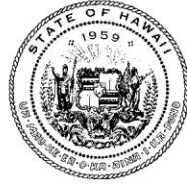


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Mele Carroll, Chair
and Members of the House Committee on Human Services

Date: Thursday, February 14, 2013

Time: 9:30 a.m.

Place: Conference Room 329, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 1298 Relating to Taxation

The Department appreciates the intent of H.B. 1298 and provides the following information and comments for your consideration.

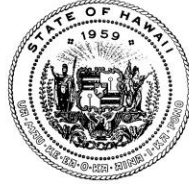
H.B. 1298 creates a tax credit for hiring developmentally, intellectually, or physically disabled employees. The credit is to be claimed against net income tax liability. The credit is effective for tax years beginning after December 31, 2012.

The Department defers to the Department of Health on the merits of the bill, but notes that the taxpayer claiming the credit may be requested to provide substantiation of any claimed disabled employees in the event of an audit. The Department suggests a provision be added that would require a different governmental agency, with the capability of affirming whether a person is disabled, to verify qualification for the tax credit because the Department does not have any personnel who could make such determinations.

If approved, the credit becomes effective upon approval and applies to the current tax year. This effective date gives the Department very little time to complete forms and instructions for the claim of this credit. Due to the technological challenges of the Department's computer system, the Department recommends that this tax credit be effective for taxable years beginning after December 31, 2013.

The Department also recommends the following amendment on page 2, line 15, after "is" insert "initially". This amendment will help preempt the firing and rehiring each disabled employee after every six months to reset the six month qualifying period.

Thank you for the opportunity to provide comments.



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

House Committee on Human Services

HB1298, Relating to Taxation

**Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health**

February 14, 2013

WRITTEN TESTIMONY ONLY

1 **Department's Position:** The Department of Health appreciates the intent of the bill and supports its
2 concepts, and recommends amendments to the measure.

3 **Fiscal Implications:** The Department of Health defers to the Department of Taxation.

4 **Purpose and Justification:** HB1298 offers incentives to taxpaying employers who hire and employ
5 individuals with developmental disabilities (DD) or intellectual disabilities (ID). The State of Hawaii
6 currently has 104 people with I/DD who have full or part-time jobs that are paid minimum wage or
7 more. This number comprises 7% of the number of people who are currently receiving Home and
8 Community Based Services (HCBS) under the HCBS Medicaid Waiver Program. Hawaii is one of the
9 lowest ranking states in the nation who employs individuals with I/DD. The national average of such
10 employment is approximately 20.1%. Currently the department is working with service providers to
11 assist such individuals to become employment ready by providing pre-vocational, individual and group
12 employment training.

13 The Department appreciates the importance of this bill to assist these individuals to gain
14 meaningful work experience and contribute unique services to Hawaii's work force; however, the

1 Department recommends amending the bill’s definition of “disabled.” The Department utilizes the
2 statutory definition of I/DD in Chapter 333E, HRS which is nearly identical to the federal definition for
3 DD to determine who is eligible for HCBS Medicaid Waiver Program and those who are deemed
4 qualified to receive case management and support services.

5 For individuals with an intellectual disability who are not in the HCBS Medicaid Waiver
6 Program, determination of I/DD can be done by a physician preferably one that has developmental
7 behavioral specialties. The possibility of employment for persons with I/DD may reduce the
8 dependency upon state funded services resulting in HCBS.

9 Thank you for the opportunity to testify on this measure.



STATE OF HAWAII
STATE COUNCIL
ON DEVELOPMENTAL DISABILITIES
919 ALA MOANA BOULEVARD, ROOM 113
HONOLULU, HAWAII 96814
TELEPHONE: (808) 586-8100 FAX: (808) 586-7543
February 14, 2013

The Honorable Mele Carroll, Chair
House Committee on Human Services
Twenty-Seventh Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

Dear Representative Carroll and Members of the Committee:

SUBJECT: HB 1298 – RELATING TO TAXATION

The State Council on Developmental Disabilities **SUPPORTS THE INTENT OF HB 1298**. The bill provides a nonrefundable income tax credit at 50 percent of qualified wages for the first six months for a taxpayer who hires an individual who is developmentally, intellectually, or physically disabled.

With respect to the intent of the bill, the Council proposes the following amendments for your consideration:

1. Page 2, lines 4-7: The definition of “disabled” as indicated on Page 2, lines 4-7 is consistent with the definition for disability under the Americans with Disabilities Act (ADA). Based on this definition, we ask the Committee to consider amending the bill by replacing all reference to “developmentally, intellectually or physically disabled” to disability. Hence, developmentally, intellectually or physically disabled individual(s) would be replaced by individual(s) with a disability. The term “individual(s) with a disability” is much broader and would include people with a developmental, intellectual or physical disability.
2. Page 2, lines 7-11: Delete the provision “that the person has been confirmed of such a condition by a non-profit organization working with developmentally, intellectually, or physically disabled individuals, such as, but not limited to, the Easter Seals or the Friendship House.” Having a record of such impairment or being regarded as having such impairment would meet the definition under ADA. Furthermore, confirmation by a non-profit organization would be restrictive to only non profits, consequently leaving out for profit organizations and public agencies, such as the Department of Health, Department of Human Services, and Department of Education.

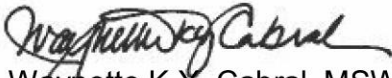
The Honorable Mele Carroll
Page 2
February 14, 2013

Employment of people with intellectual and developmental disabilities (I/DD) is a priority for the Council and is reflected in our 2012-2016 State Plan Employment Goal that states "People with intellectual and developmental disabilities will have supports to obtain and sustain their chosen life goal to prepare students at all educational levels for the transition from high school to adult life, including employment, self-employment, and/or post-secondary education and training." Employment of individuals with I/DD is a means toward economic self-sufficiency, contributing to their communities as tax paying citizens, and establishing relationships and social networking.

The Council appreciates the Legislature's initiative to provide incentives, such as tax credits for hiring people with developmental, intellectual or physical disabilities. We defer to the Department of Taxation regarding the fiscal implications of carrying out the provisions in the bill.

Thank you for the opportunity to submit testimony **supporting the intent of HB 1298 with proposed amendments.**

Sincerely,


Waynette K.Y. Cabral, MSW
Executive Administrator


J. Curtis Tyler III
Chair



Easter Seals Hawaii

Board of Directors

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Retired Managing Director
Mash

Jean Johnson, DRPH, Secretary
Associate Director
UH Manoa Center on Disability Studies

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Managing Partner
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Matson Navigation

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VP, Co-Division Manager
Cofax: Marine Predator, Inc.

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Attorney at Law
Alston, Hunt, Floyd & Ing

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Retired

Christopher Dang
Attorney at Law
Christopher Dang

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BW Mgmt Solutions LLC

Bill Wilson
Executive VP & Chief Credit Officer
Central Pacific Bank

Leo Wilson
VP of Marketing
HPM Building Supply

Alan Wong
Owner
Alan Wong's Restaurants

Emritur
Don Robbs
Broadcast Consultant

Administration

Christopher E. Blanchard
President & CEO

Mikio Sato
COO

Iwaland Dayton
VP of Development

Administrative Offices
710 Green Street
Honolulu, Hawaii 96813
Phone: 808.536.1015
Toll Free: 888.241.7450
Fax: 808.536.3765

www.eastersealshawaii.org

February 13, 2013

The Honorable Mele Carroll, Chair
House of Representatives Committee on Human Services
Twenty-Seventh Legislature
State Capitol
State of Hawaii
Honolulu, Hawaii 96813

SUBJECT: HB 1298 – RELATING TO TAXATION

Dear Representative Carroll and Members of the Committees:

Easter Seals Hawaii (ESH) SUPPORTS HB 1298. The purpose of this measure is to incentivize businesses who hire individuals with disabilities with a tax credit, thereby encouraging the employment of individuals with disabilities.

Nationally, in 2011, the employment-population ratio was 17.8 % for persons with a disability. Among those with no disability, the ratio was much higher (63.6 %). Equally disappointing, are the statistics regarding persons who are neither employed nor unemployed and are not in the labor force. As was the case in 2010, a large proportion of persons with a disability--about 8 in 10--were not in the labor force in 2011, compared with about 3 in 10 of those with no disability.¹

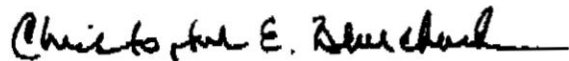
These statistics accurately describe the status of employment for persons with a disability nationally as well as, in Hawaii. For this reason, we support the intent of this bill and offer a friendly amendment to allow the State agencies to determine eligibility as well as nonprofit organizations to increase the ease of implementation. The proposed amendments are as follows:

- 1. Page 2, line 8: add, "Department of Vocational Rehabilitation and Department of Health



Thank you for the opportunity to submit testimony in support of HB 1220 and the above amendment for your consideration.

Sincerely,



Christopher E. Blanchard
President & CEO

U.S. Department of Labor, Bureau of Labor Statistics "Persons with a Disability: Labor Force Characteristics Summary", 8 June, 2012
<http://www.bls.gov/news.release/disabl.nr0.htm>

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Credit for employment of disabled individuals

BILL NUMBER: HB 1298

INTRODUCED BY: Kawakami, Tokioka and 1 Democrat

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow employers to claim an income tax credit for the hiring of a developmentally, intellectually, or physically disabled individual equal to 50% of the qualified wages for the first six months after the individual is hired.

Tax credits that exceed the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. In no taxable year shall the total amount of tax credits claimed under this section exceed \$_____.

Defines "disabled" as having a physical or intellectual impairment which substantially limits one or more major life activity, having record of such impairment, or being regarded as having such impairment provided that the person has been confirmed of such a condition by a nonprofit organization working with developmentally, intellectually, or physically disabled individuals.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information in order to validate a claim for the credit, and adopt rules pursuant to HRS chapter 91. Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

EFFECTIVE DATE: Tax years beginning after December 31, 2012

STAFF COMMENTS: While this measure is proposed as an incentive to entice employers to hire an individual who is developmentally, intellectually, or physically disabled, it should be remembered that the tax system is a poor means of achieving such social goals. Providing such credits against the state income tax merely reduces state revenues that may necessitate a shift in the tax burden to other taxpayers who are not able to claim the credit.

Tax credits that have absolutely no relationship to the burden of taxes imposed on the employer/taxpayer and the taxpayer's ability or inability to pay those taxes cannot be justified. This credit is nothing more than a subsidy of state funds to an employer of 50% of a disabled employee's wages and would not in any way address the employer/taxpayer's need for tax relief. Magnanimous as this gesture may be, it comes at a cost to all other taxpayers. Further, there are few guidelines or specifications to prevent the possible abuse and fraud that could be perpetrated under this provision. With no oversight and little required in the way of reporting, this proposal could pose a serious drain on state resources.

Digested 2/12/13

February 11, 2013

To: Representative Mele Carroll, Chair & Members of the Committee on Human Services

Re: **In SUPPORT OF H.B. NO. 1298 Relating to Taxation**

From: Jack Yatsko, MSW,LSW, Island of Kauai
Chief Operating Officer, Clubhouse International

I am writing in support of House Bill 1298 related to an income tax credit for hiring developmentally, intellectually, or physically disabled individuals.

I worked for 13 years at Friendship House on Kauai, which is a Clubhouse Model psychiatric rehabilitation program for people with mental illness. A major component of the program is helping adults with mental illness reintegrate back into society through employment. There are nine such Clubhouse Programs located on Oahu, Maui, Kauai and the Big Island serving over 1,000 'members.'

The people coming to these Clubhouses have the same hopes and dreams as anyone else has. They want a decent place to live, friends, a sense of belonging to society and wanting to become productive citizens in their respective communities. Nationally, only 10-15% of people with mental illness are currently employed, yet members of Clubhouse programs have employment rates of 40% or higher of their daily attendance.

While these statistics indicate some success towards integration of people with disabilities into the workforce, an income tax credit for employers hiring disabled individuals would create a much greater incentive to get a great employee. The stigma against people with disabilities, particularly those with mental illnesses is still very strong and creates a significant barrier to employment.

H.B. 1298 would not only be a good deed, it would also be a good deal. This tax incentive would help open opportunities for people with disabilities who otherwise remain marginalized by society, isolate at home and would cherish a chance to go to work again. When people with disabilities become a part of the workforce, they become tax contributing citizens, their isolation is reduced, and this often results in reduced hospitalizations and costs to society in other ways. It's a win-win.

It is hard to really give an accurate description of the look on the face of a Clubhouse member when he or she gets their first paycheck from their job, but I still remember the first one back in 1989 when we helped a member get their first job at Pizza Hut in Kapaa. It made such a difference in his life and it continues to do so for others. H.B. 1298 can make a big difference to help more people with disabilities get that first paycheck and see life in a whole new way!

Thank you for your consideration of support of H.B. NO 1298.

As a point of clarification, I would suggest adding the word 'psychiatric' into the language of the bill defining the individuals who this bill is for. I would also suggest removing the word, 'non-profit' on page 2, section (C) as there are numerous non-profit and state organizations providing employment services to individuals with disabilities. This would enable employers to hire individuals from anyone affiliated with these organizations and have a broader pool of potential employees.

Kind regards,

A handwritten signature in black ink, appearing to read "Jack Yatsko". The signature is fluid and cursive, with the first name "Jack" being more prominent than the last name "Yatsko".

Jack Yatsko, MSW, LSW
5385 Makaloa Street
Kapaa, Hawaii 96746
808-651-8598

kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 12, 2013 9:57 AM
To: HUS testimony
Cc: friends@hawaiiink.net
Subject: Submitted testimony for HB1298 on Feb 14, 2013 09:30AM

HB1298

Submitted on: 2/12/2013

Testimony for HUS on Feb 14, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Keith Oshiro	Individual	Support	No

Comments: I would like to support this bill because this is a good idea. I may be able to get a job!

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 12, 2013 10:00 AM
To: HUS testimony
Cc: laura.miyashiro@live.com
Subject: Submitted testimony for HB1298 on Feb 14, 2013 09:30AM

HB1298

Submitted on: 2/12/2013

Testimony for HUS on Feb 14, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Laura Miyashiro	Individual	Support	No

Comments: Every little bit helps!

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 12, 2013 9:52 AM
To: HUS testimony
Cc: meillingcruz@hotmail.com
Subject: Submitted testimony for HB1298 on Feb 14, 2013 09:30AM

HB1298

Submitted on: 2/12/2013

Testimony for HUS on Feb 14, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Shanelle Garania	Individual	Support	No

Comments: It is hard to get a job and giving them this credit may give them more money to help people with disabilities.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 13, 2013 11:01 AM
To: HUS testimony
Cc: friends@hawaiiink.net
Subject: Submitted testimony for HB1298 on Feb 14, 2013 09:30AM

HB1298

Submitted on: 2/13/2013

Testimony for HUS on Feb 14, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Carla Bandman	Individual	Support	No

Comments: I have a disability but can work and contribute to my community. This bill gives me a better chance.

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 13, 2013 10:57 AM
To: HUS testimony
Cc: friends@hawaiiink.net
Subject: Submitted testimony for HB1298 on Feb 14, 2013 09:30AM

HB1298

Submitted on: 2/13/2013

Testimony for HUS on Feb 14, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Dacia Mayfield	Individual	Support	No

Comments: Providing a state initiated tax break for employers who employ disabled people would be of great benefit to the employer as well as a boost to help attain employers for Clubhouse's who serve individuals experiencing severe mental illnesses.

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 13, 2013 1:52 PM
To: HUS testimony
Cc: kathycasaubon@hotmail.com
Subject: Submitted testimony for HB1298 on Feb 14, 2013 09:30AM

HB1298

Submitted on: 2/13/2013

Testimony for HUS on Feb 14, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Kathy Casaubon	Individual	Support	No

Comments: This bill gives people with disabilities a better chance to work in the community.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 13, 2013 1:50 PM
To: HUS testimony
Cc: friends@hawaiiink.net
Subject: Submitted testimony for HB1298 on Feb 14, 2013 09:30AM

HB1298

Submitted on: 2/13/2013

Testimony for HUS on Feb 14, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Kurt Nagata	Individual	Support	No

Comments: I have a disability and I can work so that I contribute to my community. This bill will give me a better chance of being able to contribute to my community.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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February 13, 2013

To: Representative Mele Carroll, Chair & Members of the Committee on Human Services

Re: **In SUPPORT OF H.B. NO. 1298 Relating to Taxation**

From: Michelle Chow

I am writing in support of House Bill 1298 related to an income tax credit for hiring developmentally, intellectually, or physically disabled individuals.

I worked for 17 years at clubhouses on Oahu. I currently at Ko'olau Clubhouse, which is a Clubhouse Model psychiatric rehabilitation program for people with mental illness. A major component of the program is helping adults with mental illness reintegrate back into society through employment.

Many people who come to the Clubhouse, are asking for help finding job. Helping people find an entry level part time job on the windward side is a challenge. Members want to work in the area they live in and become successful and become more independent. Looking for the right job for members at the clubhouse is never ending job. I tap my family, friends and my kids team mate parents looking for opportunities for the members.

My colleague, Jack Yatsko, quoted many statistics in his testimony. The bottom line is I know many people who want to work but we haven't been able to place them. This includes the people who come to the clubhouse and some friends and family who struggle with mental illness. The stigma against people with disabilities, particularly those with mental illnesses is still very strong and creates a significant barrier to employment.

H.B. 1298 would not only be a good deed, it would also be a good deal. This tax incentive would help open opportunities for people with disabilities who otherwise remain marginalized by society, isolate at home and would cherish a chance to go to work again. When people with disabilities become a part of the workforce, they become tax contributing citizens, their isolation is reduced, and this often results in reduced hospitalizations and costs to society in other ways. It's a win-win.

Thank you for your consideration of support of H.B. NO 1298.

I concur with Mr. Yatsko's point of clarification.

As a point of clarification, I would suggest adding the word 'psychiatric' into the language of the bill defining the individuals who this bill is for. I would also suggest removing the word, 'non-profit' on page 2, section (C) as there are numerous non-profit and state organizations providing employment services to individuals with disabilities. This would enable employers to hire individuals from anyone affiliated with these organizations and have a broader pool of potential employees.

Kind regards,

Michelle Chow, MA
P.O. Box 495
Kaneohe, Hawaii 96744

