

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Increase tax checkoff

BILL NUMBER: HB 724

INTRODUCED BY: Mizuno

**BRIEF SUMMARY:** Amends HRS 235-102.5 (d) to provide that individuals with an income tax refund of \$8 or more may designate \$5 or \$8 of the refund to the Hawaii children's trust fund, and the domestic violence and child abuse and neglect funds. Joint taxpayers with an income tax refund of \$16 may each designate \$5 or \$8.

**EFFECTIVE DATE:** Tax years beginning after December 31, 2009

**STAFF COMMENTS:** This measure increases the amount a taxpayer may designate to the: (1) Hawaii children's trust fund; (2) the domestic violence and sexual assault special fund under the department of health; (3) the spouse and child abuse special account under the department of human services; and (4) the spouse and child abuse special account under the judiciary. It should be remembered that utilizing the tax system as a collection agent for such specific purposes sets poor tax policy. For the fiscal year 2008, these funds realized \$208,990 from the checkoff.

A survey by the Federation of Tax Administrators found that the states that utilize checkoff programs have been experiencing a decline in the amount of moneys designated through the checkoff mechanism. The survey also found that due to the administrative costs associated with the checkoff programs, states which currently have the checkoffs are looking to adopt expiration clauses and other means to remove the less productive checkoffs. Lawmakers seem to view such checkoffs as absolution of their responsibility to deal with such problems by turning the response directly over to the taxpayer. However, in the long run, the cost of administering the checkoff merely siphons resources that should otherwise be used for providing needed public services. Lawmakers can claim credit that they did something for Hawaii's domestic violence programs without spending any of the tax revenues - that is except for the additional cost of collection and tracking the donated amounts - as the contribution comes from funds that would otherwise have been returned to the taxpayer in a refund.

If lawmakers believe that earmarking funds through a checkoff system is appropriate, then they might consider placing all programs on the state income tax form for designation and consider repealing the legislative body as there will be no reason for the legislature to exist because decisions will have been made by the income taxpayer.

Apparently this proposal is in reaction to the fact that over the years the amount being contributed or checked-off has been declining. If, in fact, there are less and less people interested in contributing to various checkoff financing in this way, then merely increasing the amount that can be designated will not heighten the awareness or need for public financing of such programs.

Digested 2/6/09

# **hscadv** **HAWAII STATE COALITION AGAINST DOMESTIC VIOLENCE**

**Date:** February 9, 2009

**To:** Representative John M. Mizuno, Chair and Representative Tom Brower, Vice Chair  
Committee on Human Services

**From:** Carol Lee, Executive Director

**Re:** HB 724 RELATING TO INCOME TAX

**Hearing Date and Time:** Monday, February 9, 2009, 8:15 am

Good morning Representative Mizuno, Representative Brower, and Committee members. The Hawaii State Coalition Against Domestic Violence (the Coalition, HSCADV) appreciates the opportunity to submit testimony relating to HB 724. We strongly support this Bill.

As a statewide coalition of domestic violence programs, the Hawaii State Coalition Against Domestic Violence mission is to ensure the safety and protection of women in intimate relationships by coordinating domestic violence prevention and intervention services, affecting public policy, and establishing coordinated and consistent procedures and actions by the civil and criminal justice systems in Hawaii. We are concerned about budgets for core services for domestic violence programs and agencies throughout Hawaii.

Tax "check-off" provides individuals and couples with the opportunity to contribute to the worthwhile cause of preventing violence in Hawaii's homes by simply checking a box on their state income tax form, if they are to receive a refund. Increasing the amount that can be donated via this mechanism will increase funding available for prevention efforts, without imposing taxes on the general public.

Increasing the amount that an individual or couple can voluntarily contribute to the prevention of violence in Hawaii not only makes our communities safer, it is a good investment. For every dollar spent on prevention, several are saved on intervention and treatment services. Prevention is priceless when compared to the emotional and physical trauma caused by family and sexual violence.

The time has come for Hawaii to step-up violence prevention efforts, rather than dealing with it after the fact.

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

*~ Together we can do amazing things ~*