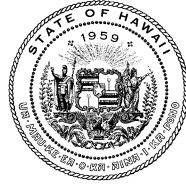


**DAVID Y. IGE**  
GOVERNOR

**JOSH GREEN M.D.**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**RONA M. SUZUKI**  
DIRECTOR OF TAXATION

**DAMIEN A. ELEFANTE**  
DEPUTY DIRECTOR

To: The Honorable Aaron Ling Johanson, Chair;  
The Honorable Stacelynn K.M. Eli, Vice Chair;  
and Members of the House Committee on Labor & Public Employment

From: Rona M. Suzuki, Director  
Department of Taxation

Re: **H.B. 2708, Relating to Taxation**  
Date: Tuesday, February 11, 2020  
Time: 9:10 A.M.  
Place: Conference Room 309, State Capitol

The Department of Taxation (Department) appreciates the intent of H.B. 2708 and provides the following comments.

H.B. 2708 requires the Department to authorize individual taxpayers with one or more dependents and income not exceeding 40 percent of the median family income to elect to reduce their withholding by the amount of the expected earned income tax credit (EITC). H.B. 2708 is effective upon approval and applies to taxable years beginning after December 31, 2020.

The Department notes that providing explicit authority only for this credit may cause confusion over whether taxpayers' withholding can be adjusted for other credits. Individuals can currently reduce their withholding based on their expected tax liability, including expected credits to an extent. The Form HW-4 worksheet instructs taxpayers to add one withholding allowance if at least \$250 in credits is expected.

H.B. 2708 limits the withholding reduction to taxpayers with at least one dependent and income not exceeding 40 percent of the median family income. These requirements are unrelated to the EITC qualifications and may create uncertainty over who can claim the EITC. To alleviate this, the Department recommends amending the bill to instead authorize any claimant of the EITC to adjust their withholding.

Thank you for the opportunity to provide comments.