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To: The Honorable Roy M. Takumi, Chair  
and Members of the House Committee on Consumer Protection & Commerce

Date: Tuesday, March 19, 2019  
Time: 2:00 P.M.  
Place: Conference Room 329, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: S.B. 76, S.D. 2 H.D. 1, Relating to Taxation

The Department of Taxation (Department) provides the following comments regarding S.B. 76, S.D. 2, H.D. 1, for your consideration.

Originally a short form bill, S.B. 76, S.D. 2, H.D. 1, establishes a non-refundable income tax credit in an unstated amount for the purchase of a personal emergency response system, provided that the federal Adjusted Gross Income (AGI) of the taxpayer is not more than \$45,000 for a person filing as single or married filing jointly, \$67,500 for a person filing as head-of-household, and \$90,000 for taxpayers filing jointly. The credit must be certified by the Department of Health and has an aggregate cap of an unspecified amount. H.D. 1 has a defective effective date of July 1, 2050, but would otherwise apply to taxable years beginning after December 31, 2019.

The Senate Committee on Ways and Means amended the measure to use federal AGI instead of Hawaii AGI, setting income limits based on filing status, requiring the Department of Health to certify the credit, and changing the effective date at the Department's request.

The Department notes that if a non-defective effective date is inserted, it is able to administer this new credit for taxable years beginning after December 31, 2019. This effective date provides sufficient time to make the necessary form, instructions, and computer system changes.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Credit for Personal Emergency Response System

BILL NUMBER: SB 76, SD-2, HD-1

INTRODUCED BY: House Committee on Health

EXECUTIVE SUMMARY: Establishes a non-refundable tax credit for the purchase of a personal emergency response system, under certain conditions.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish a tax credit for purchase of a personal emergency response system for a taxpayer who has an adjusted gross income of less than \$45,000 (single or married filing separately), \$67,500 (head of household), or \$90,000 (married filing jointly).

Defines "personal emergency response system" as an alarm system designed to permit the user to signal the occurrence of a medical or personal emergency to alert a provider.

The amount of the credit is \$\_\_\_\_. The credit is nonrefundable but may be carried forward until exhausted. The department of health is tasked with the responsibility of certifying credit claims and enforcing the statewide aggregate cap of \$\_\_\_\_\_.

Requires the director of taxation to prepare any forms necessary to claim a credit, may require a taxpayer to furnish reasonable information to validate a claim for the credit, and adopt rules pursuant to HRS chapter 91. Requires claims for the credit, including any amended claims, to be filed on or before the end of the twelfth month following the taxable year for which the credit is claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: Lawmakers need to keep in mind two things. First, the tax system is the device that raises the money that they, lawmakers, like to spend. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount. The second point to remember about tax credits is that they are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to subsidize the purchase of personal emergency response systems, then a direct appropriation would be more accountable and transparent.

Furthermore, the additional credit would require changes to tax forms and instructions, reprogramming, staff training, and other costs that could be massive in amount. A direct appropriation, or adding on to an existing rebate program, may be a far less costly method to accomplish the same thing.

Digested 3/15/2019