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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Roy M. Takumi, Chair
and Members of the House Committee on Education

Date: Wednesday, February 1, 2017

Time: 2:00 P.M.

Place: Conference Room 309, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 547, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B 547, which creates a new income tax credit for qualified expenses in hosting a foreign exchange individual. The credit is capped at \$400 per month. H.B. 547 applies to taxable years beginning after December 31, 2016.

The Department notes that it is unclear whether the \$400 per month cap is a total cap per taxpayer claiming the credit, or is a cap per foreign exchange individual hosted by the taxpayer. The Department suggests amending the bill to clarify this.

Finally, the Department requests that this new credit be applicable to taxable years beginning after December 31, 2017. Individual income tax will be completed with Rollout 4 of the Tax System Modernization program. Rollout 4 is scheduled to be completed in November 2018.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Credit for Exchange Student Host Families

BILL NUMBER: HB 547

INTRODUCED BY: ITO, CACHOLA, CHOY, OHNO, ONISHI, TOKIOKA, Say, Woodson

EXECUTIVE SUMMARY: Adds a new credit for expenses paid by families hosting foreign exchange students. A direct appropriation would be preferable as it would provide some accountability for the taxpayer funds being utilized to support this effort.

BRIEF SUMMARY: Adds a new section to HRS chapter 235, to be titled the income tax credit for exchange program hosts. The credit amount is 100% of the taxpayer's qualified expenses, up to a maximum of \$400 times the number of full calendar months during the taxable year that the taxpayer acts as a host family for a foreign exchange individual.

No credit is allowed for any amounts for which a deduction is taken under Internal Revenue Code section 170(g) with respect to amounts paid to maintain certain students as members of the taxpayer's household.

If the amount of credits exceeds the taxpayer's income tax liability, the excess of credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. All claims for a credit under this section shall be properly filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

Defines "foreign exchange individual" as a person who: (1) is an international student or pupil, fellow, intern, including those who are participants in an intern exchange or student exchange program of the Bureau of Educational and Cultural Affairs of the United States Department of State; and (2) holds a valid F-1, J-1, or M-1 visa, issued by the United States Department of State.

Defines "host family" as a taxpayer who provides room and board to maintain a foreign exchange individual for a minimum of thirty days; provided that the room and board is provided on a voluntary basis with no remuneration.

Defines "qualified expenses" as expenses incurred by a taxpayer solely and directly as a result of the taxpayer acting as a host family to a foreign exchange individual, except for amounts paid by a taxpayer: (1) to maintain a relative of the taxpayer as a member of the taxpayer's household, regardless of whether or not the relative of the taxpayer otherwise fulfills the requirements of a foreign exchange individual; or (2) for which the taxpayer receives any money or other property as compensation or reimbursement for maintaining the foreign exchange individual in the taxpayer's household.

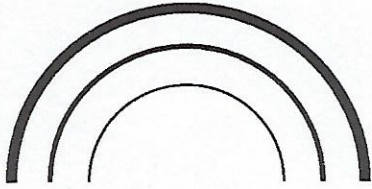
EFFECTIVE DATE: Upon approval, and applies to taxable years beginning after December 31, 2016.

STAFF COMMENTS: This credit provides a dollar-for-dollar reimbursement of the taxpayer's "qualified expenses," up to a maximum of \$4,800 per year. Qualified expenses are defined vaguely, and may prove difficult or impossible to audit. Avoidance of inflated or fraudulent claims may be a real concern.

Proposed subsection (b) provides standard rules as to what to do when the creditable expenses are incurred by a partnership, S corporation, estate, or trust. This subsection appears to be unnecessary as it is assumed that the expenses are incurred by a host family.

As with any other tax credit, this measure makes it very difficult to track the true cost of the incentive, and to ensure that the revenue forgone is in accordance with the fiscal priorities of the State. To ensure accountability and transparency, it is preferable to appropriate the money and disburse it to the individuals who are considered worthy of it.

Digested 1/29/2017



International Hospitality Center

224 Queen Emma Square • Honolulu, Hawaii 96813 • (808) 521-3554
ihc@priory.net • www.ihchawaii.org

TESTIMONY for HB 547
February 1, 2017

As Executive Director of the International Hospitality Center, Hawaii's community based, volunteer international educational and cultural exchange organization since 1976, I oversee and am personally responsible for the recruitment, training, counseling and support of a Statewide network of hosts who welcome J-1 United States Department of State government scholarship grantees (high school, university, graduate and mid-career adult professionals) as well as F-1 visa exchange students who are placed for homestays from one month to semester or academic year in volunteer host homes. International participants are placed with Volunteers who receive No Remuneration while providing room, meals, participation in host activities, frequent transportation etc. at host personal expense. IHC Volunteers reside Statewide and have served as hosts in some cases for more than 25 years. As Host and Exchange Participant Testimony submitted to the Committee will verify, the educational and cultural enrichment, long term connections and financial benefits brought to Hawaii are immeasurable. IHC Volunteers serve as person to person diplomats, donating their time, energy, hospitality, and personal resources to ensure appropriate attention as assistance to international participants who are guests of the United States government.

We request the Committee's approval of HB 547 to encourage and maintain the recruitment of volunteers in the State of Hawaii, while recognizing the outstanding services performed by Volunteers statewide. Now more than ever the Spirit of Aloha, the watchword of Hawaii, needs to be assured for those regarded as the Future and Current Leaders of their countries. Over the past 40 years, IHC Hosts have welcomed over 2,000 international participants representing 43 countries, who have resided with Hawaii Un-Remunerated Hosts for one to 10 months. At this time, academic year 2016-2017 some 59 grantees from Armenia, Austria, Bangladesh, Bulgaria, Cameroon, Gaza (Palestine) Georgia, Germany, France, Malaysia, Moldova, Mozambique, Nigeria, Russia, Spain, Switzerland, Tanzania and Ukraine are placed with Volunteer Hosts under the auspices of the International Hospitality Center. (In addition, IHC provides educational and cross cultural programs for over 1000 international participants per year in programs involving short term stays of a few days to a few weeks.)

I would like to thank the members of the Committee for your time and attention to this matter and urge the passage of HB 547 during the current 2017 session. Should there be a need for additional information, we would be most happy to provide pertinent information. Thank you for your consideration.

Submitted by:

Barbara Bancel
Executive Director

Hello, my name is Eyleen Busch. I am 16 years old and from Germany. I have the opportunity to be an exchange student for 10 months here on Hawaii and to be a student at St. Andrew's School.

Before coming here I sincerely wished to spend a year abroad, specially on Hawaii. By a German Company in Bonn my school was quickly found in Honolulu.

But it took several months to find a family who was willing to accept a foreign student for almost one year. My parents and me, we were very happy that

my host family and their daughter Emily of my age invited me to stay with them.

Arriving at the airport of Honolulu, I was really surprised how heartily the whole family, especially Emily, welcomed me.

During these first six months with my host family they have readily taken care of my everyday needs and I am glad I have a room of my own. My host parents were

so kind to take me for trips in and around Honolulu, the whole Isle and to enjoy the interesting Hawaiian culture and wonderful nature. They allowed me

to see and learn such a lot here, which no one could ever teach me in Germany. I even had the opportunity to go with my host family on a Thanksgiving trip to

Washington DC., Philadelphia and New York City with the „All State Marching Band“, because my host sister is a member of this Band.

With all this experience and engagement of a host family for young people, I would appreciate that these families would get a benefit in form of tax reduction

by the state.

We children are your future.

EDNtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, January 27, 2017 9:42 PM
To: EDNtestimony
Cc: jamesjtz@aol.com
Subject: *Submitted testimony for HB547 on Feb 1, 2017 14:00PM*

HB547

Submitted on: 1/27/2017

Testimony for EDN on Feb 1, 2017 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
James Gauer	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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EDNtestimony

From: Roxanne Kamalu
Sent: Monday, January 30, 2017 8:12 AM
To: har3-Ryan
Subject: FW: HB547

-----Original Message-----

From: Melinda Wood [mailto:mwood17@hawaii.rr.com]
Sent: Friday, January 27, 2017 6:19 PM
To: EINtestimony@capitol.hawaii.gov
Subject: HB547

I am testifying as a private citizen in support of HB547. I have been a volunteer host family through the International Hospitality Center (IHC) for about 15 years now. I've hosted teachers of English from Japan and Korea who come here to learn new teaching skills; UH students from Norway and Okinawa; high school girls from Germany, Denmark, Turkmenistan, and Okinawa; and professional fellows from Turkey, Moldova, Indonesia, and Armenia. Each of these experiences has enriched my life in many ways and I am still in touch with many of the people I hosted.

Hosts are expected to bring their international guests into their daily lives and treat them as family. This entails providing two or three meals a day, orienting them to using local buses, showing them where to shop for bargains, and engaging with them in conversations about whatever topics they may bring up. But it's not all work; one of the best aspects of hosting is getting to be a "tourist" in our own hometown—going to beaches and Pearl Harbor, climbing Diamond Head, and all the other fun things that some families might not do unless they have out-of-town company. We even get to know other local hosts and expand our circle of friends more widely. To me, hosting is its own reward.

I also view being a host as a way to make a modest investment in world peace and understanding. I have always done it willingly but it does take time and energy. And it costs money. The introduction of HB 547 is a welcome acknowledgment by Senator Ito of what it takes to host an international visitor for varying lengths of time. In fact, when I tell people that I get no compensation for hosting, they are incredulous, asking me, "Why would you do that when it ends up costing you money?" I've answered that question above; however, I strongly believe that a \$400 tax credit could encourage more families to participate, which would serve our state well as we share our aloha with people from all over the world.

Therefore, I thank Senator Ito for introducing the bill and repeat that I am in strong support of HB 547.

Sincerely,
Melinda Wood

EDNtestimony

From: Roxanne Kamalu
Sent: Tuesday, January 31, 2017 10:28 AM
To: har3-Ryan
Subject: FW: testimony for HB 547

From: International Hospitality Center [mailto:ihc@priorypride.net]
Sent: Tuesday, January 31, 2017 10:26 AM
To: Roxanne Kamalu
Subject: Fwd: testimony for HB 547

Dear Roxanne,

As many of our volunteers continue to encounter difficulty submitting Testimony for the Education Committee, I am forwarding to you an email received from:

Ms. Ginny Squier,
82-981 Kamakani Street
Captain Cook, HI 96704

Tel: (808) 323-2838

Thank you for including this Testimony for the Education Committee.

Aloha,
Barbara Bancel

----- Forwarded message -----

From: **Ginny Squier** <deguchiy001@hawaii.rr.com>
Date: Tue, Jan 31, 2017 at 9:57 AM
Subject: testimony for HB 547
To: Barbara Bancel <ihc@priory.net>

To the members of the House Education Committee —

I am both a long-time host parent and also a Local Coordinator for the exchange student program under the International Hospitality Center .

As you have heard from many other host families, the experience of having these young ambassadors in our homes and in our lives is most rewarding. Hosting requires a lot of “giving”, in terms of time, money, and energy — an experience most of us do willingly and in fact repeatedly. Many host families volunteer to host many times — our lives are better for it.

But you’ve heard all this from other host families. I’d like to address the issue of being a Local Coordinator. Part of that responsibility is to secure placements for the exchange students. That is the biggest hurdle we must face. Every year there are more students than families willing to host. Why? Because of the financial burden hosting places on us. It is very painful to hear that a family that would make a wonderful host say they simply

cannot afford to host, otherwise they'd be happy to have a young adult from another culture live with them. And a point that cannot be argued.

The passage of HB 547 would be most effective in resolving that argument and so I urge its passage.

Thank you for your consideration.

Ginny Squier
Local Coordinator
Host parent since 1997

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Barbara Bancel
Executive Director

International Hospitality Center
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Re: Service and Contribution to Exchange Student's Homestay

Aloha from Host Parent:

My name is Trisha Hansen and I have been a Host Parent along with Sterling Dorje, my husband, to 4 different Exchange Students over the last 6 years. Our current student is from Ukraine, and she has experienced unrest and aggression by Russia in her own country.

Why We Serve as Host Parents?

We are an international couple... my husband is from Tibet and we are well travelled...having visited countries like Africa, Indonesia, Japan, Vietnam, Thailand, Germany, UK, Bhutan, India, etc. we feel very strongly that building a relationship with the International Community, especially young students from other countries and exposing them to American Culture can help bring peace to the world. Students we have hosted in the past tell us of their experiences after leaving us and how being in American has opened up their world and moved them forward. In addition, the American/Hawaiian students who interact with International Students are exposed to a world view beyond their own community and possibilities of a future for themselves outside of their current world. In most cases, the International Exchange Students are better educated and way ahead of their American classmates... in almost every aspect of their education... This was a real eye opener to me and I would guess to the American students and teachers as well... opening them up to a different view of their own education and their perspective of their own world here in Hawaii.

Responsibilities of Host Parents:

- providing a room in my home with bathroom
- all meals at home and at restaurants, transportation to activities, entertainment

Additional Activities:

- hosting other students at my home for organized activities like debates on GMO's (see photo)
- exposing my student and her Exchange Student friends to other parts of the island to see the volcano and untouched nature of the Big Island. Includes stay at another house for 2 more students and their Host Parent.
- Travel to Los Angeles from Hawaii for Christmas to expose her to a cultural experience of American Family Christmas and a look at the Mainland US including Universal Studios, Overview of Los Angeles coastal and inland regions.
- We have plans for another trip for our student on her way back to her country to visit West Coast including San Francisco, Ca. to experience life on the Mainland of the U.S.



Students from all over the world gather together, make friends and take this experience back home. These students will be the future leaders of their communities and their countries. We can impact their world and the world of their future by their exposure to our American ideals and way of life. This is our mission.

EDNtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2017 6:39 PM
To: EDNtestimony
Cc: RonaeleW@aol.com
Subject: Submitted testimony for HB547 on Feb 1, 2017 14:00PM

HB547

Submitted on: 1/31/2017

Testimony for EDN on Feb 1, 2017 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Ronaele Whittington	Individual	Support	No

Comments: Subj: SUPPORT House Bill #HB547 Testimony to the House Education Committee February 1, 2017 We support HB 547 introduced by Representative Ken Ito. This allows a tax credit to families who volunteer to host international, exchange students. We hosted international students placed by the International Hospitality Center. These relationships created lifelong friendships. While we volunteered willingly, we would accept the tax credit as the community's recognition that all of us together create positive relationships across borders. Please pass this bill through committee and keep it going. Respectfully submitted, Hank and Ronaele Whittington 810A N. Kalaheo Avenue Kailua, HI 96734 808 261 8400 RonaeleW@aol.com

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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LATE

February 1, 2017/2:00 p.m.
Conference Room 309

Committee On Education

To: Representative Roy M. Takumi, Chair
Representative Sharon E. Har, Vice Chair

From: Michael Robinson
Vice President – Government Relations & Community Affairs

Re: HB255 – Testimony in Support

My name is Michael Robinson, Vice President, Government Relations and Community Affairs at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-governmental employer. Hawai'i Pacific Health is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

I am writing in support of HB 255 which establishes a program to provide grants to farmers participating in the Hawai'i farm to school program by making an appropriation to form the farm to school grant program special fund.

The Farm to School Program incorporates fresh, local food and nutrition education into Hawai'i public schools. The resources available in people's communities, homes, schools, and neighborhoods significantly determine the health outcomes they will experience over their lifetime. At Hawai'i Pacific Health, we recognize the importance of nutrition, health and well being particularly for children in our schools.

HB 255 provides funding to encourage and enable farmers to participate in the Farm to School Program and will foster nutrition education in our public schools.

The plan outlined in HB255 is aligned with our mission of creating a healthier Hawai'i.

Thank you for the opportunity to testify.