

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION

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GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 40, Relating to the General Fund

**BEFORE THE:**

House Committee on Finance

**DATE:** Wednesday, February 22, 2023

**TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 40 for your consideration.

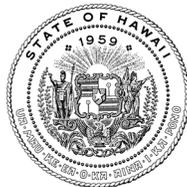
H.B. 40 implements Article VII, Section 6, of the Hawaii State Constitution, which applies whenever the general fund balance at the close of two successive fiscal years exceeds 5 percent of general fund revenues for each of the two fiscal years, by: (1) providing for an income tax credit of an unspecified amount, multiplied by the number of the taxpayer's qualified exemptions, for resident taxpayers; (2) depositing an unspecified amount into the emergency and budget reserve fund; and (3) depositing an unspecified amount into the post-employment benefits trust fund.

H.B. 40 will be effective as of July 1, 2023 and shall apply to taxable years beginning after December 31, 2022.

The Department is able to administer section 2 of the bill, which provides for the income tax credit, with its current effective date and taxable year.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.  
GOVERNOR



LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
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**  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
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

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 40

**February 22, 2023**  
**2:00 p.m.**  
**Room 308 and Videoconference**

RELATING TO THE GENERAL FUND

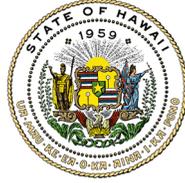
The Department of Budget and Finance (B&F) supports the intent of this bill.

House Bill No. 40 makes an: a) undetermined tax credit to resident individual taxpayers of Hawai'i; b) undetermined transfer into the Emergency and Budget Reserve Fund; and c) undetermined deposit into the Other Post-Employment Benefits (OPEB) Trust Fund. The purpose of this measure is to comply with the constitutional mandate to provide a tax refund or credit, make a transfer into a reserve fund, or make a prepayment of either or both of: 1) debt service; or 2) pension or OPEB liabilities when certain conditions are met.

B&F supports any or a combination of the three options in this bill to comply with the constitutional mandate.

Thank you for the opportunity to provide testimony in support of this bill.

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



KENNETH S. HARA  
DIRECTOR OF EMERGENCY  
MANAGEMENT

JAMES DS. BARROS  
ADMINISTRATOR OF  
EMERGENCY MANAGEMENT

STATE OF HAWAII  
KA MOKU'ĀINA O HAWAI'I  
**DEPARTMENT OF DEFENSE**  
**KA 'OIHANA PILI KAUA**  
**HAWAI'I EMERGENCY MANAGEMENT AGENCY**  
4204 DIAMOND HEAD ROAD  
HONOLULU, HAWAI'I 96816-4420

STATE OF HAWAI'I  
DEPARTMENT OF DEFENSE  
HAWAI'I EMERGENCY MANAGEMENT AGENCY

TESTIMONY ON HOUSE BILL 40  
RELATING TO THE GENERAL FUND

BEFORE THE HOUSE COMMITTEE ON **FINANCE**

BY

JAMES DS. BARROS  
ADMINISTRATOR  
HAWAI'I EMERGENCY MANAGEMENT AGENCY

FEBRUARY 21, 2023

Aloha Chair Yamashita, Vice-Chair Kitagawa, and members of the committee:

I am James Barros, Administrator of the Hawai'i Emergency Management Agency (HI-EMA).

HI-EMA provides written testimony to **OFFER COMMENTS** on HB40.

This measure would deposit a portion of excess general funds into the emergency and budget reserve fund to build resources available for disaster recovery, among other purposes.

As an all-hazard agency, HI-EMA supports having adequate resources available for recovery efforts following a disaster. In times of disaster, it is critical to quickly restore the services on which Hawai'i's residents depend.

The purposes of appropriations from the emergency and budget reserve fund under Hawai'i Revised Statutes Section 328L-3 include restoring facilities destroyed or damaged by a disaster; restoring services disrupted by a disaster; and to meet other emergencies when declared by the governor or determined to be urgent by the legislature. This fund potentially provides vital resources for disaster response and recovery, and HI-EMA supports efforts to increase these resources.

We support this bill provided that its passage does not replace or adversely impact priorities indicated in the administration's executive budget.

Thank you for the opportunity to provide testimony.

James Barros: [james.barros@hawaii.gov](mailto:james.barros@hawaii.gov); 808-733-4300

# 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: HB 40

INTRODUCED BY: YAMASHITA

EXECUTIVE SUMMARY: Provides a tax credit to taxpayers and makes deposits to the emergency and budget reserve fund and other post-employment benefits trust fund pursuant to article VII, section 6, of the Hawai'i State Constitution. Appropriates funds.

SYNOPSIS: Adds an uncodified section providing for a general income tax credit in an unspecified amount for each taxpayer filing an individual return in 2023.

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

EFFECTIVE DATE: July 1, 2023; provided that section 2 shall apply to taxable years beginning after December 31, 2022.

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 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: HB 40  
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: 2/21/2023

**HB-40**

Submitted on: 2/20/2023 4:26:03 PM

Testimony for FIN on 2/22/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lynn Murakami Akatsuka	Individual	Support	Written Testimony Only

Comments:

I strongly support the passage of HB 40. Thank you taking this action as stated in the bill.

**HB-40**

Submitted on: 2/20/2023 4:29:09 PM

Testimony for FIN on 2/22/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
GALE M SHODA	Individual	Support	Written Testimony Only

Comments:

I strongly support HB 40 to help all residents.

**HB-40**

Submitted on: 2/20/2023 4:31:15 PM

Testimony for FIN on 2/22/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Clayton Akatsuka	Individual	Support	Written Testimony Only

Comments:

I strongly support HB 40. Please pass this bill to help Hawaii residents and funding important reserve and trust funds.

**HB-40**

Submitted on: 2/20/2023 4:33:46 PM

Testimony for FIN on 2/22/2023 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ken k Shoda	Individual	Support	Written Testimony Only

Comments:

I support HB 40. We need tax relief and to have the state emergency funds replenished.