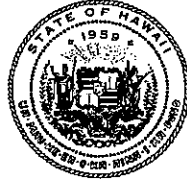


NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Ryan Yamane, Chair,
and Members of the House Committee on Health

Date: Tuesday, February 7, 2012
Time: 10:00 A.M.
Place: Conference Room 329, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 2726, Relating to Animals

The Department of Taxation (Department) appreciates the intent of H.B. 2726, 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. 2726 proposes to allow taxpayers, with an income tax refund of \$5 or more, an option to designate \$5 (or \$10 in case of a joint return) to the Spay and Neuter special fund.

While the Department understands and appreciates the intent of this bill, the Department cannot support any request which will require changes to 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 As the Legislature is aware, the Department has an outdated computer system with significant functionality issues.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.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HEALTH
ON
HOUSE BILL NO. 2726

February 7, 2012

RELATING TO ANIMALS

House Bill No. 2726 establishes a Spay and Neuter Special Fund to be administered by the Department of Budget and Finance and establishes an advisory committee to assist the department in determining the criteria and procedures for disbursements from the special fund. The bill also allows funds from an income tax check-off to be deposited into the special fund.

Although the Department of Budget and Finance recognizes the benefits of a spay and neuter program, we cannot support House Bill No. 2726 because the department does not have sufficient resources to administer such a program. There were a number of other committees/task forces that were historically created and assigned to the Department of Budget and Finance for which the Department struggled to provide adequate support. We recognize that is not fair to committee members nor does it do justice to the important function the committee is working on to have them supported by a Department that does not have adequate resource capabilities.

Further, as a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or

beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 2726, it is difficult to determine whether the fund will be self-sustaining.



**THE HUMANE SOCIETY
OF THE UNITED STATES**

TO: Honorable Chair Yamane, Vice-Chair Morikawa and Committee Members

House Committee on Health, 2-7-12, 10:00am, Room 329

RE: Testimony in SUPPORT of HB2726; Spay-Neuter Special Fund, Income Check-Off

Submitted by: Inga Gibson, Hawaii State Director, The Humane Society of the United States,
P.O. Box 89131, Honolulu, HI 96830, igibson@hsus.org, 808-922-9910

Dear Honorable Chair Yamane, Vice-Chair Morikawa and Committee Members,

On behalf of our more than 50,000 members and supporters in Hawaii, we thank the Committee on Health for considering this important measure. This bill would allow a voluntary state income tax check-off option to create a statewide spay-neuter fund, and establish a voluntary advisory committee to manage the fund and create eligibility criteria and procedures for disbursements from the special fund to 501 (c)(3) animal care organizations in Hawaii.

More than 50,000 animals enter local humane societies and animal care and rescue groups across Hawaii each year. Sadly, thousands of these animals must be euthanized due to a lack of appropriate homes. The only proven way to reduce pet overpopulation and subsequently, euthanasia rates, is through spaying and neutering.

34 states that have a publicly funded mechanism for subsidizing the cost of spaying and neutering—12 of which have a tax check-off option such as that being proposed under this measure. Hawaii currently has no statewide funding program or mechanism to support reduce pet over-population.

In addition to helping to reduce pet over-population, animals that are spayed or neutered live longer, healthier lives, are less likely to bite and become aggressive and less likely to engage in negative behaviors such as roaming.

Each year hundreds of thousands of taxpayer dollars, with an almost equal amount being subsidized dependent on private donations, goes to the care of homeless animals. The passage of this measure would help to get at the source of pet over-population and the associated costs by providing critical funding for local animal care agencies to sterilize more animals.

In closing, this measure helps animals, people, animal care organizations and the community as a whole, by reducing pet homelessness, animal control costs and public health and safety threats that may be exacerbated by unsterilized animals.

We respectfully urge your support of HB2726.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax checkoff for the spay and neuter special fund

BILL NUMBER: SB 2208; HB 2726 (Identical)

INTRODUCED BY: SB by Hee; HB by Manahan, Aquino, Brower, Choy, Cullen, Keith-Agaran, Mizuno, Yamane and 1 Democrat

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow individual taxpayers whose state income tax refund for any taxable year is \$5 or more, to designate \$5 to be paid to the spay and neuter special fund. For joint taxpayers with an income tax refund of \$10 or more, each spouse may designate \$5 into the fund. Directs the director of taxation to revise the state income tax forms as necessary. Allows designations to be made by filing an amended income tax return if filed within 20 months and 10 days after the due date of the original return.

Adds a new section to HRS chapter 143 to establish a spay and neuter special fund to be administered by the department of budget and finance. The fund shall be used to cover costs to reduce the number of feral animals through spaying and neutering, educate the public regarding the importance of spaying and neutering pets, and prevent homeless animal overpopulation. Establishes an advisory committee to assist the department in establishing the eligibility criteria and procedures in making disbursements from the special fund.

EFFECTIVE DATE: Tax years beginning after December 31, 2011

STAFF COMMENTS: This measure adds the spay and neuter special fund to the growing list of programs for which taxpayers due an income tax refund may designate all or a portion of that refund.

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 though the checkoff mechanism. The survey also found that due to the administrative costs associated with the checkoff programs, states that 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. 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.

If lawmakers believe certain programs are of great importance, then they can prioritize those programs through the appropriations process. With the Hawaii tax burden already so heavy, why should taxpayers turn any more of their hard earned dollars over to government? What lawmakers also do not recognize is that by creating these checkoffs, they add to the cost of administering the law, a cost which steals funds from other programs like those enumerated for a checkoff designation.

Digested 2/6/12

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 06, 2012 1:23 PM
To: HLTtestimony
Cc: animals@threeringranch.org
Subject: Testimony for HB2726 on 2/7/2012 10:00:00 AM

Testimony for HLT 2/7/2012 10:00:00 AM HB2726

Conference room: 329
Testifier position: Support
Testifier will be present: No
Submitted by: Ann Goody PhD
Organization: Three Ring Ranch
E-mail: animals@threeringranch.org
Submitted on: 2/6/2012

Comments:
Please pass this essential bill and allow humane population control.

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 06, 2012 2:05 PM
To: HLTtestimony
Cc: jenniferc@oha.org
Subject: Testimony for HB2726 on 2/7/2012 10:00:00 AM

Testimony for HLT 2/7/2012 10:00:00 AM HB2726

Conference room: 329
Testifier position: Support
Testifier will be present: No
Submitted by: Jennifer Chiwa
Organization: Individual
E-mail: jenniferc@oha.org
Submitted on: 2/6/2012

Comments:

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 06, 2012 1:11 PM
To: HLTtestimony
Cc: woolwahine@gmail.com
Subject: Testimony for HB2726 on 2/7/2012 10:00:00 AM

Testimony for HLT 2/7/2012 10:00:00 AM HB2726

Conference room: 329
Testifier position: Support
Testifier will be present: No
Submitted by: Dana Jones
Organization: Individual
E-mail: woolwahine@gmail.com
Submitted on: 2/6/2012

Comments:

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 06, 2012 1:45 PM
To: HLTtestimony
Cc: rachelp4@gmail.com
Subject: Testimony for HB2726 on 2/7/2012 10:00:00 AM

Testimony for HLT 2/7/2012 10:00:00 AM HB2726

Conference room: 329
Testifier position: Support
Testifier will be present: No
Submitted by: Rachel Prusak
Organization: Individual
E-mail: rachelp4@gmail.com
Submitted on: 2/6/2012

Comments:

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 06, 2012 12:55 PM
To: HLTtestimony
Cc: turtleandyellow@gmail.com
Subject: Testimony for HB2726 on 2/7/2012 10:00:00 AM
Attachments: The veterinary cost of spay.docx

Testimony for HLT 2/7/2012 10:00:00 AM HB2726

Conference room: 329
Testifier position: Support
Testifier will be present: No
Submitted by: hollis ann stewart
Organization: Individual
E-mail: turtleandyellow@gmail.com
Submitted on: 2/6/2012

Comments:

The veterinary cost of spay/neuter is quite high. This bill will help those who cannot pay for these surgeries and help reduce Hawaii's pet over population.