

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON SENATE BILL 621
A BILL FOR AN ACT RELATING TO A HAWAII RESERVE COMPONENT
MILITARY FAMILY RELIEF SPECIAL FUND

PRESENTATION TO THE
SENATE COMMITTEE ON PUBLIC SAFETY AND MILITARY AFFAIRS

BY

MAJOR GENERAL ROBERT G. F. LEE
ADJUTANT GENERAL
February 10, 2009

Chair Espero, Vice-Chair Bunda, and Members of the Committee:

I am Major General Robert G. F. Lee, State Adjutant General. I am testifying on Senate Bill 621.

We support Senate Bill 621, as it provides a vehicle to administer and manage donations and grants received by the State Department of Defense. These funds will be used to provide emergency economic relief to families of our members of the Guard and reserves who has deployed in support of America's war on terrorism

Positive action on Senate Bill 621 would strongly indicate to the members of the Guard and reserves that are currently deployed to Iraq and Afghanistan that Hawaii truly cares and supports their duty to State and nation.

Chair Espero, thank you for the opportunity to provide this testimony. Are there any questions?

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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**SENATE COMMITTEE ON PUBLIC SAFETY & MILITARY AFFAIRS
TESTIMONY REGARDING SB 621
RELATING TO A HAWAII RESERVE COMPONENT MILITARY RELIEF SPECIAL
FUND**

*****WRITTEN TESTIMONY ONLY*****

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 10, 2009**

This measure, among other things, provides an additional income tax refund check-off for a newly created Hawaii Reserve Component Military Relief Special Fund.

The Department supports the intent of this measure; however opposes the additional income tax return check-off due to its administrative costs and burdens, especially in light of the historically small benefits provided by tax check-offs.

COMPUTER SYSTEM—Changes to the Department's computer system will need to be made to implement this legislation. The automatic donation amount from the check of the box will need to be redeveloped to include additional fixed dollar amounts. Making automation changes to the Department's computer system may have an unknown revenue impact on the Department's budget, which has not been considered in this year's budget.

FORMS—The Department will need to amend the forms to accommodate this new provision. Currently there are four "check-the-box" contribution programs on the individual income tax return. The forms must account for the amounts deposited and the allocations to ensure proper funding to the special funds. The additional space needed for this check off may not be available.

REVENUES HISTORICALLY SMALL—The Department understands that the current check-off features on the tax return have historically been very small, which would likely provide little assistance to a budgetary undertaking such as that intended by this measure. The Department is also concerned that the cost to implement this check-off amendment could outweigh the benefit.

It is estimated that a check-off for this special fund could generate about \$100,000 annually.

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SUBJECT: INCOME, Tax checkoff for Hawaii military family relief

BILL NUMBER: SB 621; HB 466 (Similar)

INTRODUCED BY: SB by Espero and 1 Democrat; HB by McKelvey by request

BRIEF SUMMARY: Amends HRS section 235-102.5 to allow individuals with a tax refund over \$2 to designate \$2 of the refund to be deposited into the Hawaii reserve component military fund (HB 466 - Hawaii military family relief special fund) established under HRS chapter 121. Monies in the fund shall be used by the department of defense to provide emergency economic relief to families of members of the Hawaii National Guard or federal military reserves residing in Hawaii who suffer economic hardship due to the deployment of family members. Joint taxpayers may designate up to \$4.

Requires the director of taxation to revise the individual state income tax form to allow the designation of contributions. If no designation is made on the original tax return when filed, a designation may be made by the individual on an amended return filed within 20 months and 10 days after the due date of the original return for such taxable year. Once a designation is made, it cannot be revoked.

Makes conforming amendments to HRS chapter 121.

EFFECTIVE DATE: Tax years beginning after December 31, 2010

STAFF COMMENTS: The proposed measures allow individuals to designate \$2 of their income tax refund into a Hawaii reserve component military fund or Hawaii military family relief special fund to provide funds to assist families who have a family member deployed out of state on active military service. It should be remembered that utilizing the tax system as a collection agent for such specific purposes sets poor tax policy.

A survey by the Federation of Tax Administrators found that the states that utilize checkoff programs have been experiencing a decline in the amount of moneys designated through the checkoff mechanism. The survey also found that due to the administrative costs associated with the checkoff programs, states which currently have the checkoffs are looking to adopt expiration clauses and other means to remove the less productive checkoffs.

Further, since the department of taxation would have to track each and every checkoff designation, this added cost will reduce what is available to the general treasury. All taxpayers would be subsidizing this particular program. This proposal would add yet another checkoff to the list already on the books including checkoffs for campaign spending, libraries, school repairs, and social services.

Lawmakers seem to view such checkoffs as an absolution of their responsibility to deal with such problems by turning the response directly over to the taxpayer. However, in the long run, the cost of administering the checkoff merely siphons resources that should otherwise be used for providing needed

public services.

Lawmakers can claim credit that they did something for Hawaii's military families without spending any of the tax revenues - that is except for the additional cost of collection and tracking the donated amounts - as the contribution comes from funds that would otherwise have been returned to the taxpayer in a refund.

If lawmakers believe that earmarking funds through a checkoff system is appropriate, then they might consider placing all programs on the state income tax form for designation and consider repealing the legislative body as there will be no reason for the legislature to exist because decisions will have been made by the income taxpayer. This proposal is indeed a sad commentary that taxpayers do not trust their elected officials to act in their best interests as they construct the state budget each year.

Those in the armed services should find this proposal an insult for the sacrifice they have been asked to make as the checkoff says that the problems faced by these members of the community are not of a high enough priority to deserve the expenditure of tax dollars but instead have been relegated to handouts from taxpayers who might otherwise have received these moneys in the form of a refund for the overpayment of state taxes.

Digested 2/9/09



**Testimony to the Senate Committee on Public Safety and Military Affairs
Tuesday, February 10, 2009
8:30 AM
Conference Room 229**

**RE: SENATE BILL NO. 621 RELATING TO A HAWAII RESERVE
COMPONENT MILITARY FAMILY RELIEF SPECIAL FUND**

Chair Espero, Vice Chair Bunda, and members of the committee.

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state The Chamber's support of Senate Bill No.621, Relating to a Hawaii Reserve Component Military Family Relief Special Fund.

The Chamber's Military Affairs Council (MAC) serves as the liaison for the state in matters relating to the U.S. military and provides oversight for the State's multi-billion dollar defense industry.

The measure proposes to establish the Hawaii reserve component military relief special fund and an income tax check-off to fund it. Provides economic relief to families of Hawaii National Guard and reserve members. It also provides for depositing other moneys received by the state Department of Defense in the form of grants and cash donations.

I would specifically like to address SECTION 1, which establishes the Hawaii reserve component military relief special fund. The intent of this fund is to provide a means by which families of National Guard and US military reserve units may seek relief from economic hardships encountered due to the deployment out of state by one or more family members.

The proposed relief fund is similar to those relief funds established by each of the US armed services. For example, the US Air Force has an Air Force Aid Society fund that provides emergency relief to Air Force families encountering economic hardships. The US Navy, US Marine Corps, and US Army have similar relief funds. Families of National Guard and reserve members do not qualify for aid from these funds.

The proposed relief fund would provide a means by which members of the Hawaii National Guard and US reserve units may seek emergency financial assistance.

For these reasons, the MAC recommends the measure be passed.

Thank you very much for the opportunity to testify.

active duty, or has been notified of an impending call or order to active duty, in the Armed Forces of the United States in support of a contingency operation.”

For these reasons, the MAC recommends the measure be held unless the proposal is reworded accordingly.

Thank you very much for the opportunity to testify.