

**HB 35**

**kim2 - Arline**

## L A T E T E S T I M O N Y

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, March 19, 2009 9:54 AM  
**To:** WAM Testimony  
**Cc:** phahn86@gmail.com  
**Subject:** Testimony for HB35 on 3/19/2009 10:10:00 AM

Testimony for WAM 3/19/2009 10:10:00 AM HB35

Conference room: 211  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Pearl Hahn  
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Submitted on: 3/19/2009

**Comments:**

A \$1 tax credit constitutes a negligible refund that reduces Article VII, section 6 of the state constitution to a mere formality. In a time of recession when citizens are struggling and face higher costs of living, a single dollar fails to provide much-needed relief. Taxpayer money should be handled with more care and spending kept in check to ensure that the citizens of Hawaii reap the benefits of their hard work.

Thank you for the opportunity to testify.

LINDA LINGLE  
GOVERNOR  
**LATE TESTIMONY**

JAMES R. AIONA, JR.  
LT. GOVERNOR



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## SENATE COMMITTEE ON WAYS & MEANS

### TESTIMONY REGARDING HB 35 HD1 RELATING TO INCOME TAX CREDIT

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

**DATE: MARCH 19, 2009**

**TIME: 10:10AM**

**ROOM: 211**

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This bill proposes a one-time tax credit required by the Hawaii Constitution when general fund excess revenues meet certain thresholds.

The Department of Taxation (Department) **supports the intent** of this measure; however has **concerns regarding its revenue impact**.

**CONSTITUTIONALLY REQUIRED**—The Hawaii Constitution requires the Legislature to provide a tax credit or tax refund when the state general fund balance at the close of each of two successive fiscal years exceeds 5% of the general fund revenues for each of two fiscal years. The Department understands that these conditions have been satisfied because of the surplus in general fund revenues realized these past two fiscal years.

**THE CREDIT AMOUNT MUST REFLECT THE CURRENT ECONOMIC REALITIES**—In prior years, the Department would have much preferred a larger constitutional refund when there were budget surpluses. During this legislative session, there is a major budget shortfall that the Legislature and Administration must work together to patch. The amount of the constitutional credit this session must reflect the state's serious fiscal forecast. Given current economic realities, the Department supports the amendment made by the House Committee on Finance, which specified that the general income tax credit should be set at \$1.

**REVENUE IMPACT & METHODOLOGY**— With a tax credit of \$1 per qualified exemption that includes taxpayers, spouses, children and dependents, the annual revenue loss would be \$1.06 million. Based on the 2006 individual tax returns filed by residents, a total of 1,056,297 exemptions qualify for the tax credit.