

Honolulu, Hawaii
March 21, 2014

RE: S.B. No. 2202
S.D. 1
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 Human Services, to which was referred S.B. No. 2202, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose of this measure is to reduce the financial burden on Hawaii's lower income taxpayers by amending the refundable food/excise tax credit and adjusting the income thresholds for inflation.

The Hawai'i State Democratic Women's Caucus, Aloha United Way, Catholic Charities Hawai'i, Hawai'i Appleseed Center for Law and Economic Justice, Partners in Care, PHOCUSED, Americans for Democratic Action/Hawaii, Hawai'i Alliance for Community-Based Economic Development, ILWU Local 142, Chamber of Commerce for Persons with Disabilities, Goodwill Industries of Hawaii, Hawaii Women's Coalition, and several concerned individuals testified in support of this measure. The League of Women Voters of Hawaii supported the intent of this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments on this measure.

Your Committee received testimony on this measure expressing concern with the deletion of the residency requirement in conjunction with a tax credit that is refundable. This combination could allow a nonresident of the State to file a tax return claiming the tax credit while claiming no Hawaii income,

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resulting in the State being required to write the nonresident a refund check although that individual may have no income or other economic ties to the State.

Your Committee has amended this measure by:

- (1) Restoring the requirement that a person claiming a qualified exemption shall have physically resided in the State for more than nine months during the taxable year;
- (2) Removing the term "resident" where it occurred elsewhere in this measure; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes the recommendation of the Department of Taxation that this measure include a purpose clause to articulate the legitimate state interest served. The Department of Taxation and Department of the Attorney General have offered to collaborate to provide suggested language. Should your Committee on Finance choose to hear this measure, your Committee respectfully recommends further discussion of this issue.

As affirmed by the record of votes of the members of your Committee on Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2202, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2202, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Human Services,


MELE CARROLL, Chair



