

NEIL ABERCROMBIE  
GOVERNOR



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February 9, 2012

**MEMORANDUM**

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

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 1988 - RELATING TO THE FEDERAL EARNED INCOME TAX  
CREDIT**

Hearing: Thursday, February 9, 2012; 8:30 a.m.  
Conference Room 329, State Capitol

**PURPOSE:** H.B. 1988 requires the Department of Taxation to coordinate an outreach initiative to increase awareness and use of the federal earned income tax credit. It also makes an appropriation.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports this bill and respectfully defers to the Department of Taxation as it relates to its implementation.

Should such a program be initiated, the DHS recommends partnering with the Volunteer Income Tax Assistance (VITA) Program. VITA is closely associated with the Internal Revenue Service (IRS) and offers free tax help to persons earning \$50,000 or less, who need assistance preparing their tax returns. VITA volunteers are certified by the IRS and provide free basic income tax return preparation to qualified individuals in local communities. They can inform taxpayers about special tax credits for which they may qualify such as Earned Income Tax Credit, Child Tax Credit, and Credit for the

Elderly or the Disabled. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations. Most locations also offer free electronic filing.

Thank you for the opportunity to provide comments on this bill.



**HB1988**  
**RELATING TO THE FEDERAL EARNED INCOME TAX CREDIT**  
**House Committee on Human Services**

February 9, 2012

8:30 a.m.

Room 329

The Office of Hawaiian Affairs (OHA) **SUPPORTS** HB1988, which requires the Hawaii State Department of Taxation to coordinate an outreach initiative to increase awareness and use of the federal earned income tax credit (EITC) and makes an appropriation. OHA supports this bill because it furthers our strategic priority of improving the economic self-sufficiency of Native Hawaiians, who have the highest rate of poverty in the state at 12.1%.

To ease the burden on working families, the United States Congress established the federal EITC in 1975. Today, the federal EITC is considered one of the nation's largest and most successful anti-poverty and work incentive programs. According to the Center on Budget and Policy Priorities—a national policy organization working at the federal and state levels on fiscal policy and public programs affecting low to moderate income families and individuals—in 2009, the federal EITC lifted about 6 million people out of poverty, including approximately 3 million children.

Although the federal EITC is widely known to reduce poverty, it can also help to stimulate the economy. According to the Family and Individual Self Sufficiency Program of the Hawaii Alliance for Community-Based Economic Development (a non-profit that encourages and supports community centered economic development in Hawaii), 104,000 families take advantage of the federal EITC, and another 19,000 families could claim the credit if they were aware of it. It is estimated that annually, Hawai'i workers fail to claim between \$31,299,580 and \$41,732,301 in federal EITC benefits. Many of Hawai'i's families could use the credit to purchase goods and services which would, in turn, generate more than \$4.6 million in general excise taxes for the State.

In an effort to reduce poverty and stimulate the economy, it is critical for the Department of Taxation to coordinate an outreach initiative so that Hawaii families are aware of this program.

Mahalo for the opportunity to testify.

Community Voice, Collective Action

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## **HACBED Staff**

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*Program Support Assistant*

Athena Esene  
*Administrative Coordinator*

Thursday, February 9, 2012

Conference Room 329

House Committee on Human Services

**Testimony in Support for HB 1988**

Requiring DoTAX to conduct EITC Outreach

Dear Chair Mizuno and Committee Members:

The Hawai`i Alliance for Community Based Economic Development (HACBED) **supports HB 1988** which requires the Department of Taxation to conduct Earned Income Tax Credit (EITC) Outreach.

The Earned Income Tax Credit (EITC) is a federal tax credit for low- and moderate-income working people. It is designed to encourage and reward work as well as offset federal payroll and income taxes. The EITC is "refundable," which means that if it exceeds a low-wage worker's income tax liability, the IRS will refund the balance. Twenty-five states, including DC, have established their own EITCs to supplement the federal credit.

Each year, Hawaii workers fail to claim approximately \$44 million in Earned Income Tax Credits. For the past several years HACBED has coordinated support for Volunteer Income Tax (VITA) preparation ([www.hawaiiitaxhelp.org](http://www.hawaiiitaxhelp.org)). In the past, the Department of Human Services has supported these efforts through eligible TANF expenditures.

HACBED supports the expansion of outreach efforts to insure Hawaii families receive their eligible benefits. **We do suggest that any state effort to expand outreach efforts would be best coordinated through the network of VITA providers already in existence. This may require specific language inserted into HB1988.**

Thank you for the opportunity to submit testimony in support of HB1988.

Sincerely,

Brent Dillabaugh  
Asset Policy Coordinator

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Outreach for earned income credit

BILL NUMBER: SB 2179; HB 1988 (Identical)

INTRODUCED BY: SB by Tsutsui by request; Say by request

**BRIEF SUMMARY:** Adds a new section to HRS chapter 235 to require the department of taxation to coordinate an outreach initiative to ensure that the maximum number of eligible families applies to receive the federal earned income credit. Permits the department of taxation to contract with a nonprofit agency to coordinate the outreach initiative on behalf of the department.

Appropriates \$\_\_\_\_\_ in general funds for fiscal 2013 to the department of taxation to coordinate the outreach for the earned income tax credit initiative.

EFFECTIVE DATE: July 1, 2012

**STAFF COMMENTS:** While this measure would require the department of taxation to inform and educate the public in an attempt to increase the number of families claiming the federal earned income credit, it proposes to amend HRS chapter 235 to accomplish this purpose. If this measure is adopted, it may lead to other similar requests and result in other “mandates” rather than statutory law.

Given that the legislature is the policymaking body of the state and the administration is charged with executing those policies, this proposal amounts to nothing more than the legislature’s attempt to micro-manage state government. Such educational outreach programs should be a part of the department’s efforts to improve compliance.

Digested 2/8/12

Testimony for HUS 2/9/2012 8:30:00 AM HB1988

Conference room: 329  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Cheryl Lovell-Obatake  
Organization: Individual  
E-mail: [puna\\_moku@hotmail.com](mailto:puna_moku@hotmail.com)  
Submitted on: 2/7/2012

Comments:

I have read HB 1988 and strongly support the measure.

Cheryl Lovell-Obatake  
Nawiliwili, Puna, Kauai