

STAND. COM. REP. NO.

386

Honolulu, Hawaii

FEB 15 2013

RE: S.B. No. 301
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Human Services, to which was referred S.B. No. 301 entitled:

"A BILL FOR AN ACT RELATING TO ASSET BUILDING,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a refundable state earned income tax credit, require the Department of Human Services to provide financial education to applicants for and recipients of temporary assistance for needy families, and appropriate funds for financial education and tax workshops.

Your Committee received testimony in support of this measure from the Office of Community Services, Hawaii Alliance for Community-Based Economic Development, Catholic Charities Hawaii, Hawaii Appleseed Center for Law and Economic Justice, Goodwill Industries of Hawaii, PHOCUSED, Partners in Care, Partners in Development Foundation, International Longshore and Warehouse Union Local 142 Hawaii, and two individuals. Your Committee received testimony from the Department of Human Services that supports the intent of this measure. Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, and Tax Foundation of Hawaii.

Your Committee finds that one-third of Hawaii's middle class families are asset poor, lacking the resources to subsist at the poverty level for three months in the absence of a source of income. Assets are necessary to provide financial security during



economically difficult times, create economic opportunities, and improve future generations' quality of life.

Your Committee further finds that financial education and tax workshops are important to ensure that those most in need will have the necessary skills to take advantage of tax policies and begin building assets. The tools and strategies from financial education and tax workshops will empower families by helping them control their financial situation and increase their overall self-sufficiency and resiliency.

Your Committee further finds that in 2010, the Hawaii state asset building and financial education task force submitted recommendations to the Legislature, which included implementing tax policies that make work pay, improving financial education, helping people start businesses, helping people become homeowners, and removing barriers to asset building.

Your Committee has heard testimony of the Department of Taxation expressing concerns regarding the estimated cost for Hawaii earned income tax credit. Estimates show that:

- (1) Ten percent of the federal earned income tax credit will equal \$25,100,000;
- (2) Fifteen percent of the federal earned income tax credit will equal \$37,700,000; and
- (3) Twenty percent of the federal earned income tax credit will equal \$50,200,000.

Your Committee finds that this issue raises concerns that merit further consideration and requests that your Committee on Ways and Means further examine those issues and concerns raised by the testifiers on this measure.

Your Committee has amended this measure by:

- (1) Explicitly specifying in state law that certain federal regulations apply to tax return preparers, as the Internal Revenue Service recently lost a challenge regarding the application of certain regulations to tax return preparers and has ceased to apply those requirements to them;



- (2) Deleting sections 3 and 4 of the measure, which would have required and funded the Department of Human Services to provide financial education to applicants for and recipients of Temporary Assistance for Needy Families;
- (3) Changing the source of appropriations for Hawaii Alliance for Community-Based Economic Development to provide tax workshops and financial education from general funds to grants; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 301, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 301, S.D. 1, and be referred to the Committee on Ways and Means.

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

Suzanne Chun Oakland

SUZANNE CHUN OAKLAND, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Human Services
HMS

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 301	HMS, WAM	1/28/13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHUN OAKLAND, Suzanne (C)	✓			
GREEN, Josh (VC)	✓			
KIDANI, Michelle N.	✓			
TANIGUCHI, Brian T.	✓			
SLOM, Sam			✓	✓
TOTAL	23	6	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes