



SB 125

Measure Title:	RELATING TO RENTAL HOUSING.
Report Title:	Department of Taxation; Income Tax Check-Off; State Income Tax Refund; Rental Housing Trust Fund
Description:	Requires the department of taxation to allow a taxpayer to designate or "check-off" that a specified amount of the taxpayer's income tax refund be paid to the rental housing trust fund. Applies to taxable years beginning after 12/31/15.
Companion:	
Package:	Housing and Homeless Legislative Package
Current Referral:	HSH, WAM
Introducer(s):	CHUN OAKLAND, GREEN, RUDERMAN, Dela Cruz, L. Thielen

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

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IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HUMAN SERVICES AND HOUSING

January 31, 2015 at 1:15 p.m.
State Capitol, Room 229

In consideration of
S.B. 125
RELATING TO RENTAL HOUSING.

HHFDC ***appreciates the intent*** of S.B. 125, which would authorize the addition of a check off on state income tax forms to allow people to designate \$3 (or \$6 for joint returns) for the Rental Housing Trust Fund. However, we defer to the Department of Taxation with respect to the overall impact of this bill on the Department and its operations.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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To: The Honorable Suzanne Chun Oakland, Chair
and Members of the Senate Committee on Human Services and Housing

Date: Saturday, January 31, 2015
Time: 1:15 p.m.
Place: Conference Room 229, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 125, Relating to Rental Housing

Department of Taxation (Department) appreciates the intent of S.B. 125, but is opposed to the bill due to the impact it will have on the Department's limited budget and staffing resources, if adopted.

S.B. 125 proposes to allow taxpayers, with income tax refunds of \$3 or more, an option to designate \$3 (or \$6 in case of a joint return) to the rental housing trust fund established under section 201H-202, Hawaii Revised Statutes, for taxable years beginning after December 31, 2015.

While the Department understands and appreciates the intent of this bill, the Department cannot support any request which will require changes its forms and computer system, unless the changes are essential for taxpayer compliance. As the Legislature is aware, the Department has an outdated computer system with significant functionality issues. Staffing resources necessary to develop and implement modifications to the system also are insufficient.

The Department currently is in the process of procuring a new tax computer system. As a result, the Department's limited resources must be prioritized to address other significant projects that will occur over the next few years, and respectfully request that no new projects be imposed on the Department.

Lastly, the Department suggests that the sentence on page 2, line 4 be deleted ("An explanation shall be included that clearly states that the designation does not constitute an additional tax refund."). Designations of income tax refunds, such as the one proposed, is a reduction of the taxpayer's income tax refund.

Thank you for the opportunity to provide comments.

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SUBJECT: INCOME, Tax checkoff for rental housing trust fund

BILL NUMBER: SB 125; HB 1026 (Identical)

INTRODUCED BY: SB by Chun Oakland, Green, Ruderman, and 2 Democrats; HB by Hashem

EXECUTIVE SUMMARY: Allows taxpayers to designate a portion of their state income tax refund to be deposited to the rental housing trust fund. A direct appropriation to this program area, however, would increase transparency and accountability.

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow individual taxpayers whose state income tax refund for any taxable year is \$3 or more, to designate \$3 to be paid to the rental housing trust fund. For joint taxpayers with an income tax refund of \$6 or more, each spouse may designate \$3 into the trust fund. Directs the director of taxation to revise the state income tax forms as necessary. Allows designations to be made by filing an amended income tax return if filed within 20 months and 10 days after the due date of the original return.

EFFECTIVE DATE: Tax years beginning after December 31, 2015

STAFF COMMENTS: This measure adds the rental housing trust fund to the growing list of programs for which taxpayers due an income tax refund may designate a portion of that refund. 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 though 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 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.

It should be noted that 50% of conveyance tax revenues are earmarked for the rental housing trust fund automatically without any legislative intervention. If the legislature deems that this fund is such a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues is not desirable for a number of reasons. First, it absolves elected officials from setting priorities. Second, the beneficiaries of such earmarked sources look upon the receipts as “their” money and refuse to be held accountable for the use of those funds while all other

programs not so favored, like education, public safety, health and human services, are cut when general fund tax revenues either shrink or do not increase in line with expectations.

Instead of further clouding the financial picture of the state, all of these earmarked funds and the programs they underwrite should be brought back to the general fund table so that lawmakers can properly exercise their oversight responsibility, including measuring the needs of those programs against all the other pressing needs of the state. Only then will lawmakers and taxpayers be able to set proper funding priorities.

Digested 1/20/15