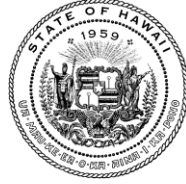


DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

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

To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director
Department of Taxation

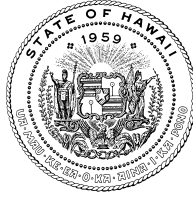
Date: Wednesday, February 2, 2022
Time: 10:00 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 3100, Relating to Constitutional Tax Refund for Resident Taxpayers

The Department of Taxation (Department) strongly supports S.B. 3100 and offers the following comments for your consideration.

S.B. 3100 proposes a general tax refund for all qualifying Hawaii taxpayers pursuant to Article VII, section 6 of the Hawaii State Constitution. The proposed refund is equal to \$100 multiplied by the number of qualified exemptions the taxpayer is entitled to claim on its income tax return. The bill is effective upon its approval.

The Department is able to administer the measure as currently written. Thank you for the opportunity to provide testimony in support of this measure.



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

Testimony of
David Y. Ige
Governor, State of Hawai'i

Before the
SENATE COMMITTEE ON WAYS AND MEANS
Wednesday, February 2, 2022
10:00 A.M.

In consideration of
SENATE BILL 3100
RELATING TO CONSTITUTIONAL TAX REFUND FOR RESIDENT TAXPAYERS

Chair Dela Cruz, Vice Chair Keith-Agaran, and committee members:

I **support** this measure.

Support for working families has long been a priority of mine. As we determine how we can best help Hawai'i's people and our economy recover from the effects of a protracted pandemic, I believe that SB 3100 gives us an opportunity to offer relief to taxpayers and their families while also injecting \$110 million back into our economy. In this way, we can give a boost to both working families and our local economy.

Given the state's recent revenue projections, I think it is important that we return some of that revenue to taxpayers. The state constitutional provision allowing us to issue checks of \$100 to every taxpayer and for each dependent would be a welcome relief to our community recovering from the economic effects of the pandemic.

Thank you for the opportunity to submit testimony.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 3100

February 2, 2022
10:00 a.m.
Room 211 & Videoconference

RELATING TO CONSTITUTIONAL TAX REFUND FOR RESIDENT TAXPAYERS

The Department of Budget and Finance (B&F) supports Senate Bill (S.B.) No. 3100, or Administration Proposal GOV-2(22), and offers the following comments.

S.B. No. 3100 creates a one-time income tax refund for resident taxpayers that shall be refunded to implement the provision of Article VII, Section 6, of the Constitution of the State of Hawaii.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

CHUNG I. CHANG
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Written Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Wednesday, February 2, 2022
10:00 AM

State Capitol, Conference Room #211 & Videoconference

In consideration of
SB 3100

RELATING TO CONSTITUTIONAL TAX REFUND FOR RESIDENT TAXPAYERS.

Chair Dela Cruz, Vice Chair Keith-Agaran and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports SB3100, which creates a one-time income tax refund for resident taxpayers that shall be refunded to implement the provision of article VII, section 6, of the Constitution of the State of Hawaii.

As the governor stated in his most recent state of the state address, \$100 for every taxpayer and their dependents means also injecting "\$110 million back into our economy, giving it a boost as well." Whether it is buying a plate lunch or purchasing an item from a local vendor, it will help our small businesses and help keep our local people employed.

Thank you for the opportunity to testify.



February 2, 2022

10 a.m.

Conference Room 211 and Videoconference

To: Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

From: Grassroot Institute of Hawaii

Joe Kent, Executive Vice President

RE: SB3100 — RELATING TO CONSTITUTIONAL TAX REFUND FOR RESIDENT TAXPAYERS

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB3100](#), which would create a one-time tax refund for resident taxpayers in keeping with Article VII, Section 6 of the Hawaii Constitution.

The state of Hawaii is currently enjoying a \$3 billion budget windfall, thanks to higher-than-expected tax revenues and an infusion of federal funds.

Hawaii's residents and businesses, on the other hand, are struggling to rebound from the pandemic and lockdowns, which closed many businesses forever and continue to reverberate through the economy.

Under the circumstances, it seems clear that returning a portion of those excess funds is both compassionate and economically wise. Hawaii's taxpayers would benefit from the tax refund, and the economy would benefit from the spending and investment that will follow.

Earlier this year, the Grassroot Institute wrote about the budget surplus in the [Hawaii Filipino Chronicle](#), suggesting that the Legislature return some of the windfall to taxpayers, as provided

in the Hawaii Constitution. We also suggested that the Legislature help alleviate the state's high cost of living by cutting taxes, which the state can clearly afford.

When Gov. David Ige proposed that the state send refunds in the amount of \$100 per taxpayer and dependent, the Grassroot Institute [praised](#) the suggestion, noting that this is a good way to help working families while boosting the economy.

We commend the Legislature for considering this bill and applaud its purpose, but we would like to suggest that the Legislature go even farther in this effort to help Hawaii taxpayers.

Currently, the bill sets the refund amount at \$100 multiplied by the number of qualified exemptions to which a taxpayer is entitled. Given that one refund is to be distributed to each resident taxpayer who files an individual income tax return for 2021, this is an attempt to approximate the governor's goal of \$100 per taxpayer and dependent, or \$400 for the average Hawaii family.

The governor hoped to add about \$110 million to the economy via the refund. However, we suggest that, given the amount of the budget surplus, the state should seek to return at least one-third of the windfall, or about \$1 billion, to the taxpayers. That would equal approximately \$1,361 for each of Hawaii's 734,673 taxpayers.

The state can afford to do more for Hawaii taxpayers, who have gone through so much in the past two years.

We urge the committee to consider increasing the amount of the refund contemplated in this bill. By doing so, you would help foster economic growth and greater prosperity in Hawaii.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent
Executive Vice President
Grassroot Institute of Hawaii

SB-3100

Submitted on: 1/27/2022 1:21:58 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
lynne matusow	Individual	Oppose	No

Comments:

Taxpayers would be better served if the GET were removed from food and non prescription drugs. Suggest this bill be amended to remove the GET from food and non prescipation drugs.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Tax Credit, Disposition of Excess Revenues

BILL NUMBER: SB 3100, HB 2131

INTRODUCED BY: SB by KOUCHI by request; HB by SAIKI by request

EXECUTIVE SUMMARY: Creates a one-time income tax refund for resident taxpayers that shall be refunded to implement the provision of article VII, section 6, of the Constitution of the State of Hawaii.

SYNOPSIS: Adds an uncodified section providing for a general income tax credit of \$100 for each taxpayer filing an individual return in 2021.

EFFECTIVE DATE: Upon Approval

STAFF COMMENTS: This is an Administration bill sponsored by the Office of the Governor and designated GOV-02 (22).

Article VII, section 6 of the Hawaii Constitution requires that whenever the state general fund balance at the close of each of two successive fiscal years exceeds five percent of general fund revenues for each of the two fiscal years, the legislature shall either: (1) provide a tax credit or refund to the taxpayers of the State; (2) deposit the money into a rainy day fund ; or (3) appropriate general funds for either (A) debt service or (B) OPEB.

It's hard to get excited about this provision, however, because the Constitution does not say anything about how much of the excess revenues are to be disposed of in these ways.

The last time we had a constitutional convention, in 1978, delegates thought that government shouldn't be keeping the people's money if it didn't have to. "Your Committee believes that it is proper for the State's taxpayers to benefit from any surplus in the State's general fund balance," they said in Committee of the Whole Report No. 14.

So, they put before the voters, and the voters approved, what became Article VII, section 6 of our Constitution. It says that if our general fund balance is more than 5% of general fund revenues for two fiscal years in a row, then the legislature is supposed to enact a tax credit or refund to give some of that money back to us taxpayers.

This credit came to be called the general income tax credit. In most of the years of its life, however, it provided for a credit of either \$1 or nothing.

In 2010, the legislature proposed, and voters approved, a constitutional amendment that allowed lawmakers to forgo providing a tax credit if they instead shoved some money into our rainy-day fund. Thus 2009 was the last year of the general income tax credit. In 2016, voters approved a

Re: SB 3100, HB 2131

Page 2

further constitutional amendment that would allow the money to go to debt service or OPEB.
But still there is nothing mandating any particular amount.

Digested: 2/1/2022