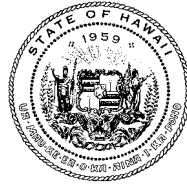


NEIL ABERCROMBIE  
GOVERNOR

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 David Ige, Chair  
and Members of the Senate Committee on Ways and Means

Date: Friday, March 15, 2013

Time: 9:05 a.m.

Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: H.B. 389, H.D. 1, Relating to Income Tax

Department of Taxation (Department) **appreciates the intent** of H.B. 389, but has concerns about its ability to implement the provisions of this bill due to the technological limitations of the Department's computer system and limited staffing resources.

H.B. 389, H.D. 1, allows taxpayers, with an income tax refund of \$10 or more, an option to designate \$5 or \$10 to certain special funds or accounts for taxable years beginning after December 31, 2012. Currently, taxpayers may designate \$5 to Hawaii children's trust fund, domestic violence and sexual assault special fund, and spouse and child abuse funds as set forth in section 235-102.5(d), Hawaii Revised Statutes. The bill is effective July 1, 2030.

Implementation of this measure's provisions will require software coding and testing resources. In particular, the Department is concerned with the provision which allows taxpayers the option to choose between differing amounts for donation. From an implementation standpoint, providing taxpayers an option to choose the amount of the donation is substantially more difficult to implement. Additionally, the Department notes that the income tax form currently has no space to add another checkbox at this time. To create space, the staff estimates that the income tax form will need to be reformatted, which includes adding another page to the income tax form. In turn, this also will increase the Department's overall printing costs.

The Department anticipates commencing the development of the Tax System Modernization (TSM) project in the coming months. The TSM project is the Department's highest priority, and most of our available staff resources will be focusing on its development. While we understand the desire to identify additional sources of revenue for worthwhile causes, due to the extensive amount of work involved in the TSM project, the Department has concerns about reallocating limited operational resources to non-essential projects.

Department of Taxation Testimony

WAM HB 389 HD1

March 15, 2013

Page 2 of 2

In FY 2012, the domestic violence and child abuse neglect special fund totaled \$154,465.

The Department estimates that these funds may net an increase of \$31,000 per year, if H.B. 389, H.D. 1, is adopted.

Thank you for the opportunity to provide comments.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase tax checkoffs

BILL NUMBER: HB 389, HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS 235-102.5 to increase the amount of tax refund that a taxpayer may designate to the Hawaii children's trust fund, the domestic violence and sexual assault special fund, the spouse and child abuse special account under the department of human services and the spouse and child abuse special account under the judiciary from \$5 to \$10 (\$20 for joint filers).

EFFECTIVE DATE: July 1, 2030

STAFF COMMENTS: This measure would increase the amount of a taxpayer's income tax refund that may be designated to various special funds from \$5 to \$10.

A survey by the Federation of Tax Administrators found that the states that utilize checkoff programs have been experiencing a decline in the amount of moneys designated through the checkoff mechanism. The survey also found that due to the administrative costs associated with the checkoff programs, states which currently have the checkoffs are looking to adopt expiration clauses and other means to remove the less productive checkoffs. Lawmakers seem to view such checkoffs as absolution of their responsibility to deal with such problems by turning the response directly over to the taxpayer. However, in the long run, the cost of administering the checkoff merely siphons resources that should otherwise be used for providing needed public services.

If lawmakers believe that earmarking funds through a checkoff system is appropriate, then they might consider placing all programs on the state income tax form for designation and consider repealing the legislative body as there will be no reason for the legislature to exist because decisions will have been made by the income taxpayer.

If lawmakers believe certain programs are of great importance, then they can prioritize those programs through the appropriations process. With the Hawaii tax burden already so heavy, why should taxpayers turn any more of their hard earned dollars over to government? What lawmakers also do not recognize is that by creating these checkoffs, they add to the cost of administering the law, a cost which steals funds from other programs including those enumerated for a checkoff designation. To the extent that the state is made the "donation" collector of these funds, every other worthy cause should be insulted that all taxpayers and programs are subsidizing the fundraising efforts of these causes.

While this measure will perpetuate the problems with the tax checkoff program, its adoption is untenable.

Digested 3/12/13



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Legislative Director

---

**TESTIMONY FOR HOUSE BILL 389, HOUSE DRAFT 1, RELATING TO  
INCOME TAX**

**Senate Committee on Ways and Means  
Hon. David Y. Ige, Chair  
Hon. Michelle N. Kidani, Vice Chair**

**Friday, March 15, 2013, 9:05 AM  
State Capitol, Conference Room 211**

Honorable Chair Ige and committee members:

I am Kris Coffield, representing the IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 150 local members. On behalf of our members, we offer this testimony in strong support of HB 389, relating to income tax.

We strongly support voluntary income tax check-offs and credits related to the provision of human services, which allow taxpayers to fund needed social services through the designation/donation of a small portion of their tax refunds. Human services are always in need of revenue, yet are perpetually underfunded. Thus, lawmakers are justified in pursuing innovative ways of providing additional resources to DHS that concurrently trim the state's fiscal burden.

That said, we encourage you to amend this bill with language creating a human trafficking special fund and corresponding income tax check-off. Victims of human trafficking (the number of which is increasing in our state, as more cases are reported each year) are in need of a number of DHS services, from rehabilitative care to sex assault treatment to temporary shelter, yet are constantly facing an uphill battle in the reception of services due to a lack of funding. We propose the following language to enact our requested amendment: **§346- Human trafficking special fund.** (a) There is established within the state treasury a special fund to be known as the human trafficking special fund to be administered and expended by the department of human services.

(b) The moneys in the special fund shall be reserved for use by the department of human services for programs and grants or purchases of service consistent with chapter 42D that support or provide services to victims of labor trafficking and promoting prostitution in the first degree under 712-1202 as authorized by law, provided that the department shall give priority to programs that provide services and treatment to persons confirmed to be minor victims of labor trafficking or promoting prostitution. Moneys in the special fund shall be used for new or existing programs and shall not supplant any other moneys previously allocated to these programs.

(c) Income tax remittances allocated under section 235-102.5, interest and investment earnings attributable to the moneys in the special fund, and grants, donations, and contributions from private or public sources for the purposes of the fund, shall be deposited into the special fund.

(d) The department of human services shall submit an annual report to the legislature no later than twenty days prior to the convening of each regular session providing the following:

(1) An accounting of the receipts of, and expenditures from, the special fund; and

(2) Recommendations on how to improve services for victims of labor trafficking and promoting prostitution in the first degree.

### ***Income tax check-off***

**§235-102.5 Income check-off authorized.** (a) Any individual whose state income tax liability for any taxable year is \$3 or more may designate \$3 of the liability to be paid over to the Hawaii election campaign fund, any other law to the contrary notwithstanding, when submitting a state income tax return to the department. In the case of a joint return of a husband and wife having a state income tax liability of \$6 or more, each spouse may designate that \$3 be paid to the fund. The director of taxation shall revise the individual state income tax form to allow the designation of contributions to the fund on the face of the tax return and immediately above the signature lines. An explanation shall be included which clearly states that the check-off does not constitute an additional tax liability. If no designation was made on the original tax return when filed, a designation may be made by the individual on an amended return filed within twenty months and ten days after the due date for the original return for such taxable year. A designation once made whether by an original or amended return may not be revoked.

(b) Notwithstanding any law to the contrary, any individual whose state income tax refund for any taxable year is \$2 or more may designate \$2 of the refund to be deposited into the school-level minor repairs and maintenance special fund established by section 302A-1504.5, when submitting a state income tax return to the department. In the case of a joint return of a husband and wife having a state income tax refund of \$4 or more, each spouse may designate that \$2 be deposited into the special fund. The director of taxation shall revise the individual state income tax return form to allow the designation of contributions to the special fund on the face of the tax return and immediately above the signature lines. If no designation was made on the original tax return when filed, a designation may be made by the individual on an amended return filed within twenty months and ten days after the due date for the original return for such taxable year. A designation once made, whether by an original or amended return, may not be revoked.

(c) Notwithstanding any law to the contrary, any individual whose state income tax refund for any taxable year is \$2 or more may designate \$2 of the refund to be paid over to the libraries special fund established by section 312-3.6, when submitting a state income tax return to the department. In the case of a joint return of a husband and wife having a state income tax refund of \$4 or more, each spouse may designate that \$2 be deposited into the special fund. The director of taxation shall revise the individual state income tax form to allow the designation of contributions to the fund on the face of the tax return and immediately above the signature lines. If no designation was made on the original tax return when filed, a designation may be made by the individual on an amended return filed within twenty months and ten days after the due date for the original return for such taxable year. A designation once made, whether by an original or amended return, may not be revoked.

(d) Notwithstanding any law to the contrary, any individual whose state income tax refund for any taxable year is \$5 or more may designate \$5 of the refund to be paid over as follows:

(1) One-third to the Hawaii children's trust fund under section 350B-2; and

(2) Two-thirds to be divided equally among:

(A) The domestic violence and sexual assault special fund under the department of health in section 321-1.3;

(B) The spouse and child abuse special account under the department of human services in section 346-7.5; and

(C) The spouse and child abuse special account under the judiciary in section 601-3.6.

When designated by a taxpayer submitting a state income tax return to the department, the department of budget and finance shall allocate the moneys among the several funds as provided in this subsection. In the case of a joint return of a husband and wife having a state income tax refund of \$10 or more, each spouse may designate that \$5 be paid over as provided in this subsection. The director of taxation shall revise the individual state income tax form to allow the designation of contributions pursuant to this subsection on the face of the tax return and immediately above the signature lines. If no designation was made on the original tax return when filed, a designation may be made by the individual on an amended return filed within twenty months and ten days after the due date for the original return for such taxable year. A designation once made, whether by an original or amended return, may not be revoked.

(e) Notwithstanding any law to the contrary, any individual whose state income tax refund for any taxable year is \$2 or more may designate \$2 of the refund to be deposited into the human trafficking special fund established under section 346-when submitting a state income tax return to the department. In the case of a joint return of spouses having a state income tax refund of \$4 or more, each spouse may designate that \$2 be deposited into the human trafficking special fund. The director of taxation shall revise the individual state income tax return form to allow the designation of contributions to the human trafficking special fund on the face of the tax return and immediately above the signature lines. An explanation shall be included that clearly states that the designation does not constitute an additional tax refund. If no designation was made on the original tax return when filed, a designation may be made by the individual on an amended return filed within twenty months and ten days after the due date for the original return for such taxable year. A designation once made, whether by an original or amended return, shall not be revoked."

Mahalo for the opportunity to testify in strong support of this bill.

Sincerely,  
Kris Coffield  
*Legislative Director*  
IMUAlliance

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [alanguarcia999@yahoo.com](mailto:alanguarcia999@yahoo.com)  
**Subject:** Submitted testimony for HB389 on Mar 15, 2013 09:05AM  
**Date:** Wednesday, March 13, 2013 1:20:23 PM

---

**HB389**

Submitted on: 3/13/2013

Testimony for WAM on Mar 15, 2013 09:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Garcia	Individual	Support	No

Comments: I support HB389, which permits the designation for the check off that may be designated from an individual's state income tax return from \$5 or \$10 to go to a special fund to help children and abuse victims. This is not a tax increase, it simply allows the individual to designate his or her choice of \$5 or \$10 for these important special funds.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [kananisouza@yahoo.com](mailto:kananisouza@yahoo.com)  
**Subject:** Submitted testimony for HB389 on Mar 15, 2013 09:05AM  
**Date:** Wednesday, March 13, 2013 2:36:30 PM

---

HB389

Submitted on: 3/13/2013

Testimony for WAM on Mar 15, 2013 09:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Kanani Souza	Individual	Support	No

Comments: I support HB389 which will allow the individual to designate his/her state income tax return for a \$5 or \$10 check off to be used for a special fund for abused children and victims of domestic violence.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [foxhawaii2010@yahoo.com](mailto:foxhawaii2010@yahoo.com)  
**Subject:** Submitted testimony for HB389 on Mar 15, 2013 09:05AM  
**Date:** Wednesday, March 13, 2013 9:34:33 PM

---

HB389

Submitted on: 3/13/2013

Testimony for WAM on Mar 15, 2013 09:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Sandra Sims	Individual	Support	No

Comments: I stand in strong support of HB389 which is not a tax increase. This measure will allow an individual the ability to choose, if desired, a check off of either \$5 or \$10 of his/her state income tax refund for a special fund for abused children and victims of sexual abuse and domestic violence.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)