

STAND. COM. REP. NO.

291

Honolulu, Hawaii

FEB 17 2011

RE: S.B. No. 945  
S.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2011  
State of Hawaii

Sir:

Your Committee on Human Services, to which was referred S.B. No. 945 entitled:

"A BILL FOR AN ACT RELATING TO ASSET BUILDING,"

begs leave to report as follows:

The purpose and intent of this measure is to implement some of the recommendations submitted by the Hawaii State Asset Building and Financial Education Task Force by:

- (1) Establishing a refundable state earned income tax credit;
- (2) Requiring the Department of Human Services to provide financial education to applicants for and recipients of Temporary Assistance for Needy Families; and
- (3) Amending provisions in the Hawaii Revised Statutes relating to Individual Development Accounts.

Your Committee received testimony in support of this measure from Hawai'i Alliance for Community-Based Economic Development; University of Hawai'i Bridge to Hope; Aloha United Way; Goodwill Industries of Hawaii, Inc.; Hawai'i Women's Coalition; and Hawaii Democratic Women's Caucus. Your Committee received comments on this measure from the Department of Human Services, the Department of Taxation, and the Tax Foundation of Hawaii.



Your Committee finds that the purpose of the earned income tax credit is to provide a financial boost to those who work. To qualify for this credit, an individual must have earned income, typically from wages. The earned income tax credit is effective because it encourages people to work in order to qualify. Under this measure, an individual taxpayer that qualifies for the federal earned income tax credit may claim a percentage of the earned income credit allowed and reported on the individual's federal income tax return. Your Committee further finds that a state earned income tax credit can help working families in Hawaii by supplementing incomes, creating an incentive to work, and assisting with asset building.

Your Committee notes that this measure requires a taxpayer making a claim for the earned income tax credit to use the same filing status for state tax purposes that the individual used for federal tax purposes. For the federal credit, married individuals must file a joint return to be eligible to claim the credit. This measure allows married taxpayers filing separately to elect how to divide the tax credit. Your Committee has heard testimony that this provision should be stricken to remain in conformity with the federal credit.

Your Committee further finds that financial education helps families acquire information and skills necessary to take control of their personal finances. Possessing this information and these skills allows families to plan for the future and build assets. Your Committee finds that this measure will provide Temporary Assistance for Needy Families recipients with a firm grounding in financial management practices.

Your Committee additionally finds that Individual Development Accounts are matched savings accounts that enable low-income families to save, build assets, and enter the financial mainstream. Individual Development Accounts reward working families who are building toward an asset, such as buying a home, paying for college, or starting a small business.

Your Committee understands the concerns regarding the Department of Human Services' lack of expertise regarding the fiduciary responsibilities required for the Individual Development Accounts program. Your Committee understands that it is important to allow the Department of Human Services the ability to contract with an appropriate agency who can offer technical and administrative assistance to fiduciary organizations.



Your Committee also understands the concerns regarding the use of Temporary Assistance for Needy Families funds for Individual Development Accounts. Your Committee notes that the Department of Human Services' primary source of federal funding is Temporary Assistance for Needy Families funds. Your Committee also notes that using federal Temporary Assistance for Needy Families funds may limit some aspects of the Individual Development Accounts program, including how the money in the accounts may be used.

Your Committee understands the concerns regarding replacing the references to the "State" with the "Department of Human Services" in chapter 257, Hawaii Revised Statutes. Your Committee notes that the Department of Human Services is not the only Department that may issue Individual Development Accounts, and replacing "State" with "Department of Human Services" may limit the kinds of Individual Development Accounts that may be issued.

Accordingly, your Committee has amended this measure by:

- (1) Deleting the provision that would have allowed married individual taxpayers to file separately to divide an allowable tax credit between themselves;
- (2) Adding a disallowance provision targeted at taxpayers who made prior fraudulent or reckless claims;
- (3) Adding a due diligence requirement for tax return preparers;
- (4) Requiring the Department of Human Services to contract with an appropriate agency who can provide technical and administrative assistance to fiduciary organizations;
- (5) Deleting the provision that would have allowed the State to use Temporary Assistance for Needy Families funds for the Individual Development Account program;
- (6) Deleting the amendments to chapter 257 that replaced references to "State" with the "Department of Human Services"; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 945, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 945, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Human Services,

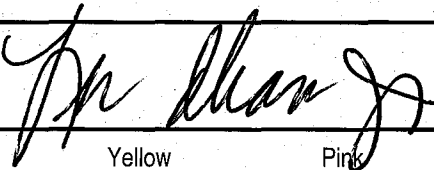
*Suzanne Chun Oakland*

SUZANNE CHUN OAKLAND, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Human Services**  
**HMS**

Bill / Resolution No.:* <b>SB 945</b>	Committee Referral: <b>HMS, WAM</b>	Date: <b>2-1-11</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHUN OAKLAND, Suzanne (C)	✓			
IHARA, Jr., Les (VC)	✓			
GREEN, M.D., Josh	✓			
SLOM, Sam				✓
<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes