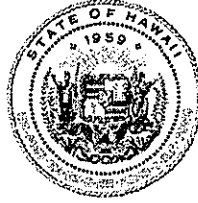


NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

WILLIAM J. AILA, JR.
INTERIM CHAIRPERSON
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KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**Testimony of
WILLIAM J. AILA, JR.
Chairperson**

**Before the Senate Committee on
WATER, LAND, AND HOUSING**

**Thursday, February 3, 2011
1:15 PM
State Capitol, Conference Room 225**

**In consideration of
SENATE BILL 734
RELATING TO TAXATION**

Senate Bill 734 permits state income tax payers to designate a portion of their state income tax returns to the natural area reserve fund, the land conservation fund, or the rental housing trust fund. The Department of Land and Natural Resources (Department) supports Senate Bill 734 as a measure that, if passed, would provide the individual taxpayer the option to donate a portion of their state income tax refund to one of these worthy programs without reducing the amount of tax going to other state programs.

The Natural Area Reserve Fund supports five resource protection programs: The Watershed Partnership Program, Natural Area Partnership & Forest Stewardship Program on private lands, and the Youth Conservation Corps, and the Natural Area Reserves System. The Land Conservation Fund supports the Hawai'i Legacy Land Conservation Program, which provides a source of funds for state agencies, counties, and nonprofit land conservation organizations to purchase land or conservation easements to protect important or unique cultural, natural, agricultural, historical, and recreational resource lands. These important programs have experienced reductions in state funding for the past two years due to the decrease in conveyance tax revenues. The additional revenue would help restore that funding.

NEIL ABERCROMBIE
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WATER, LAND AND HOUSING

February 3, 2011 at 1:15 p.m.
Room 225, State Capitol

In consideration of
S.B. 734 RELATING TO TAXATION.

Chair Dela Cruz, Vice Chair Solomon, and Members of the Committee on Water, Land and Housing,

HHFDC supports the intent of S.B. 734, so long as it supplements, and does not supplant, its existing dedicated funding source.

Uncertainty over the amount of available funds each year makes it more difficult to motivate affordable rental housing developers to prepare project proposals and apply for Rental Housing Trust Fund loans. Because it is difficult to forecast or estimate the amount of revenue that could be generated by the check-off box method, and whether that amount would be consistent over time, HHFDC believes it is vital that the Rental Housing Trust Fund's existing dedicated funding source, currently 25 percent of conveyance tax receipts, be preserved.

Thank you for the opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

FREDERICK D. PABLO
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

SENATE COMMITTEE ON WATER, LAND & HOUSING

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 734 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)
COMMITTEE: WLH
DATE: FEBRUARY 3, 2011
TIME: 1:15PM
POSITION: OPPOSED

This measure permits a taxpayer to designate a portion of their state income tax refund to the Natural Area Reserve Fund, the Land Conservation Fund, and the Rental Housing Trust Fund.

The Department of Taxation (Department) **opposes** this measure because it **will divert funds away from other vital functions and priorities of the Department.**

Legislation that includes voluntary contributions typically impact two specific areas of the Department—the computer system and the forms.

COMPUTER SYSTEM—Changes to the Department's computer system will need to be made to implement this legislation. The automatic donation amount from the check of the box will need to be correlated to a known amount in the computer. Making automation changes to the Department's computer system may have an unknown revenue impact on the Department's budget.

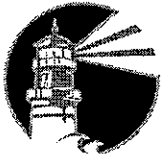
FORMS—The Department will need to amend the forms to accommodate this new provision. Currently there are four "check-the-box" contribution programs on the individual income tax return, including campaign contributions. The Department offers input that the interest in contributing to state programs become diluted at some point when there are multiple programs offered. The State could likely garner more contributions if fewer programs are offered.

COMPETING WITH OTHER PRIORITIES—This measure and its implementation will compete with other tax administration priorities of the Department.

COSTS TO ADMINISTER— The costs of implementing the automatic donation amount could have a substantial revenue impact on the Department. The cost to administer a program such as this may far outweigh any revenues received.

REVENUES HISTORICALLY SMALL—Historically, check-offs and voluntary contributions have not provided a meaningful source of revenue.

The Department estimates approximately \$100,000 per year will be designated for each of the special funds.



Ocean Tourism Coalition

The Voice for Hawaii's Ocean Tourism Industry
1188 Bishop St., Ste. 1003
Honolulu, HI 96813-3304
(808) 537-4308 Phone (808) 533-2739 Fax
timlyons@hawaiiantel.net

Testimony to the Senate WLH Committee
Thursday, February 3, 2011; 1:15 p.m.
Conference Room 225

Speaking in Support

RE: SB 734

Chair Senator Dela Cruz, Vice Chair Senator Solomon and Members of the
Water, Land, Housing Committee:

My name is James E. Coon, President of the Ocean Tourism Coalition.
The OTC represents over 300 small ocean tourism businesses state wide. We
appreciate the efforts being made by the Legislature in addressing the need for
more funds to protect our precious and fragile environment.

We believe this bill will go a long way in helping to resolve this issue.

Please pass this bill which will give the opportunity for citizens to designate a
portion of their tax bill to go to specific environmental funds to preserve and
protect the most important asset we have.

Thank you for the opportunity to submit testimony. If you have any questions,
please contact me at 808-870-9115.

Sincerely,

James E. Coon, President



The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

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February 1, 2011

The Honorable Donovan M. Dela Cruz, Chair
Senate Committee on Water, Land and Housing
State Capitol, Room 225
Honolulu, Hawaii 96813

RE: S.B. 734 Relating to Taxation

HEARING: Thursday, February 3, 2011 at 1:15 p.m.

Aloha Chair Dela Cruz, Vice Chair Solomon and Members of the Committee:

I am Craig Hirai, the Chair of the Subcommittee on Affordable Housing, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,500 members in Hawai'i. HAR **supports** SB 734, which permits State income taxpayers to designate a portion of their state income tax to the natural area reserve fund, the land conservation fund, or the rental housing trust fund.

We believe that Smart Growth is our road map to sustaining and enhancing the quality of life in our communities and we believe that this bill aligns with our core principle of providing housing opportunities.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.



TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax checkoff for natural area reserve fund, land conservation fund, rental housing trust fund

BILL NUMBER: SB 734

INTRODUCED BY: Ryan, Chun Oakland, Fukunaga, Galuteria, Kidani, Shimabukuro and 8 Democrats

BRIEF SUMMARY: Amends HRS 235-102.5 to allow individual taxpayers whose state income tax refund for any taxable year is \$5 or more, to designate up to \$5 to be deposited into one of the following funds: (1) natural area reserve fund (HRS 195-9); (2) land conservation fund (HRS 173A-5) or (3) rental housing trust fund (201H-202). For joint taxpayers with an income tax refund of \$10 or more, each spouse may designate \$5 into one of the funds.

Directs the director of taxation to revise the state income tax form 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.

EFFECTIVE DATE: Tax years beginning after December 31, 2010

STAFF COMMENTS: This measure adds the natural area reserve fund, the rental housing trust fund and the land conservation 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 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.

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 2/2/11



Protecting nature. Preserving life.™

The Nature Conservancy of Hawai'i
923 Nu'uuanu Avenue
Honolulu, Hawai'i 96817

Tel (808) 537-4508
Fax (808) 545-2019

nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i
Supporting S.B. 734 Relating to Taxation
Senate Committee on Water, Land and Housing
Thursday, February 3, 2011, 1:15PM, Rm. 225

The Nature Conservancy supports S.B. 734, which would allow Hawai'i taxpayers to designate a portion of their state income tax refund for conservation and affordable rental housing programs.

The DLNR's Natural Area Reserve Fund and Land Conservation Fund are the State's primary source of funding for forest and watershed protection, invasive species control, and land preservation across the state. The Hawai'i Housing Finance and Development Corporation's Rental Housing Trust Fund is an important financing tool to increase the supply of low income rental housing, including assistance that has supported the development or preservation of nearly 4,000 rental units statewide. Many of the programs supported by these funds have experienced 50-60% reductions in State funding since 2008 because the conveyance tax source of funding had been drastically reduced with the down real estate market. The real estate market is now experiencing a cautious rebound and we are hopeful that this rebound will be reflected in the revenues available in these special funds.

While the income tax check-off proposed in S.B. 734 will not likely be a major source of revenue for these funds, it should provide an opportunity for more Hawai'i residents to learn about these worthy programs, appreciate their value, and make a contribution to them.

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CONSERVATION COUNCIL FOR HAWAII

LATE

Testimony Submitted to the Senate Committee on Water, Land, and Housing
Hearing: Thursday, February 3, 2011
1:15 p.m.
Room 225
Support for SB 734 Relating to Taxation

Aloha. The Conservation Council for Hawaii supports SB 734, which allows citizens to become more involved and invested in governance by choosing to donate a small portion of their income tax to selected programs. The Natural Area Reserve Fund supports the ceded land reserves in the Natural Area Reserves System, protection of our watersheds and forest reserves, public/private partnerships to protect native forests and other ecosystems, and the Youth Conservation Corps. The Land Conservation Fund helps support land acquisitions in the public interest. The Rental Housing Trust Fund helps provide much-needed affordable rental housing for Hawaii's people. All three funds help leverage matching funds. Funding these programs is an investment in the people and the future. Let the people pitch in to support these worthy programs.

Funding from the proposed tax check-off should be considered income in addition to the conveyance tax funding and budget appropriations. We recommend that any funding generated from the proposed tax check-off be added to the respective funds and not deducted from the amount allocated to the funds from the conveyance tax. The programs supported by the conveyance tax are underfunded to begin with, and the conveyance tax can only be stretched so far. Legislatures and governors have established low spending caps on the amount of conveyance tax the funds can actually spend. And in 2009, the legislature decreased by 5% the amount of the conveyance tax dedicated to at least two of these funds until June 30, 2012.

Please pass SB 734 out of committee. Thank you for the opportunity to testify.

Sincerely,

Marjorie Ziegler



Hawaii's Voice for Wildlife – *Ko Leo Hawaii no na holoholona iohu*

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Executive Director: Marjorie Ziegler