

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR
HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

LATE
Testimony

February 5, 2009

MEMORANDUM

TO: The Honorable John M. Mizuno, Chair
House Committee on Human Services

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 736 - RELATING TO TAXATION**

Hearing: Thursday, February 5, 2009; 8:15 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of H.B. 736 is to provide a refundable state earned income tax credit equivalent to twenty per cent of the federal earned income tax credit. Requires the refundable portion of the earned income tax credit to be reimbursed by federal or state temporary assistance for needy families funds.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully opposes this measure because it would adversely impact the priorities set forth in the Executive Biennium Budget for Fiscal Years 2009-2010. Further, the Department has concerns regarding the new procedures and system modifications required to periodically calculate the value of the refundable portion of the tax credits provided under the proposed measure that qualifies for reimbursement from temporary assistance for needy families funds.

The Department also respectfully requests that the \$28.2 million in TANF Federal funds restricted in the current State fiscal year 2009 budget be restored for the biennium

so that we can continue to fund the programs, services and benefits that have, among other positive outcomes, strengthened families and contributed to the reduction, by half, of child re-abuse and neglect since 2005. This is neither the time to freeze Federal funds nor divert Federal funds from the investment we have made that is working so well.

We defer to the Department of Taxation regarding the providing of a state earned income tax credit.

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