

STAND. COM. REP. NO. **645**

Honolulu, Hawaii

MAR 05 2015

RE: S.B. No. 555
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 555 entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Increase the refundable food/excise tax credit by a fixed amount; and
- (2) Commencing with taxable years beginning after December 31, 2016, tie the tax credit to increases in the consumer price index.

Your Committee received testimony in support of this measure from the Office of Hawaiian Affairs, Americans for Democratic Action, Catholic Charities, Hawaii Alliance for Community-Based Economic Development, Hawaii Appleseed Center for Law and Economic Justice, PHOCUSED, Hawaii Primary Care Association, and UNITE HERE Local 5. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that Hawaii has the second highest tax burden in the country for the bottom twenty percent of income earners. Your Committee believes that amending the refundable food/excise tax credit would provide a measure of tax relief to

SB555 SD1 SSCR LRB 15-1243.doc



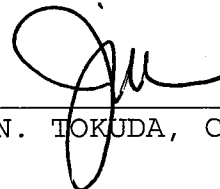
the lowest earners in the State. However, your Committee finds that the requirement for a taxpayer to be a resident in order to claim the credit may present a constitutional problem. Your Committee further finds that tying the tax credit to the consumer price index may be difficult for the Department of Taxation to administer and confusing for taxpayers.

Your Committee has amended this measure by:

- (1) Increasing the amount of the refundable food/excise tax credit for low-income tax filers, particularly heads of households and married joint filers;
- (2) Deleting the provision requiring an annual adjustment to the refundable food/excise tax credit corresponding to increases in the consumer price index;
- (3) Repealing the refundable food/excise tax credit for taxpayers who file single returns with adjusted gross incomes of \$30,000 or above; and
- (4) Repealing the residency requirement for the refundable food/excise tax credit.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 555, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 555, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

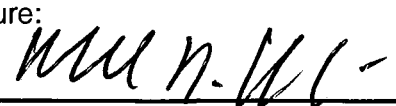


JILL N. TOKUDA, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 555	WAM	02-17-15		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.				✓
ENGLISH, J. Kalani	✓			
GALUTERIA, Brickwood	✓			
HARIMOTO, Breene	✓			
INOUE, Lorraine R.	✓			
RIVIERE, Gil	✓			
RUDERMAN, Russell E.	✓			
SLOM, Sam	✓			
TOTAL	10	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">  </div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes