



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

February 29, 2012

MEMORANDUM

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

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

Hearing: Wednesday, February 29, 2012; 9:15 p.m.
Conference Room 211, State Capitol

PURPOSE: This bill proposes to require the Department of Taxation to coordinate an outreach initiative to increase awareness and use of the federal earned income tax credit and makes an appropriation.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this bill and respectfully defers to the Department of Taxation (DOTAX) on the feasibility of its implementation.

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



SB2179
RELATING TO THE FEDERAL EARNED INCOME TAX CREDIT
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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.

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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