

LATE

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DEPUTY DIRECTOR

SENATE COMMITTEE ON HUMAN SERVICES

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 972 RELATING TO INCOME TAX

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)
COMMITTEE: HMS
DATE: FEBRUARY 8, 2011
TIME: 2:00PM
POSITION: CONCERNED WITH REVENUE IMPACT

This measure provides an income tax credit for the costs of parents to attend classes or training sessions in parenting skills for child development and learning.

The Department of Taxation (Department) is sympathetic with the intent of the measure, which is to improve parenting skills, but has **concerns over the revenue impact** anticipated by this measure.

PARENTING SKILLS ARE IMPORTANT—The Department acknowledges that proper parenting skills are important to the healthy development of children and for the foundation for a solid family unit.

THE DEPARTMENT DOES NOT SUPPORT UNLIMITED CREDIT AMOUNTS—The Department does not support this bill because the credit amount equals the cost of the classes or training sessions, with no ceiling or limit on the amount of the credit, which may encourage false claims and possible collusion between providers and parents. For example, a provider may inflate the price of the class or cost of the sessions since the parent would be reimbursed 100% of the cost through the credit. Alternatively, a provider could sign up family and friends, even though they may not attend. It

is also unclear as to whether only one class or session per year is eligible, or whether multiple classes may be taken.

THE DEPARTMENT WILL EXPEND CONSIDERABLE RESOURCES MONITORING THE CREDIT CLAIMS—As is true generally with credit claims, the Department believes that it will need to conduct audits of the credit claims to insure that the credit amounts are not being inflated. This will divert the already strained resources of the Department away from its core mission of collecting taxes and insuring compliance with the tax law.

THE DEPARTMENT IS UNABLE TO DETERMINE WHICH CLASSES SHOULD BE ELIGIBLE FOR THE CREDIT—Because the credit claim is made well after the class is taken, the Department will be unable to determine if the class was a qualified class. Because there is no requirement that the class be certified by the Department of Health or other appropriate agency, the Department will have to rely on the taxpayer's word that the class qualified for the credit. At a minimum, the Department of Health or other appropriate agency should certify the class curriculum and/or the instructor to prevent fraudulent credit claims, and the instructor should be required to certify the attendance of the parent(s).

CONCERN FOR REVENUE COST—As with all measures, the Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either.