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To: The Honorable Ryan I. Yamane, Chair;
The Honorable Adrian K. Tam, Vice Chair;
and Members of the House Committee on Health, Human Services, &
Homelessness

From: Isaac W. Choy, Director
Department of Taxation

Date: Tuesday, February 15, 2022
Time: 9:00 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 1556, Relating to Taxation

The Department of Taxation (Department) offers the following comments regarding H.B. 1556 for your consideration.

H.B. 1556 establishes a blood donation income tax credit of an unspecified amount to promote blood donations throughout the State and thus address historic blood shortages experienced by the Blood Bank of Hawaii during the COVID-19 pandemic. H.B. 1556 applies to taxable years after December 31, 2021.

First, the Department notes that the proposed credit is refundable. As a general matter, the Department prefers nonrefundable credits because refundable credits create a higher potential for improper claims and abuse. The Department therefore recommends that this credit be made non-refundable.

Second, as currently written, the measure allows the Department to require proof of the claim for the tax credit for blood donation. The Department suggests amending the credit to also require the blood bank at which the donation is made to issue written documentation of the type of donation that was made. This amendment will simplify the examination process in the event that a taxpayer claiming this new credit is selected for review.

Finally, the Department respectfully requests that the effective date of this new tax credit be amended to taxable years after December 31, 2022. This will provide the Department time to make the necessary forms, instructions, and computer system changes.

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

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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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 HOUSE COMMITTEE ON HEALTH, HUMAN SERVICES, &
HOMELESSNESS
ON
HOUSE BILL NO. 1556

February 15, 2022
9:00 a.m.
Room 329 and Videoconference

RELATING TO TAXATION

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 1556 establishes a refundable income tax credit of an unspecified amount for taxpayers who make four or more blood donations through a blood bank in the State during a taxable year.

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.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

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SUBJECT: INCOME, Tax Credit to Promote Frequent Blood Donations

BILL NUMBER: SB 2754, HB 1556

INTRODUCED BY: SB by INOUYE, CHANG, GABBARD, Kidani, San Buenaventura, Wakai; HB by YAMANE

EXECUTIVE SUMMARY: Creates a blood donation income tax credit to promote frequent blood donations. Our view is that if the amounts being considered are modest, the tax system should not be used. An appropriate agency such as the Department of Health can issue checks to the donors directly.

SYNOPSIS: Adds a new section to chapter 235, HRS, to allow a tax credit for blood donations. The tax credit shall be \$___ if the taxpayer makes four or more donations through a blood bank in the State during the taxable year. One whole blood donation, platelet donation, or plasma donation counts as one blood donation, and one double red cell donation counts as two blood donations. The credit is refundable.

Claims for the tax credit, including any amended claims, shall be filed on or before the end of the twelfth month following the taxable year for which the credit may be claimed. Failure to comply shall constitute a waiver of the right to claim the credit.

EFFECTIVE DATE: Applies to taxable years beginning after December 31, 2021.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse, overtaxed by the pandemic?

It is not possible to tell from this measure, with the blank amounts in it, how much of a tax credit is being considered here. If the amount per donation is relatively modest, perhaps less than \$100, then there is no reason to get the tax system and all its complexities involved.

If lawmakers want to subsidize this activity, then a direct appropriation would be more accountable and transparent. That way lawmakers will be very clear on (1) how much we taxpayers are paying, and (2) what we are getting in return. An appropriate agency such as the Department of Health can issue checks to the donors directly.

Re: SB 2754, HB 1556
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Digested: 1/27/2022



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Ryan I. Yamane, Chair
The Honorable Adrian K. Tam, Vice Chair
Members, House Committee on Health, Human Services, & Homelessness

From: Jacce Mikulanec, Director, Government Relations, The Queen's Health Systems

Date: February 15, 2022

Re: Support for HB1556: Relating to Taxation

The Queen's Health Systems (Queen's) is a nonprofit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, and more than 1,500 affiliated physicians and providers statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to provide comments in support of HB1556, which would establish a blood donation income tax credit to promote blood donations in Hawai'i. As one of the highest users of donated blood for our trauma and cardiac programs, Queen's supports the intent of this measure to encourage more members of our community to donate blood via the Blood Bank of Hawai'i.

Thank you for the opportunity to testify in support of this measure.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.

HB-1556

Submitted on: 2/14/2022 10:11:53 AM

Testimony for HHH on 2/15/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Randolph Hack	Individual	Support	No

Comments:

When Congress approved the 988 plan, their intent was to have a telecommunications fee in each state support the various services. Please insert this in the bill I am a retired mental health worker and found that funding is variable for mental health and crisis services. I have experienced near total defunding of the agency that I ran due to lack of funding, and total defunding of other needed agencies.

There needs to be a small fee (say 20 cents/month) on telecommunications users as a permanent dedicated source of funding for 988 and crisis services. Indeed when government funding is cut due say to lack of revenue, the need for 988 will increase At least four state legislatures have passed the dedicated fee. There are already fees for 911 and relay services for the hearing and speech impaired.

Please include this in the bill. Mahalo.



Blood Bank of Hawaii

Representative Ryan Yamane

Chair, House Committee on Health, Human Services & Homelessness (HHH)

Hearing Date: Tuesday, February 15, 2022, 9am

RE: Testimony for HB 1556, RELATING TO TAXATION.

Creates a blood donation income tax credit to promote frequent blood donations.

Aloha Chair Yamane and Members of the House Committee Health, Human Services & Homelessness

Blood Bank of Hawaii (BBH), a nonprofit organization, is the sole provider of safe and reliable blood for the State of Hawaii. BBH serves all 18 hospitals across the State of Hawaii including the Neighbor Islands. Without blood, hospital programs including trauma, neonatal/pediatric ICU services, organ transplants and other life-saving treatments could not exist.

In January of this year, America's Blood Centers, the Association for the Advancement of Blood and Biotherapeutics, and the American Red Cross declared a national blood crisis for the first time in history.

The 2-year-old COVID-19 pandemic has had a devastating impact on Hawaii's blood security. Prior to COVID-19, on Oahu and the Neighboring Islands, blood drives at high schools, colleges, large businesses and churches could be counted on to generate about 33% of the state's blood supply. These once foundational, regular blood drives have all but disappeared around Hawaii. When coupled with seasonal post-holiday challenges during much of January, hospitals and BBH were forced to open each morning with less than half a day's supply of blood.

We are submitting this written testimony in favor of the intent of HB 1556 and are grateful for your leadership, caring and innovative thinking in addressing blood insecurity and chronic blood shortages.

We look forward to continuing this conversation to ensure a reliable and adequate blood supply needed for critical medical treatments and to enable medical innovation in healthcare for the future.

Sincerely,
Kim-Anh Nguyen
President & CEO
Blood Bank of Hawaii
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(808) 848-4705