 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. 2153 and recommends that it pass Second Reading 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:
SB 2153	EDT, WAM	2/5/08

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)	✓			
BAKER, Rosalyn H.				✓
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam		✓		
TOTAL	3	1		2

Recommendation: Adopted Not Adopted

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

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*Only one measure per Record of Votes