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Testimony in **support** of HB430 HD1
Relating to Taxation

Committee on Ways and Means
Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

March 15, 2013
9:05 am Room 211

Chair Ige, Vice-Chair Kidani, and members of the Ways and Means Committee:

The Office of the Governor **supports** of House Bill 430, House Draft 1, Relating to Taxation. This measure would exempt charitable deductions from the temporary limit on the amount of itemized deductions claimable by certain taxpayers.

The recession and its resulting budgetary shortfalls necessitated the Legislature's passage and the Governor's signature of Act 97 in 2011, which placed a temporary limit on the amount of itemized deductions claimable by certain taxpayers. However, improvements in Hawaii's current economic climate put the state in a better financial position whereby we no longer need to rely upon all of the revenues associated with this measure. Accordingly, after having taken a close look at the impact this particular section of the law is having on charitable donations made to Hawaii's non-profit organizations, we support carving out this portion of the law. We recognize that support for nonprofit and charitable organizations is an important policy goal and priority as these groups perform critical services for and within our community.

The Department of Budget and Finance estimates that passage of HB430 HD1 would result in a revenue loss of approximately \$12 million annually. This revenue loss is factored into the Administration's financial plan.

The Department of Taxation is available to answer any technical questions you may have.

Thank you for the opportunity to testify.