

Honolulu, Hawaii

FEB 28 2013

RE: S.B. No. 98
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 98 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to reduce the income tax liability of low-income taxpayers.

More specifically, this measure establishes an income tax credit that:

- (1) Reduces a person's income tax liability to zero if the person's federal adjusted gross income falls below federal poverty guidelines; or
- (2) Reduces a person's income tax liability by fifty per cent if the person's federal adjusted gross income falls between one hundred per cent and one hundred twenty-five per cent of federal poverty guidelines.

Your Committee received testimony in support of this measure from the Hawaii Alliance for Community-Based Economic Development, Catholic Charities Hawaii, PHOCUSED, Hawaii Appleseed Center for Law and Economic Justice, and Partners In Care - Oahu.

Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.



Your Committee finds that, in comparison to states that impose an income tax, the income threshold at which a state resident becomes subject to the Hawaii income tax is one of the lowest in the nation. This measure establishes a tax credit to provide a means of reducing or eliminating the income tax liability of low-income taxpayers. However, your Committee also finds that, as currently drafted, the new tax credit requires significant additional calculations and steps that would make it more difficult to claim the credit or evaluate the validity of a claim for the credit.

Your Committee has amended this measure by:

- (1) Deleting the provision establishing a new income tax credit and replacing it with a provision that amends the existing refundable food/excise tax credit (section 235-55.85, Hawaii Revised Statutes) to serve as a nonrefundable low income tax credit that is not based on federal poverty guidelines;
- (2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (3) Making technical nonsubstantive amendments for purposes of style and consistency.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 98, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 98, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 98	Committee Referral: WAM	Date: 2-12-13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	/			
KIDANI, Michelle N. (VC)	/			
CHUN OAKLAND, Suzanne	/			
DELA CRUZ, Donovan M.	/			
ENGLISH, J. Kalani	/			
ESPERO, Will	/			
KAHELE, Gilbert				✓
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.				✓
SLOM, Sam			✓	
TOTAL	10	0	1	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes