

SB

1127

EDT

LINDA LINGLE
GOVERNOR

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**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION
TESTIMONY REGARDING SB 1127
RELATING TO STATE FOUNDATION OF CULTURE AND ARTS**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 9, 2009

TIME: 1:15PM

ROOM: 016

This measure provides an additional income tax refund check-off for the state foundation on culture and the arts.

The Department **opposes this measure due to its administrative costs and burdens, especially in light of the historically small benefits provided by tax check-offs.**

COMPUTER SYSTEM—Changes to the Department's computer system will need to be made to implement this legislation. The automatic donation amount from the check of the box will need to be redeveloped to include additional fixed dollar amounts. Making automation changes to the Department's computer system may have an unknown revenue impact on the Department's budget, which has not been considered in this year's budget.

FORMS—The Department will need to amend the forms to accommodate this new provision. Currently there are four "check-the-box" contribution programs on the individual income tax return. The forms must account for the amounts deposited and the allocations to ensure proper funding to the special funds. The additional space needed for this check off may not be available.

REVENUES HISTORICALLY SMALL—The Department understands that the current check-off features on the tax return have historically been very small, which would likely provide little assistance to a budgetary undertaking such as that intended by this measure. The Department is also concerned that the cost to implement this check-off amendment could outweigh the benefit.

It is estimated that a check-off for this special fund could generate \$100,000 per year, for FY10 and after.

In 2008, the \$2 check-off for libraries special fund generated \$98,238. It is assumed that the same \$2 check-off for the arts foundation will generate the same amount.