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To: The Honorable Michelle N. Kidani, Chair  
and Members of the Senate Committee on Education

Date: Friday, February 9, 2018  
Time: 3:00 P.M.  
Place: Conference Room 229, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: S.B. 2781, Relating to the Income Check-Off

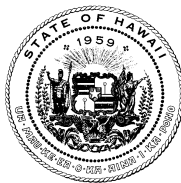
The Department of Taxation (Department) supports S.B. 2781, an Administration measure, defers to Department of Education on the merits of this bill, and provides the following comments for your consideration.

S.B. 2781 increases the amounts that taxpayers may designate from their individual income tax refunds to the libraries special fund (libraries fund). Specifically, the bill increases the designation to the libraries fund from \$2 to \$4 for any individual with a sufficient income tax refund, and from \$4 to \$8 for a jointly filed return. The bill applies to taxable years beginning after December 31, 2017.

The Department notes that in fiscal year 2017, there were 34,170 taxpayers donating \$2 each to the libraries fund for a total of \$68,340. This bill gives taxpayers the option to give more to the libraries from their tax refunds.

The Department is able to administer changes to the check-off for the libraries fund for taxable years beginning after December 31, 2017 as this bill proposes modification of existing authorized income check-off.

Thank you for the opportunity to provide comments.



DAVID Y. IGE  
GOVERNOR

STACIE A. ALDRICH  
STATE LIBRARIAN

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HAWAII STATE PUBLIC LIBRARY SYSTEM  
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**SENATE COMMITTEE ON EDUCATION**

**Friday, February 9, 2018**

**3:00 p.m.**

**Conference Room 229**

**State Capitol**

**By**  
**Stacey A. Aldrich**  
**State Librarian**

**S.B. 2781 – Relating to the Income Tax Check-Off**

To: Chair Kidani, Vice Chair Kahele and Members of the Committee on Education

The Hawaii State Public Library System (HSPLS) **strongly supports** S.B. 2781, which increases the amount an individual taxpayer, who is receiving a state income tax refund, may donate to the Libraries Special Fund. The amount would be increased from \$2 to \$4 for individuals; on a jointly filed tax return, up to \$8 may be donated to the libraries special fund.

Since its adoption by the Legislature in 2003, the income tax check-off box has generated almost \$1 million dollars to support the HSPLS and its 50 branch libraries. For the last three calendar years, the check-off box has generated approximately \$68,000 each year. The proceeds received from the check-off box helps support the libraries and its programs.

Thank you for the opportunity to comment on this measure.

# TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Increase Tax Checkoff for Libraries

BILL NUMBER: SB 2781; HB 2354 (Identical)

INTRODUCED BY: SB by KOUCHI by request; HB by SAIKI by request

EXECUTIVE SUMMARY: Increases from \$2 to \$4 the amount of authorized income tax check-off that may be designated payable from an individual's state income tax refund to the libraries special fund. Permits designation of check-off in the amount of \$4 or \$8 to the library special fund. Effective for taxable years after December 31, 2017. A direct appropriation to the libraries would increase transparency and accountability.

SYNOPSIS: Amends HRS section 235-102.5 to allow individual taxpayers whose state income tax refund for any taxable year is \$4 or more, to designate \$4 to be paid to the libraries special fund. For joint taxpayers with an income tax refund of \$8 or more, each spouse may designate \$4 into the fund. Directs the director of taxation to revise the state income tax forms as necessary. Allows designations to be made by filing an amended income tax return if filed within 20 months and 10 days after the due date of the original return.

EFFECTIVE DATE: For taxable years beginning after December 31, 2017.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Education, designated as EDN-03 (18).

According to the justification sheet submitted with the bill, the libraries special fund is used to purchase library materials for the Hawaii state public library system collection. The libraries special fund receives funding from different sources, one of which is the income checkoff, but also includes fines and fees assessed for late return of library materials.

The amount an individual taxpayer may designate to the libraries special fund has not been increased since 2003, when the designation was initially adopted. In fiscal year 2016, the libraries special fund received approximately \$66,000.

In the long run, the cost of administering the checkoff merely siphons resources that should otherwise be used for providing needed public services.

If lawmakers believe certain programs are of great importance, then they can prioritize those programs through the appropriations process. With the Hawaii tax burden already so heavy, why should taxpayers turn any more of their hard-earned dollars over to government? What lawmakers also do not recognize is that by creating these checkoffs, they add to the cost of administering the law, a cost which steals funds from other programs including those enumerated for a checkoff designation.

Instead of further clouding the financial picture of the state, all earmarked funds and the programs they underwrite should be brought back to the general fund table so that lawmakers can properly exercise their oversight responsibility, including measuring the needs of those programs against all the other pressing needs of the state. Only then will lawmakers and taxpayers be able to set proper funding priorities.

Digested 2/6/2018

**SB-2781**

Submitted on: 2/7/2018 12:28:03 PM

Testimony for EDU on 2/9/2018 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Margaret Maupin		Support	No

Comments:

**SB-2781**

Submitted on: 2/7/2018 2:34:01 PM

Testimony for EDU on 2/9/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
pat gegen		Support	No

Comments: