

Honolulu, Hawaii
February 28, 2014

RE: H.B. No. 1719
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1719 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

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

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

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

The Americans for Democratic Action, Hawaii; Catholic Charities Hawaii; Hawaii Appleseed Center for Law and Economic Justice; National Federation of Filipino American Associations Region 12; Partners in Care; UNITE HERE Local 5; and three individuals testified in support of this measure. The Department of Taxation and the Tax Foundation of Hawaii submitted comments on the measure.

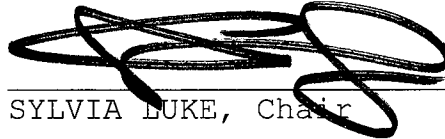


Your Committee finds that, in comparison to other states that impose an income tax, the income threshold at which a state resident becomes subject to the Hawaii income tax is one of the lowest in the nation. Your Committee also finds that this measure will provide tax relief to low-income taxpayers by establishing a tax credit to reduce or eliminate their state income tax liability.

Your Committee has amended this measure by changing the effective date to July 1, 2030, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1719, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1719, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



SYLVIA LUKE, Chair



