

# SB 2179

Measure Title: RELATING TO THE FEDERAL EARNED INCOME TAX CREDIT.

Report Title: Office of Hawaiian Affairs Package; Earned Income Tax Credit Outreach Program; Appropriation

Description: Requires the department of taxation to coordinate an outreach initiative to increase awareness and use of the federal earned income tax credit. Makes an appropriation.

Companion: HB1988

Package: OHA

Current Referral: HMS, WAM

Introducer(s): TSUTSUI (BR)

NEIL ABERCROMBIE  
GOVERNOR



PATRICIA McMANAMAN  
DIRECTOR  
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DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 14, 2012

**MEMORANDUM**

TO: The Honorable Suzanne Chun Oakland, Chair  
Senate Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2179 - RELATING TO THE FEDERAL EARNED INCOME TAX  
CREDIT**

Hearing: Tuesday, February 14, 2012; 1:25 p.m.  
Conference Room 016, State Capitol

**PURPOSE:** S.B. 2179 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

AN EQUAL OPPORTUNITY AGENCY

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.

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
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DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
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**LATE**

To: The Honorable Suzanne Chun Oakland, Chair  
and Members of the Senate Committee on Human Services

Date: Tuesday, February 14, 2012  
Time: 1:25 P.M.  
Place: Conference Room 016, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. No. 2179, Relating to the Federal Earned Income Tax Credit

The Department of Taxation (Department) appreciates the intent of S.B. 2179 and provides the following information and comments for your consideration.

S.B. 2179 amends Chapter 235, Hawaii Revised Statutes, by adding a new section that requires the Department to coordinate an outreach initiative designed to ensure that the maximum number eligible families claim the Federal earned income tax credit. The Department may contract with a nonprofit agency to coordinate the outreach initiative on behalf of the Department. An unspecified amount of funds or an amount of funds necessary to coordinate the outreach initiative will come from the State general fund for the fiscal year 2012-2013.

As stated in the bill, the Internal Revenue Service already contracts with various nonprofit organizations in Hawaii to promote the federal earned income tax credit and help Hawaii taxpayers to claim the credit. Because this is a federal rather than a State income tax credit, all promotional materials, training, and other resources must be authorized by the Internal Revenue Service. As such, any Department initiatives would be duplicative and inefficient.

Thank you for the opportunity to provide comments.



**SB2179**  
**RELATING TO THE FEDERAL EARNED INCOME TAX CREDIT**  
**Senate Committee on Human Services**

February 14, 2012

1:25pm

Conference Room 016

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The Office of Hawaiian Affairs (OHA) **SUPPORTS** SB2179, 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.

As part of the ongoing efforts to reduce poverty and stimulate the economy in Hawai'i, it is critical for the Department of Taxation to coordinate an outreach initiative so that Hawai'i families are aware of this program.

Mahalo for the opportunity to testify.

HAWAII  
STATE  
COMMISSION  
ON THE  
STATUS  
OF  
WOMEN



Chair  
LESLIE WILKINS

COMMISSIONERS:

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**LATE**

February 13, 2012

**Testimony in Support of SB 2179**

**To:** Senator Suzanne Chun Oakland, Chair  
Senator Les Ihara, Jr., Vice Chair  
Members of the Senate Committee on Human Services

**From:** Catherine Betts, Esq., Executive Director, Hawaii State Commission on the Status of Women

**Re:** Testimony in Support of SB 2179, Relating to the Federal Earned Income Tax Credit

On behalf of the Hawaii State Commission on the Status of Women, I would like to express my support of this bill, which would require the Department of Taxation to coordinate outreach to increase awareness and use of the federal earned income tax credit (EITC).

While 105,000 families in Hawaii claim the federal EITC, many more families would be able to claim the credit if they knew about the EITC in the first place. In order to maximize the number of families eligible to claim the EITC, this bill would require that certain outreach initiatives be undertaken. Our local economy is not quickly rebounding from the national recession and this would ensure that more of our families would benefit from this rather straightforward tax credit.

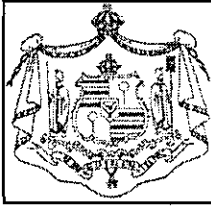
In 2010, the Census Bureau found that use of the EITC lifted 5.4 million people above the poverty line.<sup>1</sup> Outreach and education on the use of the EITC would help our low-income families and the greater community. It seems harmful and unnecessary to keep potentially eligible families from utilizing this credit. This bill seeks to prevent that.

The Commission respectfully requests that this Committee pass SB 2179.

Thank you for this opportunity,

Catherine Betts, Esq.

<sup>1</sup> Robert Greenstein, Center on Budget and Policy Priorities, Government Program Kept Millions Out of Poverty in 2010, available at: <http://www.offthechartsblog.org/government-programs-kept-millions-out-of-poverty-in-2010/>, last visited on February 8, 2012.



## **Association of Hawaiian Civic Clubs**

P. O. Box 1135

Honolulu, Hawai'i 96807

TESTIMONY OF PRESIDENT SOULEE STROUD

### **SENATE BILL 2179**

### **RELATING TO THE FEDERAL EARNED INCOME TAX CREDIT**

### **COMMITTEE ON HUMAN SERVICES**

Tue; February 14, 2012; 1:25 p.; Rm. 016

Aloha Madam Chair Chun-Oakland, Vice-Chair Ihara and members of the Senate Human Services Committee. I am Soulee Stroud, President of the Association of Hawaiian Civic Clubs and I wish to testify in support of Senate Bill 2179, Relating to the Federal Earned Income Tax Credit. My organization is comprised of sixty affiliate clubs throughout all counties of Hawaii and eleven states on the continent. We were founded in 1918 and have, for all these many years, been an advocate for Native Hawaiians. We proudly carry on that legacy here in 2012.

Senate Bill 2179 was requested by the Office of Hawaiian Affairs and while it has been used widely at a national level, the use of tax credits is not too widely known here. Hopefully, this bill will turn that issue around and broadly provide the kind of information needed to increase awareness of the benefits to be gained. The Department of Taxation is charged with the responsibility of creating an outreach program by contracting with a non-profit agency for coordination.

We look forward to participating in and learning more about federal earned tax credits that would serve to ease an average family's economic burden as well as all the members of our Association.

Thank you for the opportunity to testify, we urge passage of this bill.

Contact: [jalna.keala2@hawaiiantel.net](mailto:jalna.keala2@hawaiiantel.net)

# 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



# HACBED

Hawai'i Alliance for Community-Based Economic Development  
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Email [info@hacbed.org](mailto:info@hacbed.org) [www.hacbed.org](http://www.hacbed.org)

Community Voice, Collective Action

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Public Charter School

Kukui & Gary Maunakea-Forth  
(*Oahu*)  
WCRC/Mala Ai Opio (MAO)

Tommy Otake (*at large*)  
Attorney At Law

## **HACBED Staff**

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Brent Dillabaugh  
*Asset Policy Coordinator*

Susan Tamanaha  
*VITA Program Coordinator*

Briana Monroe  
*Program Support Assistant*

Athena Esene  
*Administrative Coordinator*

Tuesday, February 13, 2012

Conference Room 016

Senate Committee on Human Services

### **Testimony in Support for SB 2179**

Requiring DoTAX to conduct EITC Outreach

Dear Chair Chun Oakland and Committee Members:

The Hawai'i Alliance for Community Based Economic Development (HACBED) **supports SB 2179** 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 SB2179.**

Thank you for the opportunity to submit testimony in support of SB2179.

Sincerely,

Brent Dillabaugh  
Asset Policy Coordinator

**LATE**



February 14, 2012

To: Senator Suzanne Chun Oakland, Chair  
Senator Les Ihara, Vice Chair and  
Members of the Committee on Human Services

From: Jeanne Ohta, Co-Chair

RE: SB 2179 Relating to the Federal Earned Income Tax Credit  
Hearing: Tuesday, February 14, 2012, 1:25 p.m., Room 016

Position: Support

The Hawai'i State Democratic Women's Caucus writes in support of SB 2179 Relating to the Federal Earned Income Tax Credit (EITC) which requires the Hawai'i State Department of Taxation to coordinate an outreach initiative to increase awareness and use of the federal EITC.

The EITC is a federal tax credit for moderate and low income working families. In the late 1980s and early 1990s increases in the program turned the EITC into the largest federal aid program targeted to the working poor. In tax year 2009, the EITC was expanded by Congress as part of measures passed to encourage economic recovery; that year, 6.6 million Americans were lifted above the poverty line due to the EITC.<sup>1</sup>

It is estimated that 20%-25% of families nation-wide fail to claim the EITC they have earned. Those not claiming the credit generally fall into two categories: (1) those that file and do not claim the credit since they were not aware of the credit and (2) those that don't file at all, either because they are afraid to file or because they have no tax liability and are not aware that EITC is refundable even if they have no tax liability.

This large gap between who is eligible and who actually files is the reason this measure is needed. It is important to note that poor families spend the money they receive in the communities in which they live. These funds will help stimulate Hawaii's economy and provide additional tax revenue to the state.

The Hawai'i State Democratic Women's Caucus is a catalyst for progressive, social, economic, and political change through action on critical issues facing Hawai'i's women and girls. It is because of this mission, the Women's Caucus supports this measure. We respectfully ask the committee to pass it out.

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<sup>1</sup> Center on Budget and Policy Priorities

# LATE

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 13, 2012 10:38 PM  
**To:** HMS Testimony  
**Cc:** info@schha.com  
**Subject:** Testimony for SB2179 on 2/14/2012 1:25:00 PM

**Categories:** Red Category

Testimony for HMS 2/14/2012 1:25:00 PM SB2179

Conference room: 016  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Mike Kahikina, Legislation Chair  
Organization: SCHHA  
E-mail: [info@schha.com](mailto:info@schha.com)  
Submitted on: 2/13/2012

Comments: