

LATE

HB 333

<p>HB 333 HD 2 SD 1</p>	<p>TAXATION (EITC out of TANF money)</p>	<p>Concerns</p>	<p>The measure requires that a resident individual taxpayer making a claim for the EITC must use the same filing status for state tax purposes as the individual used for federal tax purposes. The measure provides that taxpayers filing under married filing separately may divide the credit as they determine. However, a taxpayer filing under the status "married filing separately" is <i>per se</i> ineligible to claim the federal EITC, and this provision should be stricken.</p>	<p>Should the proposal take effect upon its approval, the estimated revenue loss is \$25.8 million in FY 2010, \$0 in FY2011 (funded by TANF), and \$25.8 in 2012 and after.</p> <p>There is a loss of \$25.8 million from TANF funds in FY 2011 only.</p>	<p>Based on data used for the 2006 Individual Income data set, 74,172 resident taxpayers claimed the federal earned income tax credit totaling \$127.2 million. While 1,211 non-resident taxpayers claimed the federal income tax credit totaling \$1.9 million. Assuming 20% as the tax credit, we multiplied 20% from total of \$129.1 million and arrived at \$25.8 million.</p>
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LATE

April 6, 2009

MEMORANDUM

TO: The Honorable Donna Mercado Kim, Chair
Senate Committee on Ways and Means

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 333, H.D. 2, S.D. 1 - RELATING TO TAXATION**
Hearing: Monday, April 6, 2009; 9:30 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of H.B. 333, H.D. 2, S.D.1, is to create a state earned income tax credit funded initially with TANF funds and to also restrict the interest charged by tax preparers to clients who claim the earned income tax credit.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) defers to the Department of Taxation regarding the state earned income tax credit (EITC) and the interest charged by tax preparers.

TANF and TANF Maintenance of Effort (MOE) funds may only be used to fund the EITC program for families receiving TANF or TANF MOE funded assistance and pursuing work activities under purpose two of TANF. Also note that while Federal TANF funds may be available to fund all or some of the new State supplemental EITC program proposed in this bill, there are no State TANF MOE funds available because all of the State TANF MOE funds are spent every year on financial assistance to recipients, personnel and other operating costs.

Thank you for the opportunity to provide comments on this bill.

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