



HB385
RELATING TO HUMAN SERVICES
House Committee on Human Services

February 7, 2013

9:30am

Conference Room 329

The Office of Hawaiian Affairs (OHA) **SUPPORTS** HB385, which would establish a refundable state Earned Income Tax Credit (EITC), and require the Department of Human Services to provide financial education to Temporary Assistance for Needy Families (TANF) applicants and recipients. OHA supports this bill as it fits within our strategic priority of improving the conditions of Native Hawaiians toward greater economic self-sufficiency.

According to a 2011 American Community Survey (ACS) data report, 20.9 percent of Native Hawaiians with children live in poverty compared to 13.2 percent for the state. Although there are many ways to address poverty, HB385 proposes a pragmatic and sure way to reform our tax system to benefit our neediest populations, while creating a mechanism to educate public assistance recipients to better manage their finances and become more economically self-sufficient.

The Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization that works on federal, state, and local tax policy issues. **According to a report by ITEP, Hawai'i is one of the ten states with the highest taxes on the poor.** By establishing a state EITC and providing financial education to TANF recipients, we can address economic disparities in Hawai'i in a holistic and systemic way. Our neediest population would receive a meaningful refund through the state EITC, and individuals who are receiving public assistance through TANF would be provided the necessary tools and resources to manage their finances. At the same time, the refund would enable families to purchase basic necessities and contribute to Hawai'i's economy.

Currently, there are 42 states that have an income tax, and 24 of those states have enacted a state EITC. To be eligible to receive a state EITC, an individual must utilize the federal EITC. The individual would receive a set percentage of what was claimed for the federal EITC. If the state EITC was 20 percent of the federal EITC, a family receiving a federal EITC of \$2,500 would be refunded \$500 for the state EITC.

Therefore, OHA urges this committee to **PASS** HB385. Mahalo nui for the opportunity to testify.