STAND. COM. REP. NO. 1199

Honolulu, Hawaii

March 22 , 2013

RE: S.B. No. 301
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Sir:

Your Committee on Human Services, to which was referred S.B. No. 301, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ASSET BUILDING,"

begs leave to report as follows:

The purpose of this measure is to support asset building and financial security for Hawaii's middle class families by establishing a state refundable earned income tax credit as recommended by the Hawaii State Asset Building and Financial Education Task Force.

The Office of Hawaiian Affairs; Catholic Charities Hawaii; Hawaii Catholic Conference; Aloha United Way; Hawaii Alliance for Community-Based Economic Development; Community Alliance on Prisons; Hawaii Appleseed Center for Law and Economic Justice; Goodwill Industries of Hawaii, Inc; PHOCUSED; Partners In Care; and a concerned individual testified in support of this measure. The Department of Human Services supported the intent of this measure. The Department of Taxation; National Community Tax Coalition; and the Tax Foundation of Hawaii provided comments.

Your Committee notes that while it is important to support asset building by Hawaii's families, it is also important to guard against fraud and ensure state tax revenues are sufficient to support our safety net services. Your Committee notes that this earned income tax credit, as written, makes it difficult for the

State to validate properly claimed credits. Also, in addition to this measure establishing an earned income tax credit, another separate measure, currently being considered in this legislative session, proposes to reduce the income tax liability of low-income taxpayers by amending the food/excise tax credit. That measure, rather than this earned income tax credit, may provide better relief to the neediest families. Your Committee believes that further discussion and evaluation of this measure, including comparison to other means of tax relief, is necessary.
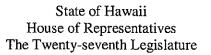
Your Committee has amended this measure by:

(1) Replacing provisions that would have allowed a refund if the credit exceeds the taxpayer's income tax liability, with provisions allowing the excess to be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted;

(2) Requiring the credit to apply to taxable years after December 31, 2014, to provide time for the Department of Taxation to prepare forms and alert taxpayers of the tax credit; and

(3) Making technical, nonsubstantive amendments for clarity, consistence, and style.

As affirmed by the record of votes of the members of your Committee on Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 301, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 301, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Human Services,

MELE CARROLL, Chair

State of Hawaii
House of Representatives
The Twenty-seventh Legislature

Record of Votes of the Committee on Human Services

Bill/Resolution No.: SB 301, SD2	Committee Referral: HUS, FIN	Date: 3-19-13

☐ The committee is reconsidering its previous decision on the measure.

The recommendation is to: ☐ Pass, unamended (as is) ☑ Pass, with amendments (HD) ☐ Hold
☐ Pass short form bill with HD to recommit for future public hearing (recommit)

HUS Members	Ayes	Ayes (WR)	Nays	Excused
1. CARROLL, Mele (C)	✓			
2. KOBAYASHI, Bertrand (VC)	✓			
3. BELATTI, Della Au	✓			
4. CABANILLA, Rida T.R.				✓
5. JORDAN, Jo		✓		✓
6. MORIKAWA, Dee	✓			
7. WOODSON, Justin H.	✓			
8. FUKUMOTO, Beth				✓
TOTAL (8)	5	1		2

The recommendation is: ☑ Adopted ☐ Not Adopted
If joint referral, _____ did not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: _____

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