

STAND. COM. REP. NO.

1407

Honolulu, Hawaii

MAR 24 2023

RE: H.B. No. 233
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Health and Human Services, to which was referred H.B. No. 233, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO A CHILD TAX CREDIT,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a refundable state child tax credit payable on a monthly basis.

Your Committee received testimony in support of this measure from the Office of the Governor; one member of the Hawai'i County Council; Holomua Collaborative; Hawai'i Workers Center; Hawaii Appleseed Center for Law & Economic Justice; Hawai'i Health & Harm Reduction Center; Hawai'i Public Health Institute; Hawai'i State Coalition Against Domestic Violence; Hawai'i Children's Action Network Speaks!; HPM Building Supply; Hawaiian Host Group; JN Group; aio; Education Caucus of the Democratic Party of Hawai'i; Imua Alliance; Catholic Charities Hawai'i; Hawai'i Hunger Action Network; Title Guaranty of Hawaii; Hawai'i Foodbank; Hawai'i Alliance for Progressive Action; Tori Richard, Ltd.; and eighteen individuals. Your Committee received comments on this measure from the Department of Budget and Finance, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that in 2022, twenty-nine percent of Hawaii's residents were categorized as Asset Limited, Income



Constrained, Employed (ALICE) and fifteen percent were living in poverty. Therefore, a total of forty-four percent of Hawaii's population struggled to afford basic necessities in 2022. Given that families with children experience higher rates of poverty than those without, your Committee recognizes the dire need for strategies and supports that address the financial hardships uniquely borne by families with children.

Pursuant to its testimony, the Department of Taxation recommends that the tax credit established by this measure be made nonrefundable, as refundable credits are more prone to fraudulent claims, and to remove the provision that requires the credit to be equally distributed to a qualifying individual taxpayer over twelve consecutive months due to concerns that the credit is claimed against the net income tax liability for the taxable year and would complicate any refund of the remainder of the credit over the twelve consecutive months. Amendments to this measure are therefore necessary to address this concern.

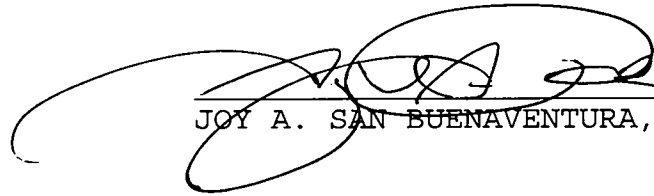
Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have required the awarded tax credit to be equally distributed to a qualifying individual taxpayer over twelve consecutive months;
- (2) Making the tax credit nonrefundable and conforming the measure accordingly;
- (3) Inserting an effective date of June 30, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Health and Human Services that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 233, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 233, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Health and Human
Services,




JOY A. SAN BUENAVENTURA, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Health and Human Services
HHS

Bill / Resolution No.:*	Committee Referral:	Date:
<i>HB 233 HD2</i>	<i>HHS, NAM</i>	<i>3/22/23</i>
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is:		
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310
<input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)
Nay	Excused	
SAN BUENAVENTURA, Joy A. (C)	✓	
AQUINO, Henry J.C. (VC)	✓	
MORIWAKI, Sharon Y.	✓	
SHIMABUKURO, Maile S.L.	✓	
AWA, Brenton	✓	
TOTAL	<i>5</i>	
Recommendation:		
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature:		
		
Distribution:		
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency
Goldenrod Committee File Copy		

*Only one measure per Record of Votes