

L E G I S L A T I V E

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TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Relief for flood and wind storm damage

BILL NUMBER: SB 2514; HB 2857 (Similar)

2/1 Jan 2/12

INTRODUCED BY: SB by English, Chun Oakland, Hooser, Menor, Tokuda, Tsutsui and 9 Democrats;
HB by Yamashita

BRIEF SUMMARY: Allows taxpayers in the upcountry Maui area and other areas in the sixth senatorial district/12th representative district to claim a one-time tax credit of ___% of the losses incurred by the taxpayer for repairs, insurance, rental, or other expenses or costs related to the damage caused to the taxpayer's real or personal property by flood and wind storm damage in December of 2007 provided: (1) the expenses or costs are not reimbursable by insurance proceeds or disaster relief payments; (2) the tax credit shall not exceed \$___ per taxpayer; and (3) no refund or payment of the credit shall be made for amounts under \$1.

Credits in excess of a taxpayer's income tax liability may be applied to subsequent income tax liability until exhausted. Delineates provisions for the distribution and share of the credit in the case of a partnership, S corporation, estate, trust or association of apartment owners. Disallows the credit if a deduction is taken pursuant to section 179 of the IRC (with respect to election to expense certain depreciable businesses assets). The basis of eligible property for depreciation or accelerated cost recovery system purposes for state income tax purposes shall be reduced by the amount of the credit allowed and claimed, otherwise the taxpayer shall treat the amount of the credit as a taxable income item for the taxable year in which it is properly recognized under the accounting method used to compute taxable income.

Claims for the credit, including any amended claims, must be filed on or before the end of 12/31/08. The director of taxation: (1) shall determine the applicability of this act with respect to the boundaries and locations of flood and wind storm damage in December of 2007 in the upcountry Maui area and other affected areas in the sixth senatorial/12th representative district; (2) shall prepare the forms necessary to claim the credit; (3) may require proof of the claim for the credit; and (4) may adopt rules pursuant to HRS chapter 91.

EFFECTIVE DATE: Tax years beginning after December 31, 2007

STAFF COMMENTS: These measures would grant a one-time tax credit to victims of the upcountry Maui area and other areas of the sixth senatorial/12th representative district that sustained flood and wind storm damage. If the intent is to compensate flood and wind victims for some of their unreimbursed expenses due to the casualty, consideration should be given to appropriating the funds and administering the aid based on the need for reimbursement and allow each and every occurrence to be judged on its merits and the need for assistance. Given that the intent of this proposal is to provide financial assistance payments for flood and wind damage, using the tax system in this manner is a poor and inefficient means of accomplishing that goal.

Digested 2/01/08

LINDA LINGLE
GOVERNOR
STATE OF HAWAII



MICAH A. KANE
CHAIRMAN
HAWAIIAN HOMES COMMISSION

BEN HENDERSON
DEPUTY TO THE CHAIRMAN

KAULANA H. PARK
EXECUTIVE ASSISTANT

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

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TESTIMONY OF MICAH A. KANE, CHAIRMAN
HAWAIIAN HOMES COMMISSION

BEFORE THE HOUSE COMMITTEE ON PUBLIC SAFETY & MILITARY AFFAIRS

ON H. B. 2857
RELATING TO TAX CREDITS

February 14, 2008

Chair Evans and Members of the Committee:

Thank you for the opportunity to testify on H.B. 2857 Relating to Tax Credits. The purpose of this bill is to provide a one-time non-refundable tax credit to assist victims of the December 2007 flood and wind storm damage experienced in upcountry Maui.

The Department of Hawaiian Home Lands (DHHL) supports the intent of this bill provided it does not conflict with the Administration's priorities as reflected in the Executive Supplemental Budget.

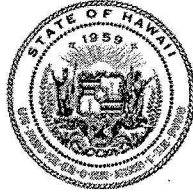
DHHL has homestead residents in the Keokea and Waiohuli areas of Kula, Maui who suffered property damages as a result of the adverse weather in December 2007. Of particular mention is the Harold Haupu family, whose 3-bedroom home was lifted off

from its foundation by the overflowing streams to a lower portion of their lot. This one-time non-refundable tax credit could provide much needed assistance for the Haupu's and other families faced with inadequate insurance coverage and minimal FEMA support,

Thank you for the opportunity to testify on this measure.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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HOUSE COMMITTEE ON PUBLIC SAFETY & MILITAR AFFAIRS

TESTIMONY REGARDING HB 2857 RELATING TO TAX CREDITS

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUAR 14, 2008

TIME: 9:15AM

ROOM: 309

The purpose of this bill is to provide a one-time nonrefundable income tax credit for taxpayers who have unreimbursed losses as a result of the December 2007 flooding on Maui.

The Department of Taxation (Department) **has no position** on this measure.

The Department **offers the following technical comments:**

- **NOT AVAILABLE FOR LOSS, ONLY COSTS**—The Department raises the issue that the credit, as drafted, characterizes the credit for "losses" for what are specified as costs. The Department suggests changing the term "losses" to read "costs."

This legislation will result in an indeterminate revenue loss.

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON HOUSE BILL 2857
A BILL RELATING TO TAX CREDITS

PRESENTATION TO THE
COMMITTEE ON PUBLIC SAFETY & MILITARY AFFAIRS

BY

MAJOR GENERAL ROBERT G. F. LEE
DIRECTOR OF CIVIL DEFENSE

February 14, 2008

Chair Evans and Committee Members:

I am Major General Bob Lee, Director of Civil Defense, State Department of Defense. I am providing written testimony on House Bill 2857.

A bill to provide tax relief to residents who were affected by the December 2007 wind storm and flood disaster should be considered not only for the residents of upcountry Maui but also for residents in other areas that were severely impacted. These areas include residents and businesses along the Waianae coast and windward communities on Oahu.

We defer to the Department of Taxation for further comment and recommendations.

Thank you for the opportunity to provide written testimony on this measure.