

SB 254

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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**SENATE COMMITTEE ON HEALTH
TESTIMONY REGARDING SB 254
RELATING TO TAXATION**

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

DATE: FEBRUARY 18, 2009

TIME: 3:15PM

ROOM: 016

This measure proposes a refundable income tax credit up to \$200 for the purchase of necessary generator or rechargeable battery equipment used to power lifesaving or critical health maintenance equipment at their home.

The Department of Taxation (Department) **opposes the unbudgeted revenue loss** contained in this measure.

NO POSITION ON THE MERITS OF THE CREDIT—The Department takes no position on the merits of whether providing a refundable income tax credit for the purchase of lifesaving battery equipment is necessary.

MORE EFFICIENT TO MAKE A GRANT PROGRAM—The Department points out that the cost of creating the incentive in this measure through the tax system will likely cost more to administer than claims for credit. As such, the Department suggests making this measure a grant program and having the government provide subsidized generator or batter equipment. Where the credit is only \$200 and the likely claims will be small, the tax system is an inappropriate venue for such incentives. A grant program can be more transparent, more efficient, and more targeted than a tax credit.

OPPOSED TO UNBUDGETED REVENUE LOSS—The Department cannot support the tax provision in this measure because it is not factored into the budget. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

REVENUE LOSS—Annual revenue loss is estimated at \$40,000 for FY 2010 and after.

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SUBJECT: INCOME, Health-maintenance equipment tax credit

BILL NUMBER: SB 254

INTRODUCED BY: Gabbard, Chun Oakland, Espero, Green, and 5 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to establish a life-saving and critical health-maintenance equipment tax credit. The credit shall be 25% of the actual cost of a new generator or rechargeable battery that is required to power the taxpayer's life-saving or critical health-maintenance equipment at home during a power outage. The maximum amount of credit allowable during a taxable year shall not exceed \$200.

The taxpayer shall: (1) be a resident individual taxpayer; (2) place the generator or rechargeable battery in service in the state for a majority of the taxable year; and (3) obtain a written substantiation from a licensed physician that the equipment is necessary to maintain, save or prevent harm to the taxpayer's life.

Credits in excess of tax liability shall be refunded. Claims for the credit, including any amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year. The director of taxation may adopt rules pursuant to HRS chapter 91 and prepare the necessary forms to claim the credit and may require proof of the claim for the credit, including requiring the taxpayer to have a physician's certification.

Defines "life-saving or critical health maintenance equipment" and "net income tax liability" for purposes of the measure.

EFFECTIVE DATE: Tax years beginning after December 31, 2008

STAFF COMMENTS: This measure proposes a tax credit to offset the cost of life-saving and critical health-maintenance equipment. It should be remembered that tax credits generally are designed to mitigate the tax burden of those individuals or businesses that do not have the ability to pay their share of the tax burden. These credits are justified on the basis that low-income taxpayers should be relieved of the burden imposed by taxes that are not based on the income of the taxpayer, such as the general excise tax. In the case of the latter tax, if there were no income tax credit, the tax imposed by the 4% tax would be regressive, taking a larger percentage of the low-income taxpayer's income than the percentage that tax would represent of a high income taxpayer.

While the proposed credit bears little relationship to the tax burden imposed or of the taxpayer's ability to pay his or her taxes, this proposal cannot be justified. If enacted, this measure would result in a partial subsidy of state funds for such equipment.

Digested 2/17/09

From: Christian Woo [christian1980@hawaii.usa.com]
Sent: Tuesday, February 17, 2009 6:27 PM
To: HTHTestimony
Subject: SB254

Categories: Green Category, Blue Category

LATE

COMMITTEE ON HEALTH

Senator David Y. Ige, Chair

Senator Josh Green, M.D., Vice Chair

DATE:
Wednesday February 18, 2009

TIME:
3:15 PM

SB 254

RELATING TO TAXATION.

Provides a refundable tax credit equal to twenty-five per cent of the actual cost of a new generator or rechargeable battery that is used to power a taxpayer's life-saving or critical health-maintenance equipment at home. Limits the maximum credit allowable for any taxable year to \$200.

Dear Chair & Members,

I am a pre-med student who sees the urgent need for this type of legislation to encourage individuals on Oahu to take responsibility for themselves by obtaining necessary medical equipment & self-contained generation. I believe SB254 is a step in the right direction to encourage patients to purchase generators or batteries to have on hand in case of emergencies. Please pass this legislation and encourage a pr campaign to let those in need know about this credit.

Thank you,

Christian Woo
Mililani

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From: Kai Henderson [ewagurl@live.com]
Sent: Tuesday, February 17, 2009 6:13 PM
To: HTHTestimony
Subject: *****SPAM***** Support for SB 254

Categories: Green Category, Blue Category

LATE

THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

COMMITTEE ON HEALTH
Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair

AMENDED NOTICE OF HEARING

DATE: Wednesday February 18, 2009
TIME: 3:15 PM
PLACE: Conference Room 016
State Capitol
415 South Beretania Street

To Chair Ige,

I am strongly in support of SB 254. My mother's very life depends on an oxygen machine and my grandfather needs dialysis. The blackout that we had recently could have ended both of their lives.

If we could have a little help from the State with a tax credit we would be able to get a generator to make sure that my mother is able to breathe easily, regardless of whether we have power coming into the rest of the house or not.

Please pass this bill for the sake of people like us.

Sincerely,
Kai Henderson and ohana
Ewa Beach

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