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JOINT HOUSE COMMITTEE ON HUMAN SERVICES & HOUSING AND HEALTH

TESTIMONY REGARDING HB 3031 RELATING TO TAXATION

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

DATE: FEBRUARY 7, 2008

TIME: 8:45AM

ROOM: 329

The Department of Taxation (Department) **supports the intent** of this legislation, which amends chapter 235 by adding a tax credit for home accessibility features, however strongly **prefers the Lingle-Aiona Administration bill HB 3195.**

I. **THE DEPARTMENT RECOGNIZES THE IMPORTANCE OF MAKING FACILITIES ACCESSIBLE TO THE ELDERLY AND DISABLED**

The Department supports a policy of rendering Hawaii's homes more accessible its elderly and disabled residents.

II. **THE DEPARTMENT PREFERS THE ADMINISTRATION BILL**

The Department prefers House Bill 3195, the Aging in Place Home-Safe-Home Act of 2008. Similarly to this bill, it provides a tax credit to taxpayers for expenses they incur renovating a residence to make it more accessible to elderly or disabled persons. However, the Administration bill applies to an elderly or disabled residence, rather than merely the care home facilities, adult residential care homes, and other specific facilities that are covered in Section 1, subsection (b) this bill. It also has a more expansive definition of the type of costs that generate the tax credit. In addition, HB 3195 contains a formula for determining the amount of the credit and the revenue impact has already been factored into the Executive budget.

III. **TECHNICAL CONSIDERATION**

BUSINESSES WILL NOT QUALIFY—The Department points out that only an individual can claim this credit. A care home or other facility that is a business or other entity will not qualify. Moreover, if the care home or other facility is a nonprofit entity, the nonprofit will not qualify for an income tax credit because these entities are not subject to Hawaii income tax law.

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UNNECESSARY LANGUAGE—Subsection (i)(3) of Section 1 of the bill contains superfluous language. The Department has already been granted rulemaking authority at section 231-3 and 235-2.5.

IV. REVENUE IMPACT

The revenue impact is indeterminate at this time due to the lack of credit amounts in the bill.