

TAXBILLSERVICE

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SUBJECT: INCOME, Increase tax checkoffs

BILL NUMBER: HB 389

INTRODUCED BY: Mizuno, Brower and Ing

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: Tax years beginning after December 31, 2012

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 2/12/13