

TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Tax Credit, Disposition of Excess Revenues

BILL NUMBER: SB 494

INTRODUCED BY: DELA CRUZ

EXECUTIVE SUMMARY: Provides for a tax credit and appropriations to the rainy day fund and the trust fund for “other post-employment benefits” (OPEB) for state workers. This bill implements Article VII, section 6, of the Hawaii Constitution.

SYNOPSIS: Adds an uncodified section providing for a general income tax credit in an unspecified amount for each taxpayer filing an individual return in 2019.

Makes appropriations of unspecified amounts to the emergency and budget reserve fund, the other post-employment benefits trust fund,

EFFECTIVE DATE: July 1, 2019.

STAFF COMMENTS: 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 the first year the provision was effective, 1981, the surplus requirements were met, and lawmakers gave the taxpayers a credit of \$100 per head.

In 1982, the surplus requirement was met again, but lawmakers thought that \$100 was a little much. So, they knocked it down to \$25.

In 1983, the surplus requirement was met again, and lawmakers apparently decided that this dumb credit was getting in the way of good budgeting. They slashed it to \$1.

For the next five years in a row, the surplus requirement was met again, and lawmakers gave the taxpayers a credit of \$1 in each of those years.

In 1989, with Hawaii's economy apparently on a roll, lawmakers generously approved a \$125 general income tax credit! It didn't take long for cooler heads to prevail, however. The credit was cut to \$60 the following year, and in 1991—yes, you guessed it—we were back to \$1, where we stayed through 1995.

In 1996, the surplus requirement was not met. No credit was required, and none was given. This continued through 2000.

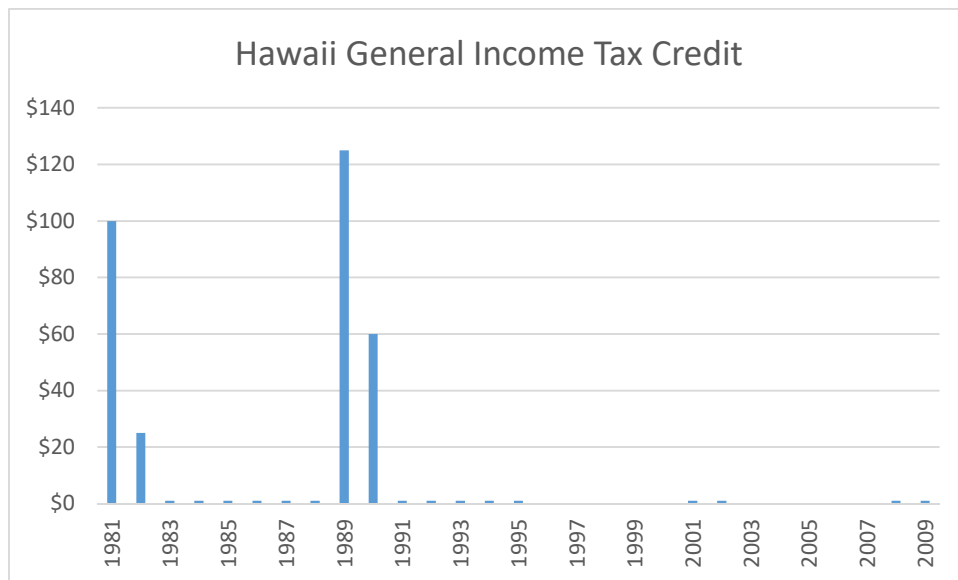
In 2001, we once again met the surplus requirement. Once again lawmakers gave us a \$1 credit. The same happened in 2002.

For the years 2003-2006, the surplus requirement wasn't met.

In 2007, state coffers were in great shape and the general income tax credit again sprung to life. This time lawmakers tiered it so more would be given to poorer people. It ranged from zero to \$160.

In 2008 and 2009, the economy sunk but the surplus requirement was met. Two more years of a \$1 credit resulted.

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.



Source: Hawaii Department of Taxation reports

Here is the raw data:

Hawaii General Income Tax Credit

Year	Cr Req'd?	\$ Amount	Implementing Law
1981	Yes	100	Act 231 SLH 1981
1982	Yes	25	Act 132 SLH 1982
1983	Yes	1	Act 97 SLH 1983
1984	Yes	1	Act 55 SLH 1984
1985	Yes	1	Act 81 SLH 1985
1986	Yes	1	Act 49 SLH 1986
1987	Yes	1	Act 41 SLH 1987
1988	Yes	1	Act 185 SLH 1988
1989	Yes	125	Act 323 SLH 1989
1990	Yes	60	Act 186 SLH 1990
1991	Yes	1	Act 179 SLH 1991
1992	Yes	1	Act 128 SLH 1992
1993	Yes	1	Act 184 SLH 1993
1994	Yes	1	Act 85 SLH 1994
1995	Yes	1	Act 93 SLH 1995
1996	No	0	
1997	No	0	
1998	No	0	
1999	No	0	
2000	No	0	
2001	Yes	1	Act 36 SLH 2001
2002	Yes	1	Act 63 SLH 2002
2003	No	0	
2004	No	0	
2005	No	0	
2006	No	0	
2007	Yes	0-160	Act 210, SLH 2007
2008	Yes	1	Act 58, SLH 2008
2009	Yes	1	Act 84, SLH 2009

In 2016, voters approved a further constitutional amendment that would allow the money to go to debt service or OPEB.

But still there is nothing mandating any particular amount.

So where is our \$1 going to go this year?

Digested 2/1/2019