

NEIL ABERCROMBIE
GOVERNOR



PATRICIA McMANAMAN
DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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January 30, 2012

TO: The Honorable John M. Mizuno, Chair
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 1715 - RELATING TO INCOME TAX**

Hearing: Monday, January 30, 2012; 8:30 a.m.
Conference Room 329, State Capitol

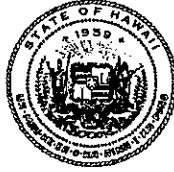
PURPOSE: The purpose of the proposed legislation is to increase the amount of authorized income tax check-off that may be designated payable from an individual's state income tax return to fund certain special accounts including the spouse and child abuse special account under the Department of Human Services.

DEPARTMENT'S POSITION: The Department of Human Services supports the proposed legislation which would increase, up to \$10.00, the amount an individual tax payer may designate from their state income tax refund to be directed to the Department of Human Services, the Department of Health, and the Judiciary to support spouse and child abuse, domestic violence, the Hawai'i Children's Trust Fund, and sexual assault victims. The designation to these special funds is voluntary and promotes the community good and well being of crime victims and vulnerable children.

Thank you for the opportunity to testify on this bill.

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BRIAN SCHATZ
LT. GOVERNOR



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DEPUTY DIRECTOR

To: The Honorable John Mizuno, Chair
and Members of the House Committee on Human Services

Date: Monday, January 30, 2012
Time: 8:30 a.m.
Place: Conference Room 329, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 1715 Relating to Income Tax

The Department of Taxation (Department) appreciates the intent of H.B. 1715, but is opposed to the bill due to the impact it will have on the Department's limited budget and staffing resources, if adopted.

H.B. 1715 proposes to allow taxpayers, with an income tax refund of \$10 or more, an option to designate \$5 or \$10 to certain special funds or accounts. Currently, taxpayers may only designate the allocation of \$5 to certain human service-related special funds as set forth in Section 235-102.5(d), Hawaii Revised Statutes.

While the Department understands and appreciates the intent of this bill, the Department cannot support any request which will require changes its forms and computer system, unless the changes are essential for taxpayer compliance. As the Legislature is aware, the Department has an outdated computer system with significant functionality issues. Staffing resources necessary to develop and implement modifications to the system also are insufficient. As a result, the Department's limited resources must be prioritized to address other significant projects that will occur over the next few years, and respectfully request that no new projects be imposed on the Department.

Thank you for the opportunity to provide comments.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase tax checkoff

BILL NUMBER: HB 1715

INTRODUCED BY: Mizuno

BRIEF SUMMARY: Amends HRS 235-102.5 (d) to provide that individuals with an income tax refund of \$10 or more may designate either \$5 or \$10 of the refund to the Hawaii children's trust fund and the domestic violence and child abuse and neglect funds. Joint taxpayers with an income tax refund of \$20 may each designate \$5 or \$10.

EFFECTIVE DATE: Tax years beginning after December 31, 2012

STAFF COMMENTS: This measure increases the amount a taxpayer may designate to the: (1) Hawaii children's trust fund; (2) the domestic violence and sexual assault special fund under the department of health; (3) the spouse and child abuse special account under the department of human services; and (4) the spouse and child abuse special account under the judiciary. 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. Lawmakers seem to view such checkoffs as 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 domestic violence programs 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.

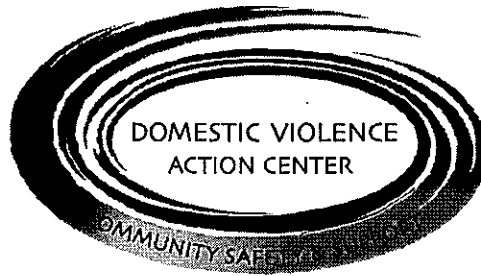
Apparently this proposal is in reaction to the fact that over the years the amount being contributed or checked off has been declining. If, in fact, there are less and less people interested in contributing to various checkoff financing in this way, then merely increasing the amount that can be designated will not heighten the awareness or need for public financing of such programs. Finally, it should be noted that domestic violence programs already receive substantial earmarked funds such as those from marriage

HB 1715 - Continued

license fees. If nothing else, those domestic violence programs are long over due for an audit as obviously they have not used those earmarked resources very well.

This proposal represents political pandering to the domestic violence community as there is no evidence that those programs that have been beneficiaries of these earmarked funds have made any progress in addressing this issue. This proposal thus represents the typical government response to such problems, just throw more money at the problem and maybe it will go away. This is hardly a good use of the public taxpayer dollar.

Digested 1/27/12



To: Chair Mizuno
Vice Chair Jordan
Members of the Committee on Human Services

Fr: Nanci Kreidman, M.A.

RE: HB 1715 Support

Good morning. Thank you for the willingness to assist in community wide efforts to increase revenues for key programs aimed at meeting needs of child abuse, sexual abuse and intimate partner abuse victims.

As public and private agencies struggle to stabilize budgets, secure resources for essential programs and provide hope to those suffering the devastating effects of violence it is worthwhile to encourage and enable individuals to increase their contributions to the work at hand.

The Child and Spouse Abuse Accounts established within the Judiciary, the Department of Health and the Department of Human Services have played a vital role in supporting innovative and basic programs. The Hawaii Children's Trust Fund, similarly, has made funds available for community programs.

Thank you for supporting HB 1715.