

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

TESTIMONY REGARDING SB 2514 SD 1 RELATING TO TAX CREDITS

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

DATE: FEBRUAR 12, 2008

TIME: 1:15PM

ROOM: 224

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.

The Committee on Intergovernmental & Military Affairs amended the bill to allow for the credit to apply statewide.

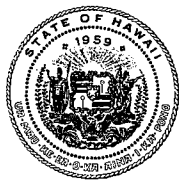
The Department of Taxation (Department) **has no position** on this measure.

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."
- **SENATORIAL DISTRICT**—The Department understands that this bill applies to the 6th Senatorial District, as provided in part (b) of Section 1. However, under part (a) of Section 1, no specific legislative district is identified. The bill should be amended to include the 6th "Senatorial" district.

This legislation will result in an indeterminate revenue loss. Assuming 250 people will take the full amount of the credit, and assuming the credit limit is \$2,000. The estimated revenue impact is a \$500,000 revenue loss for FY2009.

LINDA LINGLE
GOVERNOR
STATE OF HAWAII



MICAH A. KĀNE
CHAIRMAN
HAWAIIAN HOMES COMMISSION

BEN HENDERSON
DEPUTY TO THE CHAIRMAN

KAULANA H. PARK
EXECUTIVE ASSISTANT

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

P.O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF MICAH A. KANE, CHAIRMAN
HAWAIIAN HOMES COMMISSION

BEFORE THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

ON S. B. 2514, SD1
RELATING TO TAX CREDITS

February 12, 2008

Chair Fukunaga and Members of the Committee:

Thank you for the opportunity to testify on S.B. 2514, SD 1 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 statewide.

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, particularly 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 homestead families statewide who are faced with inadequate insurance coverage and minimal FEMA support.

Thank you for the opportunity to testify on this measure.

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON SENATE BILL 2514 SD1
A BILL RELATING TO TAX CREDITS

PRESENTATION TO THE
COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION

BY

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

February 12, 2008

Chair Inouye and Committee Members:

I am Major General Bob Lee, Director of Civil Defense, State Department of Defense. I am providing written testimony on Senate Bill 2514 SD1.

A bill to provide a one time nonrefundable tax credit to residents who were affected by the December 2007 wind storm and flood disaster should be favorably considered. We therefore support the intent of the proposed bill.

If the bill is passed we will work with the Department of Taxation to determine the applicability of this measure with respect to boundaries and locations of flood and wind storm damaged areas.

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

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Relief for flood and wind storm damage

BILL NUMBER: SB 2514, SD-1

INTRODUCED BY: House Committee on Intergovernmental and Military Affairs

BRIEF SUMMARY: Allows taxpayers 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 business 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, with the assistance of the state department of defense, the applicability of this act with respect to the boundaries and locations of flood and wind storm damage in December of 2007 in the state; (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: This measure would grant a one-time tax credit to all victims in the state of the December 2007 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 2/11/08