A BILL FOR AN ACT

RELATING TO CAMPAIGN FINANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that the State's public campaign funding program that was established after the 1978 constitutional convention has not adequately served its purpose, which was to establish a large neutral fund that political candidates could use as an alternative to receiving campaign contributions. Time has shown that the amount of money available to candidates and the process of obtaining the money have undermined the stated goals of the public funding program.

The purpose of this Act is to address the foregoing problems. More specifically, this Act:

(1) Replaces the system allowing taxpayers to make $3 contributions to the Hawaii election campaign fund on their tax returns by marking an applicable box with an option for a taxpayer to apply any amount to the fund. The funding, being voluntary, will not create a draw on the State's general fund or lead to objections that
public moneys are being used to fund political activities;

(2) Raises the limit on the amount of money that certain candidates may spend;

(3) Increases the maximum amount of public funds available to certain candidates;

(4) Prohibits qualifying candidates from receiving campaign contributions from sources other than a natural person or a business that is a sole proprietorship;

(5) Increases the maximum threshold for qualified contributions from any person from $100 to $200 or less;

(6) Amends the dollar-for-dollar public fund match that qualified candidates are eligible to receive to a match of $3 for each $1 that a candidate receives from qualified contributions; and

(7) Addresses the problem of a candidate being unable to receive public funds during the primary election period when the candidate has no election opponent.
SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Voluntary contributions to the Hawaii election campaign fund authorized. (a) The department of taxation shall include a line item on state income tax forms that allows an individual, trust, partnership, or corporation to make a voluntary contribution to the Hawaii election campaign fund. (b) The line item shall appear after the final line for the calculation of the amount of the tax due or the amount to be refunded, accompanied by an explanation that the amount of a voluntary contribution shall be added to the amount of the tax owed or subtracted from the amount to be refunded; provided that if the amount of the voluntary contribution exceeds the amount to be refunded, the taxpayer shall pay to the State the amount by which the voluntary contribution exceeds the tax owed. (c) The department of taxation shall remit to the Hawaii election campaign fund any voluntary contribution made pursuant to this section."

SECTION 3. Section 11-421, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:
"(b) The fund shall consist of:

(1) All moneys collected from persons who have [designated a portion of their income tax liability to the fund as provided in section 235-102.5(a);] made a voluntary contribution to the fund under section 235-

(2) Any general fund appropriations; and

(3) Other moneys collected pursuant to this part."

SECTION 4. Section 11-423, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) From January 1 of the year of any primary, special, or general election, the aggregate expenditures for each election by a candidate who voluntarily agrees to limit campaign expenditures, inclusive of all expenditures made or authorized by the candidate alone, all treasurers, the candidate committee, and noncandidate committees on the candidate's behalf, shall not exceed the following amounts expressed, respectively multiplied by the number of voters in the last preceding general election registered to vote in each respective voting district:

(1) For the office of governor - $2.50;
(2) For the office of lieutenant governor - $1.40;
(3) For the office of mayor - $2.00;
(4) For the offices of state senator, state representative, county council member, and prosecuting attorney — [$1.40;] $2.10; and
(5) For all other offices — 20 cents."

SECTION 5. Section 11-425, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:
"(a) The maximum amount of public funds available in each election to a candidate for the office of governor, lieutenant governor, or mayor shall not exceed \[ten\] twenty per cent of the expenditure limit established in section 11-423(d) for each election.

(b) The maximum amount of public funds available in each election to a candidate for the office of state senator, state representative, county council member, and prosecuting attorney shall not exceed \[fifteen\] sixteen per cent of the expenditure limit established in section 11-423(d) for each election."

SECTION 6. Section 11-428, Hawaii Revised Statutes, is amended to read as follows:
"{[f]$11-428[f]} Eligibility requirements for public funds. In order to be eligible to receive public funds for an election,
a candidate shall certify that the candidate will meet all the following requirements:

(1) The candidate and any candidate committee authorized by the candidate shall not incur campaign expenses in excess of the expenditure limitations imposed by section 11-423;

(2) The candidate has qualified to be on the election ballot in a primary or general election;

(3) The candidate has filed a statement of intent to seek qualifying contributions. A contribution received before the filing of a statement of intent to seek public funds shall not be considered a qualifying contribution;

(4) The candidate or candidate committee authorized by the candidate has received the minimum qualifying contribution amounts for the office sought by the candidate as set forth in section 11-429;

(5) The aggregate of contributions certified with respect to any person [under paragraph (4)] does not exceed \[\$100\] \$200;
The candidate agrees to obtain and furnish any evidence relating to expenditures that the commission may request;

The candidate agrees to keep and furnish records, books, and other information that the commission may request;

The candidate agrees to an audit and examination by the commission pursuant to section 11-434 and to pay any amounts required to be paid pursuant to that section; [and]

Each candidate and candidate committee in receipt of qualifying contributions that may be taken into account for purposes of public funding shall maintain, on a form prescribed by the commission, records that show the date and amount of each qualifying contribution and the full name and mailing address of the person making the contribution. The candidate and the candidate committee authorized by the candidate shall transmit to the commission all reports with respect to these contributions that the commission may require; [and]
The candidate and the candidate committee agree to:

(A) Accept campaign contributions only from natural persons and sole proprietorships; and

(B) Return any other contribution to the contributor within twenty days of receipt of the contribution."

SECTION 7. Section 11-429, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) A candidate shall obtain the minimum qualifying contribution amount set forth in subsection (a) once for the election period.

(1) If the candidate obtains the minimum qualifying contribution amount, the candidate is eligible to receive:

(A) The minimum payment in an amount equal to the minimum qualifying contribution amounts; and

(B) Payments of [§1] $3 for each $1 of qualifying contributions in excess of the minimum qualifying contribution amounts; and

(2) [A—candidate] There shall [have] be at least [one other] two qualified [candidate as an opponent for the
primary or general election to receive] candidates for
the same elected office during an election cycle
before a candidate may receive public funds for that
election[.] cycle."

SECTION 8. Section 235-102.5, Hawaii Revised Statutes, is
amended to read as follows:

"§235-102.5 Income check-off authorized. [(a) Any
individual whose state income tax liability for any taxable year
is $3 or more may designate $3 of the liability to be paid over
to the Hawaii election campaign fund, any other law to the
contrary notwithstanding, when submitting a state income tax
return to the department. In the case of a joint return of a
husband and wife having a state income tax liability of $6 or
more, each spouse may designate that $3 be paid to the fund.
The director of taxation shall revise the individual state
income tax form to allow the designation of contributions to the
fund on the face of the tax return and immediately above the
signature lines. An explanation shall be included which clearly
states that the check-off does not constitute an additional tax
liability. If no designation was made on the original tax
return when filed, a designation may be made by the individual
on an amended return filed within twenty months and ten days after the due date for the original return for such taxable year. A designation once made whether by an original or amended return may not be revoked.

(b) Notwithstanding any law to the contrary, any individual whose state income tax refund for any taxable year is $2 or more may designate $2 of the refund to be deposited into the school-level minor repairs and maintenance special fund established by section 302A-1504.5, when submitting a state income tax return to the department. In the case of a joint return of a husband and wife having a state income tax refund of $4 or more, each spouse may designate that $2 be deposited into the special fund. The director of taxation shall revise the individual state income tax return form to allow the designation of contributions to the special fund on the face of the tax return and immediately above the signature lines. If no designation was made on the original tax return when filed, a designation may be made by the individual on an amended return filed within twenty months and ten days after the due date for the original return for such taxable year. A designation once
made, whether by an original or amended return, may not be revoked.

(b) Notwithstanding any law to the contrary, any individual whose state income tax refund for any taxable year is $5 or more may designate $5 of the refund to be paid over to the libraries special fund established by section 312-3.6, when submitting a state income tax return to the department. In the case of a joint return of a married couple having a state income tax refund of $10 or more, each spouse may designate that $5 be deposited into the special fund. The director of taxation shall revise the individual state income tax form to allow the designation of contributions to the fund on the face of the tax return and immediately above the signature lines. If no designation was made on the original tax return when filed, a designation may be made by the individual on an amended return filed within twenty months and ten days after the due date for the original return for that taxable year. A designation once made, whether by an original or amended return, may not be revoked.

(c) Notwithstanding any law to the contrary, any individual whose state income tax refund for any taxable year is
$5 or more may designate $5 of the refund to be paid over as
follows:

(1) One-third to the Hawaii children's trust fund under
section 350B-2; and

(2) Two-thirds to be divided equally among:

(A) The domestic violence and sexual assault special
fund under the department of health in section
321-1.3;

(B) The spouse and child abuse special account under
the department of human services in section
346-7.5; and

(C) The spouse and child abuse special account under
the judiciary in section 601-3.6.

When designated by a taxpayer submitting a state income tax
return to the department, the department of budget and finance
shall allocate the moneys among the several funds as provided in
this subsection. In the case of a joint return of a husband and
wife having a state income tax refund of $10 or more, each
spouse may designate that $5 be paid over as provided in this
subsection. The director of taxation shall revise the
individual state income tax form to allow the designation of
contributions pursuant to this subsection on the face of the tax return and immediately above the signature lines. If no designation was made on the original tax return when filed, a designation may be made by the individual on an amended return filed within twenty months and ten days after the due date for the original return for such taxable year. A designation once made, whether by an original or amended return, may not be revoked."

SECTION 9. Section 302A-1504.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established within the state treasury a special fund to be known as the school-level minor repairs and maintenance special fund, into which shall be deposited all moneys collected pursuant to section [235-102.5(b)] 235-102.5(a), and any other moneys received by the department in the form of grants and donations for school-level improvements and minor repairs and maintenance. The special fund shall be administered by the department and used to fund school-level minor repairs and maintenance. The department shall transfer moneys collected pursuant to section [235-102.5(b)] 235-102.5(a), and may transfer any other moneys received in the
form of grants and donations for school-level improvements and
minor repairs and maintenance to the Hawaii 3R's school
improvement fund established pursuant to section 302A-1502.4."

SECTION 10. Section 312-3.6, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:

"(a) There is established in the state treasury a
libraries special fund into which shall be deposited all moneys
collected pursuant to section 312-3.5, and all moneys designated
to be paid to this fund pursuant to section [235-102.5(e).]
235-102.5(b)."

SECTION 11. This Act does not affect rights and duties
that matured, penalties that were incurred, and proceedings that
were begun before its effective date.

SECTION 12. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 13. This Act shall take effect upon its approval;
provided that:

(1) Sections 2, 8, 9, and 10 shall apply to taxable years
beginning after December 31, 2019; and
Section 3 shall take effect on January 1, 2020.
Report Title:
Campaign Finance; Income Tax; Public Funding

Description:
Replaces the option for a taxpayer to indicate on an income tax form a contribution to the Hawaii election campaign fund with an option for a taxpayer to apply any amount to the fund. Amends provisions relating to the ability of publicly-funded candidates to receive and expend campaign funds.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.