HB 1092
HD1, SD1

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1092, H.D. 1, S.D. 1

April 1, 2011

RELATING TO TAXATION

House Bill No. 1092, H.D. 1, S.D. 1, amends Chapters 88 and 235, HRS, to preserve the exemption from income taxes of employer-funded pension income of taxpayers with federal adjusted gross income (AGI) of: 1) less than $100,000 for a taxpayer filing a single return or a married person filing separately; 2) less than $150,000 for a taxpayer filing as a head of household; or 3) less than $200,000 for a taxpayer filing a joint return or as a surviving spouse. The bill also preserves the deduction for State taxes paid for taxpayers with federal AGI of: 1) less than $75,000 for a taxpayer filing a single return or a married person filing separately; 2) less than $112,500 for a taxpayer filing as a head of household; or 3) less than $150,000 for a taxpayer filing a joint return or a surviving spouse. The preservation of the pension income exemption and the State income tax deduction is applicable for tax years beginning after December 31, 2010, and is made permanent.

The Department of Budget and Finance supports the intent of this proposal. However, we strongly believe that lower exclusion thresholds on pension incomes than provided for in this bill need to be considered to address the general fund budget shortfall. We also believe that the State income tax deduction should be totally repealed, but that the repeal should be phased-in for taxpayers whose federal AGIs are less than the thresholds established in the bill.

We defer to the Department of Taxation regarding technical issues of the bill.

TO : COMMITTEE ON WAYS AND MEANS
Senator David Y. Ige, Chair

FROM: Eldon L. Wegner, Ph.D.
POLICY ADVISORY BOARD FOR ELDER AFFAIRS (PABEA)

HEARING: 9:00 am Friday April 1, 2011
Conference Room 211, Hawaii State Capitol

SUBJECT: HB 1092 HD 1 SD1 Relating to Taxation

POSITION: The Policy Advisory Board for Elder Affairs **supports the intent** of HB 1092 HD1. However, we suggest amending the bill to tax pensions above a lower threshold in order to spread the tax among a higher percentage of retirees, which would create a sliding scale of taxation and raise more revenue.

RATIONALE:

The Policy Board for Elder Affairs has a statutory obligation to advocate on behalf of the senior citizens of Hawaii. While we advise the Executive Office on Aging, we do not speak on behalf of the Executive Office of Aging.

- We believe that retirees should be taxed on at least a portion of their employer pension, except for persons in the lowest income category. As retirees, we continue to benefit from public services and programs and have an obligation to do our share to support programs for all Hawaii residents. Furthermore, an increasing proportion of the workforce receives retirement income from contributory tax-deferred retirement plans and their retirement income is subject to state taxation.

- However, the tax should be modest for current retirees since planning finances is a challenge and changing the rules after the game can be seen as unfair. The original bill proposed a phase-in of the tax, which would also be fairer for current retirees.

- HB 1092 HD1 is flawed because it creates an arbitrary line, below which no tax is due and above which the entire pension is taxed. Creating a sliding scale by taxing the portion of the pension above a threshold would more equitable.

- The current draft would tax only 6.7 percent of Hawaii taxpayers or 36,157 taxpayers and raises far less revenue than the Governor proposed. Furthermore, as amended the bill eliminates the state deduction for state income tax only for these same taxpayers. The measure does not spread the tax burden broadly over the retired population but creates a relatively large burden for a small percentage of retirees.

- The state needs a realistic level of revenues in order to provide the essential services and meet the needs of our community, especially the needs of the most vulnerable residents, including the elderly. Further cuts of programs and services can have the consequence of creating more serious and costly health and social problems.

- Thank you for the opportunity testify.

PROPOSED AMENDMENT TO HB 1092 HD 1 SD 1

TO : COMMITTEE ON WAYS AND MEANS
Senator David Y. Ige, Chair

FROM: Eldon L. Wegner, Ph.D.
POLICY ADVISORY BOARD FOR ELDER AFFAIRS (PABEA)

HEARING: 9:00 am Friday April 1, 2011
Conference Room 211, Hawaii State Capitol

SUBJECT: HB 1092 HD 1 SD1 Relating to Taxation

POSITION: The Policy Advisory Board for Elder Affairs **supports the intent** of HB 1092 HD1 SD1. In the present crisis, spreading the tax burden, where everyone contributes a little, is the only equitable way to meet the challenges facing us. We urge you to have the political courage to address the structural changes needed in our tax system, not only to meet the current crisis, but to assure long-term viability of the state's revenues

However, we suggest the following as amendments which would make the bill more equitable:

1) Exemption of employer pensions would be limited to $37,500 of pension income. Pension income above this threshhold would be taxable income for the State of Hawaii.

Rationale:

The current draft would tax only 6.7 percent of Hawaii taxpayers or 36,157 taxpayers and raises far less revenue than the Governor proposed. Furthermore, as amended the bill eliminates the state deduction for state income tax only for these same taxpayers. The measure does not spread the tax burden broadly over the retired population but creates a relatively large burden for a small percentage of retirees.

The current draft uses an arbitrary ceiling, below which no pension is taxed and above which the entire pension is taxed – rather than a sliding scale which would tax only pension income above a threshold..

2) Phase in the tax for current retirees – which was a provision in the original bill.

Rationale:

The tax on pensions should be modest for current retirees since planning finances is a challenge and changing the rules after the game can be seen as unfair.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax on certain pension income

BILL NUMBER: HB 1092, SD-1

INTRODUCED BY: Senate Committee on Judiciary and Labor

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to provide that beginning after December 31, 2010 pension income under HRS sections 88-91, 235-7(a)(2), and 235-7(a)(3) shall be excluded from state income taxation if a taxpayer's **federal** adjusted gross income (FAGI) is: (1) less than $100,000 for a taxpayer filing a single return or a married person filing separately; (2) less than $150,000 for a taxpayer filing as a head of household; or (3) less than $200,000 for a taxpayer filing a joint return or as a surviving spouse.

Amends HRS section 235-2.4(h) to provide that the deduction for state taxes **shall not be operative** to corporate taxpayers and **shall be operative** if a taxpayer's **federal** adjusted gross income (FAGI) is: (1) less than $75,000 for a taxpayer filing a single return or a married person filing separately; (2) less than $112,500 for a taxpayer filing as a head of household; or (3) less than $150,000 for a taxpayer filing a joint return or as a surviving spouse.

The amendments made to HRS section 235-7(a) by this act shall not be repealed when that section is reenacted on January 1, 2013 by Act 166, SLH 2007.

EFFECTIVE DATE: Upon approval for tax years beginning after December 31, 2010

STAFF COMMENTS: While Hawaii does not currently tax pension income, this measure recognizes those who depend on that pension income for their basic needs by setting a floor before pension income is to be included in gross income for state income tax purposes. As proposed by this measure, this "floor," or threshold, is set at $100,000 of federal adjusted gross income for individuals, $150,000 for heads of households, and $200,000 for those filing a joint return.

The problem with using "federal adjusted gross income" is that not only does it already include pension income but it may also include one-half or more of the taxpayer's Social Security benefits. Thus, this proposal not only changes the policy regarding the taxation of pension income, but it also changes the policy with regard to the taxation of Social Security benefits. It is not that the state tax will be levied on Social Security benefits per se, but because federal adjusted gross income includes Social Security benefits which then define whether or not one's pension becomes taxable for state income tax purposes, it has an indirect effect of taxing those benefits. This approach also ignores the actual size of the retiree's pension income as exceeding the threshold or floor and throws all of the retiree's income on the table in determining whether or not one's pension will be taxable for state income tax purposes.

So, the retiree may have been employed at a business where the pension plan met the bare minimum requirements of the law and the contributions to the plan may have been relatively small in favor of paying more generous wages. That retiree, being prudent, set aside some of those generous wages either in savings or purchased equities to provide for his or her retirement. As a result, the earnings of those savings and investments provide for the bulk of the retiree's income. Because these sources of income are included along with what might be considered a pittance of pension income, the retiree exceeds the threshold subjecting all of the pension income to the state income tax. On the other hand, another retiree's only source of income is his pension, but that pension falls just below the proposed threshold of federal adjusted gross income and thus escapes any state income tax. It would seem fairer that if pension income is now to be taxable for state income tax purposes, the threshold be measured only against the form of income called pensions. Treatment of this form of income would be identical regardless of other sources of income and regardless of the federal definition of income.

Of the forty-four other states which levy a state personal income tax, 18 states set a dollar floor amount with the most generous being Michigan at $45,120 followed by Kentucky which grants a $41,110 floor before pension income is subject to state taxes in the Bluegrass State. Of those states with income taxes, 17 states tax pension income from dollar one with no exclusion, four states, including Hawaii, tax some form of retirement income and four states completely exempt all retirement income.

Further, it should be noted that of the exclusions listed under HRS 235-7 where the pension exclusion is currently lodged, the exclusion applies to amounts of the types of income excluded. For example, in the case of income received by components of the army reserve and national guard, it is specific dollar amounts that are excluded from the state income tax. None of these excluded amounts are contingent upon the taxpayer's adjusted gross income. Thus, it would seem only consistent and fair that an amount of pension income be excluded as opposed to the method proposed which would make one's entire pension is subject to tax if the taxpayer's FAGI goes over the threshold by a single dollar. It should be noted the most recent report of the Tax Review Commission suggested an exclusion of $50,000 of pension income as an example.

That said, one has to ask why has it come to this point that the state has to tax a source of income that traditionally has been exempt? All taxpayers, both workers and retirees, must share the blame as few paid attention to how lawmakers frittered our tax dollars away on this or that program. Now that many of those programs and services lawmakers initiated in the last few years have constituencies, it has been difficult for lawmakers to rein in that spending. The swift and vehement rejection of the proposal to tax pensions lies not so much in the fact that it will now tax income that was formerly exempt as much as it is the fact that taxpayers already reel under the heavy burden of taxes in Hawaii. As one senior noted, "What have lawmakers been doing with all the taxes we pay? "

While a previous draft of this measure eliminated the deduction for state taxes paid for all taxpayers, this draft retains the deduction for taxpayers whose FAGI is: (1) less than $75,000 for a taxpayer filing a single return or a married person filing separately; (2) less than $112,500 for a taxpayer filing as a head of household; or (3) less than $150,000 for a taxpayer filing a joint return or as a surviving spouse.

Although the state administration may argue that the federal Code does not allow for the deduction of federal income taxes withheld, it should be remembered that the federal code does allow for the deduction of state income tax paid and withheld. In its effort to conform as closely as possible with the federal definition of income, the state picks up this provision which recognizes that to **NOT** allow the deduction of state income taxes withheld and paid would be to impose the state income tax on state income taxes. That said, if the intent is to generate additional revenue from the state income tax then lawmakers should just raise rates which is much more honest. Lawmakers should remember why the state conforms to the federal law, to reduce administrative and compliance costs for both the tax department and the taxpayer. Falling out of conformity merely increases the cost of compliance and should be viewed as an additional "tax" imposed by policymakers. Not only will the deductions on Schedule A be different for state and federal tax purposes, but should the taxpayers receive a refund of state taxes withheld or paid in estimated tax payments, that refund would no longer be reported on the subsequent tax year's return as no benefit accrued with the loss of the income tax deduction. This would represent another difference between state and federal reporting of income.

If the sole intent of eliminating the deductibility of state income taxes is to generate additional monies for the general fund, then an implicit increase in income tax rates would certainly be more honest. No doubt taxpayer's income tax liability will rise should this deduction be eliminated, the same could be accomplished with an increase in rates. The difference is that taxpayers would know that lawmakers increased income tax rates. With the elimination of the deduction it would cause an increase in the taxpayer's bill without setting out that the reason was the loss of the deduction. Given that Hawaii's standard deduction is so law, taxpayers in Hawaii are more likely to itemize than in other states because income taxes are so high along with the cost of housing that drives up the mortgage interest deduction and the fact that people in Hawaii tend to be more generous and, therefore, have more charitable contribution deductions than income taxpayers in other states. Therefore, the elimination of the deductibility of state income tax amounts to nothing more than an income tax increase for which lawmakers should shoulder the responsibility.

While this and other "revenue enhancement" measures are proposed to address the state's budget deficit, it should be remembered that the adoption of this and other similar "revenue enhancement" measures will not be effective unless government expenditures are also curtailed.

Digested 3/30/11

HGEA
Working Together for Hawaii

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Hawaii Government Employees Association
AFSCME Local 152, AFL-CIO

March 31, 2011

Senator David Ige, Chair
and Members of the Senate Ways & Means Committee
Hawaii State Capitol
415 South Beretania Street, Room 211
Honolulu, Hawaii 96813

Dear Chair Ige:

Re: HB 1092, HD1, SD1 - Relating to Taxation

The Retirees Unit Board of Directors of the Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO, at their meeting on March 8, 2011, voted unanimously to oppose HB 1092, HD1, Proposal A, Relating to Taxation.

Section 1 of HB 1092, HD1, SD1, states this bill is designed "to institute improvements and equity among taxpayers" but that is seriously inaccurate. We are fearful that if this bill is enacted, it would be the first step to "open the door" to further increase taxing pensions in future years and eventually every dollar of retirement income would be taxed. Many retirees already find it difficult with a fixed income to keep up with the rising cost of living and this new tax will affect the quality of life of our retirees who worked hard all their lives to achieve a secure future.

The Governor is looking for more money to balance the budget and we believe to be fair everyone should be equally taxed. Pensioners should not be taxed unless it is fair, reasonable and equitable and in this situation it is unfair, unreasonable and inequitable.

The HGEA Retirees Unit Board of Directors strongly opposes HB 1092, HD1, SD1 in principle. The Board also voted on March 8, 2011, for an increase in the General Excise Tax (GET) to "help paddle the canoe" for the State with a sunset date of June 2014. We realize the GET is regressive and will disproportionately impact the poor and retirees living on fixed incomes. Increasing the low income tax credit, raising their pension exemption and their standard deduction total should alleviate the hardship for retirees on the lower end of the income level.

The following are the Retirees Unit State Board of Directors:

Frances Kagawa, President
Paul Matsuo, Vice President/Oahu Chapter President
Betty Tsukiyama, Secretary
Richard Fujimoto, Treasurer

Ruth Walker, Hawaii Chapter President
Aileen Lum, Hawaii Director
Takashi Sasaki, Hawaii Director
Betty Matsumura, Kauai Chapter President
Timothy Albao, Kauai Director
Richard Higashi, Maui Chapter President
Ricardo Medina, Maui Director
Lois Kobashigawa, Oahu Director
Elmer Yuen, Oahu Director

Thank you for your time and consideration on this bill.

With Warmest Aloha,

Susan Goya

Susan Goya, Executive Secretary
Retirees Unit

The Twenty-Sixth Legislature, State of Hawaii
The Senate
Committee on Ways and Means

Testimony by
Paul T. Matsuo, President
Oahu Chapter, HGEA Retirees Unit

April 1, 2011

H.B. 1092, H.D.1, S.D.2 –
RELATING TO TAXATION

The Oahu Chapter, Hawaii Government Employees Association (HGEA) Retirees Unit, Chapter 152, HGEA/AFSCME, AFL-CIO strongly opposes the intent of H.B. 1092, H.D. 1, S.D. 1. The bill seeks to tax the pensions of those retirees whose reported federal adjusted gross income is $75,000 or more for individuals and married retirees who file tax returns separately; $112,500 or more for heads of households; and $150,000 or more for joint filers or surviving spouses.

Historically once a tax is enacted, it rarely is reduced or repealed. It continuously is used to generate additional revenues in future years. We propose that a sunset date of December 31, 2014 be included as assurance to cover only the State's budget shortfall period.

While this bill may have little effect on our Chapter's 6,800+ members, as presently written, we feel that we must strongly speak out against this bill. This bill will " open the door " for future lowering of retiree's gross income, that will adversely impact our membership and all retirees in the State. The Oahu Chapter's concern is that this current bill will be the first step toward generating more tax revenue for the Abercrombie administration's fiscal year 2012-2013 and beyond.

Furthermore, taxing pensions of our Chapter's retirees may violate Article XVI, Section 2 of the Hawaii State Constitution in that, it diminishes or impairs the pensions that our retirees have accrued from their governmental service. Also federal law prevents taxing of pension for "snow boarders" that are not Hawaii residents further reducing the taxable pension pool.

Finally, we are opposed to using federal adjusted gross income as the basis to determine the tax as it includes tax refunds and social security benefits. The bill should be amended to provide only qualified pension income be used to determine the tax.

Respectfully submitted,
Paul T. Matsuo, President
Oahu Chapter, HGEA Retirees Unit

To: Senate Committee on Ways and Mean
Senator David Y. Ige, Chair

Date: April 1, 2011, Conference Room 211, 9:00 a.m.

Re: **HB 1092, HD1 SD1 – RELATING TO TAXATION**

Chair Ige and Committee Members:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP offers the following comments on HB 1092 HD1 SD1, which amends Hawaii tax law by providing for the taxation of pension income based on Federal Adjusted Gross Income (FAGI) thresholds, and eliminates the deduction for state taxes paid for certain taxpayers. AARP notes that under this proposal some seniors would get two tax increases because of the elimination of the deduction for state income taxes and the tax on pensions. However, AARP's comments pertain to the portion of the bill relating to the taxation of pension income.

Most seniors believe that all Hawaii residents need to collectively work to address the state's approximate $1.3 billion two-year budget deficit. The staggering size of this deficit will affect all of us. Due to this broad impact, most seniors fundamentally believe that, in order to be effective, the solutions to this problem must also be broad-based. Hawaii seniors are willing to do their fair share to help solve this problem, but believe this sacrifice must be shared as equitably as possible. Viewed through these objectives, AARP therefore has serious concerns regarding HB 1092 HD1 SD1, both in terms of its fairness and effectiveness.

AARP is concerned that this proposal is the "foot in the door" that will lead to taxing pensions of seniors at moderate and lower income levels, sooner rather than later. This bill will only raise an estimated $17.1 million, according to the Department of Taxation. This amount will fall far short of the approximate $112 million in revenues projected in the Governor's proposal. Furthermore, recent events in Japan have begun to negatively impact Hawaii's economy and may lead to an even larger State budget deficit.

Many retirees realize that their pensions may not be taxed by this bill, however, it can become easily taxed, by simply lowering income thresholds. The taxing of pensions can become a convenient means to help close the growing deficit. Thus the burden of fixing the state's budget problems will be unfairly placed on the shoulders of vulnerable retirees on fixed incomes, with limited options to increase income to offset increased taxes.

Many retirees also feel that the enactment of this pension tax is unfair, as it would change the "rules" after the fact. Retirees and near retirees worked their entire careers and planned on their full pension incomes in retirement. A tax on pensions would cause an unplanned and unexpected reduction to retirees' incomes, and retirees would face the daunting challenge of surviving with less income. It is unfair for retirees who have dutifully paid their share of taxes for their 30-40 year working career, to now be expected to pay even more taxes.

Hawaii retirees are very concerned that the proposed pension tax will further erode seniors' retirement security. This erosion has been especially noteworthy over the past two decades, as consumer costs, as reflected by the CPI, have increased by 67 percent nationally, and 70 percent in Honolulu.

In particular, health care costs are especially burdensome as more than 200,000 Medicare beneficiaries in Hawaii already spend about 30 percent of their income on health care in the form of out-of-pocket premiums, co-pays and deductibles.

Brand-name and specialty drugs costs have also skyrocketed. In the 12 months ending March 2010, prices for widely used brand name and specialty drugs rose by more than nine percent, on average. There is also the looming challenge of long-term care. In Hawaii, the median price of a private room in a nursing home is $115,000 per year, according to the latest Genworth study.

The proposed legislation also has "technical" flaws that cause unfairness and inequities.

- An individual's entire pension income would be unfairly taxed, if it was only $1 over the FAGI threshold, while it would not be taxable if under the FAGI threshold.
- Social Security benefits are also used to qualify pensions for taxation by its inclusion in the FAGI threshold, which results in an indirect taxation of Social Security benefits.
- This bill is retroactive to January 1, 2011, and would create an unfair financial hardship for many individuals upon discovering an additional tax liability when they file their 2011 tax return.

The effectiveness of this bill is also of concern. Because of current laws at the federal and state levels, certain groups of individuals would be exempt from this proposed bill. For instance, despite the Governor's stated intent to target wealthy nonresident retirees who pay no taxes on the pension part of their income, these individuals would be exempt from this legislation. The reason they will remain exempt is that current federal law (Public Law No. 104-95) prohibits states from taxing distributions from nonresident pension and other retirement income plans. As a result, many wealthy retirees may legally avoid tax on their pensions.

We also note that Article XVI, Section 2 of the Hawaii Constitution states that the accrued benefits of retirees in the State retirement system shall not be "diminished or impaired." As such, this pension tax proposal may have legal repercussions if applied retroactively, particularly to current retirees.

We respectfully request that this bill be deferred for the reasons herein.

Thank you for the opportunity to present our views to help ensure the retirement security of Hawaii retirees.

IMUALLIANCE

46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Legislative Director

TESTIMONY ON HOUSE BILL 1092, HOUSE DRAFT 1, SENATE DRAFT 1, RELATING TO TAXATION

Senate Committee on Ways and Means
Hon. David Y. Ige, Chair
Hon. Michelle Kidani, Vice Chair

Friday, April 1, 2011, 9:00 AM
State Capitol, Conference Room 211

Honorable Chair Ige and committee members:

I am Kris Coffield, representing the IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 60 local members. On behalf of our members, we offer this testimony in support of HB 1092, HD1, relating to taxation.

Currently, Hawaii is one of only ten states that exclude all local, state, and federal pension income from taxation. At the same time, following the financial devastation wrought by the recent tsunami, the state's biennium deficit has breached $1.3 billion, and may be exacerbated by a depleted Japanese visitor stream over the coming months. To help rectify that gap, this bill would tax resident pensioners and amend the federally adjusted gross income levels of taxpayers subject to deductions under sections 164(a)(3) and 164(b)(5) of the Internal Revenue Code to comport with three threshold levels: single individuals and married retirees filing separate returns whose federally adjusted gross income is less than $75,000, heads of household whose AGI is less than $112,500, and joint filers or surviving spouses whose AGI is less than $150,000. Though the IMUAlliance fully supports efforts to raise revenue via the enactment of a pension tax, we also support revising the threshold level downward for parts one and two of this bill to match the threshold levels contained in part three, while also lowering the threshold for joint filers and surviving spouses in all three parts to $125,000, an income cutoff tendered and vetted by your committee earlier this session (via proposed SB 162, SD1), thereby raising over $50 million in total revenue, according prior estimates.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Legislative Director
IMUAlliance

ADA HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
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Chuck Huxel, Secretary	Jim Olson	George Simson	Karin Gill (Alt)	Marcia Schweitzer (Alt)

March 28, 2011

TO: Chair David Ige, Vice-Chair Michelle Kidani
Members of the Senate Ways and Means Committee

FROM: Americans for Democratic Action/Hawaii
Barbara Polk, Legislative Chair

SUBJECT: Comments on HB1092 HD2 SD2

Americans for Democratic Action is very concerned that this bill has reached your committee in the form it now has, despite considerable testimony in previous committees pointing out that it is a deeply flawed tax policy, quite aside from the issue of taxing pensions.

No other part of the tax code, on either the State or Federal levels, is constructed such that it results in people with higher taxable incomes having a lower post-tax income. This bill would do exactly that. It proposes to exempt the entire pension of an individual with an adjusted gross income of $99,999 from taxation, but tax the entire pension of a person with an AGI of $101,000. This is nonsense. Perhaps members of previous committees have believed that when one moves from one tax bracket to another the new rate applies to the entire taxable income. This is not the case. Please see the attached Hawaii tax table. Each portion of one's income is taxed at the appropriate lower rate, and only the marginal amount is taxed at the new rate.

To make matters worse, people age 71 and older, if they have saved for their own retirement (IRAs, Keogh plans, 401.k plans, etc.), are required to withdraw some of their savings each year. As a result, no matter at what level an "all or nothing tax" is set, some people will go over the line with their mandatory distribution and see all or most of their personal retirement savings taken in taxes each year because their entire pension would then be taxed. What is fair about that? Is this really how you want to treat public employee retirees?

If you are to tax public employee pension income, one alternative is to exempt a portion of that income from taxation for all individuals. The 2005-07 Tax Review Commission suggested "excluding an annual base amount (e.g. $50,000)."

Another approach is that used by the federal government for Social Security taxation. A base amount of Social Security income is not taxed. At somewhat higher levels, a portion of Social Security income is taxed, that percentage increasing as adjusted gross income increases. (Note: we do not recommend using the federal formula itself, which is much too cumbersome to compute and results in taxing people at quite low income levels.)

It does not appear to us that either the Governor's staff or the legislature has yet seriously looked at ways of increasing tax revenues that would be fair. Rather, it appears that there's been a decision, so far, to grab something simple, regardless of whether it is fair in its requirements of "all sharing the pain," honors prior commitments to citizens, or is even constitutional.

Here are some alternatives, some of which we presented to the legislature and the governor in January. Admittedly, it would take a number of changes in the tax code to find sufficient revenue—but that is the only way to spread the pain more evenly.

--Restrict mortgage deduction, for those who itemize, to e.g. $25,000.
--Place a surtax on bonuses over e.g. $10,000.
--Place a higher excise tax on luxury goods.
--Increase tax rates for taxable incomes over e.g. $100,000 per year (not just retirees).
--Modify the overly generous tax rates for married persons, in line with federal tax policy.
--Increase corporate tax revenues—now one of the lowest in the country.

And from the 2005-07 Tax Review Commission Report:

-This Commission shares the view of the 2001-2003 Tax Review Commission, "A tax incentive program is a potential 'black hole,' because it is a future benefit of unknown proportions, which is determined by the favored taxpayer's interpretation of what the tax credit should be, and is claimed on a tax return which is confidential."

-Hawaii should adopt withholding rules for all nonresident taxpayers involved in pass-through entities, such as partnerships, S-corporations, and limited liability companies.

-Because the GET is a tax on consumption rather than profits, the Commission urges that consideration be given to eliminating the GET exemption for not-for-profit organizations to ensure that they are treated in the same manner as for-profit entities. (This would not affect the tax exemptions for donations or gifts to nonprofit entities; the issue is the sale of goods or services by nonprofit entities.) In the absence of eliminating this exemption, the Commission recommends that the Legislature consider establishing maximum exemption amounts for not-for-profit organizations.

-Minimize all tax exemptions and credits.

The proposal to balance the budget on the backs of public employee retirees is closely related to the anti-public worker mentality that is most clearly evident in Wisconsin, as well as some other states. It would be a shame to see a largely Democratic legislature and Democratic Governor join that movement.

Schedule I

SINGLE TAXPAYERS AND MARRIED FILING SEPARATE RETURNS

Use this schedule if you checked Filing Status Oval 1 or 3 on Form N-11

If the amount on Form N-11, Line 25 is:	Your tax is:
Not over $2,400	1.40% of taxable income
Over $2,400 but not over $4,800	$ 34 plus 3.20% over $2,400
Over $4,800 but not over $9,600	$ 110 plus 5.50% over $4,800
Over $9,600 but not over $14,400	$ 374 plus 6.40% over $9,600
Over $14,400 but not over $19,200	$ 682 plus 6.80% over $14,400
Over $19,200 but not over $24,000	$ 1,008 plus 7.20% over $19,200
Over $24,000 but not over $36,000	$ 1,354 plus 7.60% over $24,000
Over $36,000 but not over $48,000	$ 2,266 plus 7.90% over $36,000
Over $48,000 but not over $150,000	$ 3,214 plus 8.25% over $48,000
Over $150,000 but not over $175,000	$ 11,629 plus 9.00% over $150,000
Over $175,000 but not over $200,000	$ 13,879 plus 10.00% over $175,000
Over $200,000	$ 16,379 plus 11.00% over $200,000

Taxable Income	Marginal Amount	Tax Rate on Margin	Tax on Margin	Marginal Rate Applied to Taxable Income
$2400	First $2400:	1.4%	$34	$34
$4800	Next $2400:	3.2%	76.8	$153
$9600	Next $4800:	5.5%	264	$528
$14,400	Next $4800:	6.4%	307.2	$896
$19,200	Next $4800:	6.8%	326.4	$1305
$24,000	Next $4800:	7.2%	345.6	$1728
$36,000	Next $12000:	7.6%	912	$2736
$48,000	Next $12000:	7.9%	948	$3792

Figuring Total Tax:

Income	Tax at each relevant rate	Actual Total Tax
2400	34	$ 34
4800	34 + 76	$110
9600	34 + 76 + 264	$374
14,400	34 + 76 + 264 + 307	$682
19,200	34 + 76 + 264 + 307 + 326	$1008
24,000	34 + 76 + 264 + 307 + 326 + 346	$1354
36,000	34 + 76 + 264 + 307 + 326 + 346 + 912	$2266
48,000	34 + 76 + 264 + 307 + 326 + 346 + 912 + 948	$3214

GREGORY J. SWARTZ, ESQ.
South Judd Street
Honolulu, Hawaii 96817

March 29, 2011

The Honorable David Y. Ige, Chair
The Honorable Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
State of Hawaii 96813

Dear Chairs and Members of the Committee:

Re: H.B. No.1092, SD 1

I am totally opposed to this legislation which: (1) institutes an unfair and unjust income tax on the pensions of currently retired persons, and (2) severely limits the ability of all individual taxpayers to take an itemized deduction for State of Hawaii income taxes or excise taxes. Both of these proposals will result in serious detriments to senior citizens and disabled persons. In addition to my objections to increased income taxes in general, there are several technical and tax policy deficiencies with the bill as drafted that will be discussed below.

Many seniors and disabled persons are seriously struggling to make ends meet with the increased demands caused by the recession. There are ever increasing costs of living, particularly for health care and housing for senior citizens and disabled persons, and looming cutbacks at the Federal and state levels on health care, social security, pensions and other retirement benefits. Increased tax liabilities for senior citizens and disabled persons on top of all of this are untenable.

Currently retired senior citizens planned their retirements on the basis of income and expenditure estimates (including tax estimates) which were reasonable when they retired, but the State of Hawaii will now throw all of their planning out the window, causing serious economic harm to seniors. Disabled persons are in a much worse situation because their working lives were cut short, and the disability benefits they receive through defined benefit plans are generally much less than if they reached full retirement age. It is obvious that a prime target of this legislation is State of Hawaii and county government retirees. This is unconscionable. The tax exempt status of pension income was a significant factor in negotiating the levels set for the actual pension benefits to be received by State of Hawaii and county retirees.

The State Director of Taxation testified before the House Committee on Finance on February 25, 2011 that:

> Hawaii is one of only ten (or 20%) states that exclude all federal, state and local pension income from taxation.1 [1. The ten (10) states are as follows: Alabama, Hawaii, Illinois, Kansas, Louisiana, Massachusetts, Michigan, Mississippi, New York, and Pennsylvania.] Forty (or 80%) states taxed pension.

A similar misstatement is unfortunately picked up in the Senate Committee on Judiciary and Labor's report on this measure.

In reality, more states have income tax exclusions for state and local government pensions to one degree or another. This was a way to allow lower pension benefits to be paid to state and local government workers, by saying "Look, your pension benefits will be exempt from state income taxes."

Seven (7) states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) have no personal income tax. Two (2) other states have very limited personal income taxes - Tennessee (6% tax on dividends and interest from bonds and stocks) and New Hampshire (5% tax on dividends and interest) -- and thus, do not tax pension income. At least four (4) other states do not tax Federal, State or local government pensions or private pensions (Alabama, Illinois, Mississippi and Pennsylvania).

Of the remaining 36 states with broad-based income taxes (not counting Hawaii), at least nine (9) states do not tax Federal, state and local government pensions in full or in part, but tax private pensions usually with an exemption amount (Kansas - government pensions fully tax exempt, Louisiana - government pensions fully tax exempt ($6,000 exclusion for private pensions for each person receiving pension income if 65 or over or disabled irrespective of whether single filer or joint filers), Massachusetts - government pensions fully tax exempt, Michigan - government pensions fully tax exempt ($45,120 exclusion for private pensions for single filers and $90,290 for joint filers), New York - government pensions fully tax exempt ($20,000 exclusion per person receiving pension income for private pensions irrespective of whether single filers or joint filers), Missouri - government pensions are exempt up to $85,000 for single and married filing separately and $100,000 for joint filers ($25,000 exclusion for private pensions of single filers, $16,000 for married filing separately and $32,000 for joint filers), Kentucky - government pensions are partially tax exempt (Federal, State or local government pension amounts earned before January 1, 1998 are not taxed; all pensions, including Federal, State and local government pension amounts earned after December 31, 1997, are taxed but allowed a $41,110 exclusion per person receiving pension income irrespective of whether single filers or joint filers), North Carolina - government pensions exempt for those with with at least five years of creditable service before August 12, 1989 and exempt up to $4,000 per person receiving pension income for others ($2,000 exemption for private pensions per person receiving pension income), and West Virginia - state and local government pension tax exemption for police and fire and up to $2,000 per person receiving pension income for others ($8,000 exemption per person receiving pension income if 65 or older or disabled). Of the remaining 27 States, most have exclusions or credits for pension income depending in some cases on source, age or income, including Georgia ($35,000 in retirement income for each taxpayer if 62 or over or disabled, with an increase to $65,000 if 65 or over in 2012), Maryland ($26,100 per person receiving pension income if 65 or over or disabled), Colorado ($20,000 per person receiving pension income if below 65 and $24,000 per person receiving pension income if 65 and over), New Jersey ($10,000 for 62 or over or disabled if married filing separately,

$15,000 if single, and $20,000 if joint filers subject to an AGI limit), Delaware ($2000 below 60 per person receiving pension income, $12,500 to $14,500 if 60 or over per person receiving pension income), Oklahoma ($10,000 per person receiving retirement income) and South Carolina ($3000 exclusion below 65 per person receiving retirement income and $10,000 per person receiving retirement income if 65 and above; $15,000 exclusion for all over 65 regardless of income source). Only six states (California, Connecticut (50% military retirement exclusion), Minnesota, Nebraska, Rhode Island, and Vermont) do not appear to allow any exclusions or tax credits for pension and other retirement income per se, but may have other tax relief mechanisms for seniors and disabled persons such as deductions or credits for long-term care insurance or costs.

In addition to pension income, a number of states have separate exclusions for disability income including, but not limited to, Indiana, Michigan, New Jersey, South Carolina, and Virginia (up to $20,000). Exclusion of disability income from State of Hawaii income taxes is particularly appropriate.

It is obvious that the State Administration does not fully understand the true impact of its pension tax proposal. The Federal AGI thresholds in the State Administration's original proposal, with $37,500 for single or married filing separately, $56,250 for head of household or surviving spouse, and $75,000 for joint filers, were much, much too low. The State Director of Taxation testified that the "average Hawaii household income in 2008 was $66,701" and "the average Hawaii residents' pensions and annuities taxed at the federal level was $22,686." This data clearly demonstrates that, under the State Administration's original proposal, virtually all pension income would be taxed. The Federal AGI thresholds in H.B. No. 1092, SD 1 are much more reasonable.

Personally, I believe that, if pension income is taxed at all, the Federal AGI thresholds should be increased even further, at least $100,000 for married filing separately, $150,000 for other single filers and

$200,000 for joint filers, respectively. As explained below and by other testifiers, married taxpayers should not be given twice the amount of threshold (or exclusion) over single taxpayers. Also, as explained below, surviving spouses should not be given any better tax treatment than other single taxpayers. Disability income should be exempted entirely.

Several testifiers have shown why use of Federal AGI thresholds, instead of pension income exclusions, is inappropriate. Most importantly, this included the fact that a taxpayer with $1.00 over the Federal AGI threshold (which includes taxable social security payments) will have his or her entire pension taxed. In addition to the reasons expressed by other testifiers, it is important to recognize that Federal AGI thresholds do not take into consideration excessive health expenditures faced by many senior citizens and disabled persons. These excessive health expenditures are subtracted as itemized deductions after Federal AGI is determined. To solve these problems, it is clearly much better to use a pension income exclusion such as used in H.B. No. 1092, HD 1 Proposed B which was considered at one point by the House Committee on Finance, with adjustments to the brackets. However, I believe that higher pension income exclusions should be used such as the amounts in the present H.B. No. 1092, SD 1 with adjustments to the brackets or the amounts I have suggested above. The Senate Committee on Judiciary and Labor declined to accept a pension threshold rather than a Federal AGI threshold stating that a $50,000 pension threshold would not generate enough income for the State of Hawaii. I don't find this to be a convincing argument. Either lower the pension threshold (which I don't think is warranted) or don't try to balance the budget on the backs of seniors and disabled persons.

I am also opposed to the limitations on the deductibility of State of Hawaii income taxes or excise taxes, particularly with the much lower thresholds adopted by the Senate Committee on Judiciary and Labor. These limitations will have detrimental impacts on all taxpayers, particularly senior citizens and disabled persons. In his testimony before the House Committee on Finance, the State Director of Taxation stated that "It is a fundamental tax policy to eliminate an absurd deduction allowed by the same source that is taxing the income. The current deduction is irrational and poor tax policy." To the contrary, it is obviously inappropriate for a state to impose an income tax on its own state income and sales taxes. The Director of Taxation acknowledged that a number of states allow income tax deductions for state income or sales taxes. However, it should also be mentioned that many other states take the better approach of allowing deduction of Federal income taxes, including Alabama, Iowa, Louisiana, Missouri (up to $5,000 or $10,000), Oklahoma (with limits), Oregon (up to $5,000) and Utah (50%). Replacement of the current State of Hawaii income/sales tax deduction with a Federal income tax deduction for State of Hawaii income tax purposes would certainly eliminate the absurdity and irrationally that concerns the State Director of Taxation. However, it would probably result in a greater loss of revenue for the State.

I would also like to note that the bill uses the term "surviving spouse" in both the provisions relating to the taxation of pension income and the provisions relating to the deductibility of State of Hawaii income and excise taxes, but the bill does not define the term "surviving spouse." If the bill is intended to define "surviving spouse" as that term is used in Section 2(a) of the Internal Revenue Code, then it should say so. This would limit the "surviving spouse" preferential treatment to those surviving spouses with a qualified dependent child who do not remarry and would limit the preferential treatment to a maximum of two years after the year of death. If the bill is intended to create a new long-term classification for surviving spouses and give them long-term preferential tax treatment, this new classification and preferential tax treatment is both unfair and unjustifiable. I am sympathetic to those who have lost their spouses and I am sympathetic to those who may wish to provide added financial benefits to their spouses in the future, but there is absolutely no justification for doubling the Federal AGI thresholds for pension tax purposes or income/sales deductibility purposes for surviving spouses who are in an identical financial situation to single taxpayers who are not surviving spouses. Personally, I don't believe any preferential tax treatment should be given to surviving spouses beyond the year of death, but in no event should preferential tax treatment be given to surviving spouses on a permanent basis. Other states do not recognize such a surviving spouse distinction. In most of the other states, there are only two or three classifications for pension exclusion purposes, i.e. (1) single filers or joint filers, or (2) single, married filing separately and married filing jointly. Moreover, the pension tax exclusions for married persons in other states are normally not double that of single filers. To the contrary, the pension income of all taxpayers is generally considered individually for exclusion or credit purposes. Thus, joint filers only receive one exemption for each person receiving a pension, not a double exclusion for the same pension. However, HB 1092, SD 1 allows an unfair double Federal AGI threshold even if only one spouse receives a pension. The same unfair threshold doubling occurs with the provisions relating to the deductibility of State of Hawaii income and excise taxes. As others have testified, a married couple does not require twice the amount of money to live as a single person. And the same is even more true for surviving spouses. Also, how the Federal AGI thresholds are to be calculated for those qualifying under the State of Hawaii's new civil union classification should be made clear.

Finally, I believe the retroactive application of this legislation, taxing pension income and limiting the deductibility of State of Hawaii income taxes or excise taxes beginning January 1, 2011 is inappropriate. This retroactive application gives seniors and disabled persons no opportunity to plan for their futures. Obviously, many seniors and disabled persons may have chosen to make the difficult decision of moving to another more retirement-friendly jurisdiction rather than allowing the State of Hawaii to eat away at the little money they saved for their retirement. Seniors and disabled persons should at least be given the time and opportunity to make this critical decision about their futures before they are impacted by this and other tax increases.

Please do not target currently retired seniors and disabled persons. We fully contributed to the care, health, education and financial well-being of younger generations throughout our working lives as well as to the care, health, and financial well-being of older generations. Now, we need the same consideration and help. Other states are not expecting current retirees to finance the salaries and benefits of active employees. Many of these active employees have years remaining to address their retirement needs through alternative savings mechanisms or employment opportunities. Currently retired persons do not.

Thank you for your attention and consideration.

Sincerely,

Gregory J. Swartz

To: Senate Committee on Ways and Means
Senator David Y. Ige, Chair

Date: Friday, April 1, 2011, 9:00 a.m.
State Capitol Conference Room 211

Subject: Testimony on HB 1092 HD1, SD1 Relating to Taxation

Chair Ige and Committee Members. My name is Esther Ueda and I am a resident of Pearl City, Honolulu. I am submitting this testimony in opposition to HB 1092, HD1, SD1 Relating to Taxation .

I understand that House Bill 1092, HD1, SD1 provides for taxation of pension income and the deletion of the state income tax credit for specified income thresholds.

I was a State employee, and retired a few years ago with 32 years of service to the State. As a result, the bulk of my retirement income is dependent on my State pension as well as Social Security. Since my retirement, I have seen so many increases in expenses, for example, my utility bills have doubled since my retirement as well as increases in gas, food etc. It becomes pretty scary with all these increases when you have basically a fixed income. I have saved as much as I can over the years so that I can remain independent and not be a burden to my family the State and Federal government. Any potential increases in expenses will have a big impact on me and I know this is true with many of my fellow state retirees.

I ask for your consideration in not passing this measure. However, in the event you find it necessary to pass it because of the pending budget deficit situation, I would request that you at least consider a sunset date on the measure so that you can revisit it in the future when the immediate fiscal situation has improved and further evaluate the impact on our seniors.

Thank you for the opportunity to submit this testimony.

Aloha! Senator David Y. Ige, Chair; Senator Michelle N. Kidani, Vice-Chair and the Honorable Members of the Ways and Means Committee:

My name is Madeline McCabe Neely. I am a Retired Fingerprint Records Examiner of the City and County of Honolulu Police Department with over 25 years of credited service.

I strongly OPPOSE HB1092 HD1 SD1, Taxing Pensions.

In 1797, in his wisdom, Kamehameha I, established "Kanawai Mamalahoe" or what is commonly known, as the Law of the Splintered Paddles.

The precept of the Kanawai Mamalahoe, is a Law to, "Let every elderly person, woman and child lie by the roadside in safety", is enshrined in the State Constitution, Article 9, Section 10, and has become a model for modern human rights law regarding the treatment of civilians and other non-combatants, during battle.

King Kamehameha I, while in battle in Puna, was hit on the head, with a paddle, by a fisherman, Kaleleiki, with such force in defense, broke the paddle into pieces.

King Kamehameha I, later ruled that the fisherman had only been protecting his land and family......and the Law of the Splintered Paddle was formed. In translation, the Law states; "O my people, Honor thy God, Respect alike, the rights of men great and humble, See to it that our AGED, our women and our children, Lie down to sleep by the roadside without fear or harm, Disobey and die."

The framers of the 1950 Hawaii Constitution provided in Article XVI, Section 2, that membership in an employment retirement system is on a contractual relationship or the accrued benefits of which shall not be diminished or impaired (reinstated in the 1978 Constitutional amendments.) I believe both of these written laws in our State Constitution, Articles and Sections, protects my long earned retirement livelihood, in which I have paid my taxes to the State and Federal Government, while employed. Those who have 401K, IRA, Deferred Compensations, use these systems to defer paying taxes until it is withdrawn. I further believe the analogy used of.. "some of us are not paying our fair share of taxes in retirement pensions, are incorrect". The public sector employee paid their share of taxes before monies went into the ERS. My view of the arbitrarily legislative proposed action on the retirees pension is a form of "double taxing" public sector retiree's in this state.

I respectfully request HB1092 HD1 SD1 be held in committee and not become law. Mahalo, for allowing me to make comment.

Respectfully submitted,
Madeline McCabe Neely
Kaaawa, HI
March 29, 2011

PAUL J. SCHWIND
2033 Nuuanu Avenue, Apt. 22-B
Honolulu, Hawaii 96817
schwang1@hawaii.rr.com

April 1, 2011

The Honorable David Y. Ige, Chair, and Members
Senate Committee on Ways and Means
Hawaii State Capitol
415 South Beretania Street, Room 215
Honolulu, Hawaii 96813 BY E-MAIL: sendige@capitol.hawaii.gov

Dear Chair Ige and Members:

Re: H.B. No. 1092 H.D. 1 S.D. 1 Relating to Taxation

I am a retired employee of the State of Hawaii (and also a retired attorney formerly in private practice). I receive retirement pension benefits from the State. I am testifying in **opposition** to House Bill No. 1092 H.D. 1 S.D. 1 Relating to Taxation.

As currently drafted, HB 1092 H.D. 1 S.D. 1 would add a new section to HRS Chapter 235 and amend HRS §§ 235-7(a) and 235-2.4(h) to tax the pension income of, and make the deduction of State income tax "inoperative" for, various filers above specified income levels. This measure, if enacted, would impose a far greater burden on some retirees than that borne by other retirees and the general public. In my case, for example, the bill would increase my State tax liability by approximately ***79 percent.***

While balancing the State budget is a valid objective in these difficult economic times, doing so disproportionately on the backs of retirees is unjust and inequitable. This bill is particularly harshly inequitable because it would tax the ***entirety*** of pension income of any filer who is only ***one dollar over*** the specified federal adjusted gross income threshold, rather than tax only the amount of pension income that causes the taxpayer to be over the threshold.

HB 1092 H.D. 1 S.D. 1 may also be defective on constitutional grounds with regard to public employee retirees. The framers of the 1950 Hawaii Constitution provided, in article XVI section 2, that membership in an employees' retirement system is a contractual relationship, "the accrued benefits of which shall not be diminished or impaired" (reinstated in the 1978 constitutional amendments). The Hawaii Supreme Court has subsequently held that "[i]t would be inconsistent with the delegates' statements and the Committee of the Whole report to conclude that the delegates intended to afford legislative flexibility to . . . *diminish or impair the benefits already accrued and contractually guaranteed.* That would be in direct conflict." *Kaho`ohanohano v. State*, 114 Hawai`i 302, 342, 162 P.3d 696, 736 (2007) (emphasis in original). Arguably, exemption of pension income from State taxation is a protected benefit of public employee retirement.

If all of us are to "uncross our arms" and "help paddle the canoe", by far the fairest and most effective means to enhance State revenues is to enact an across-the-board increase in the General Excise Tax (GET). Accordingly, I respectfully recommend that your Committee **hold** HB 1092 H.D. 1 S.D. 1.

Thank you for the opportunity to express my views on this matter.

THE SENATE
THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2011

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
Ways and Means (WAM)

Charles T. Duncan
Honolulu Police Department, Major (retired)
94-439 Alapoai Street, Mililani Town 96789
Phone: 393-4764

April 1, 2011

In opposition of HB1092 HD1 SD1 Relating to Taxation

I'm a retired Honolulu Police Department Major who currently receives a pension from the state which is tax free after serving the State of Hawaii and the City and County of Honolulu for 32 years.

The following are my comments for opposing this bill;

- The Governor in a recent Star-Advertiser, Island Voices article states the "Pension tax would end preferential treatment," his determination that all retirees are obligated to "service the unfunded liability of the pension funds themselves." In saying this, he cloaks the mismanagement of state retirement funds and denies the state's responsibility for the scale of the miscalculation it has made. Taking advantage of a worldwide financial crisis, Gov. Abercrombie now attempts to continue the pattern of balancing the state's budget to the detriment of ERS retirees by telling everyone the ERS unfunded liability is in terrible shape implying it is retirees fault and retirees should feel guilty for drawing a pension. In reality it was all due to decades of negligent and reckless takeaways to the detriment of public sector retirees. When if not for the continued skimming of ERS funds over the years this would not be an issue.
- The governor instead proposes $728.6 million in spending increases in the face of a huge deficit crisis. The governor hasn't shown he's serious enough about cutting duplication, waste and unnecessary programs. Instead, his administration has placed over a third of the burden exclusively on the backs of seniors, many of whom are least able to absorb or adapt to it. This is unreasonable and not right.
- Regardless of the threshold levels, the inescapable fact is that this and other tax pension bills is still a new tax that is being sprung on retirees retroactively to Jan. 1 of this year. Affected retirees will not have enough time to plan before they have to make an unexpected tax payment in the next year. If pensioners are taxed, it should be fair and allow for a phase-in period allowing for adequate planning
- This bill and any bill that taxes pensions by using the federally adjusted gross income cause's inequities because it's an all-or-nothing tax proposition. An individual's entire

pension income would be unfairly taxed if it were only $1 over a certain income threshold, while not taxed at all if it were under the threshold.

- Social Security, while technically not taxed, is taxed de facto because those benefits are included as part of the income threshold used to qualify pensions for taxation.
- If this bill is passed it will more than likely violate a contractual agreement between the State of Hawaii and each retiree as it pertains to the Hawaii Constitution (Article XVI, Section 2) which states that accrued benefits of retirees in the state retirement system shall not be diminished or impaired. As such, the tax proposals on pensions may have legal repercussions if applied retroactively.
- If retirees are to "help paddle the canoe" the fairest means to enhance State revenues is to enact an increase in the General Excise Tax (GET).

In conclusion Governor Abercrombie misled the voting public about taxes during his campaign and now, he is defining "the wealthy" down to what most people would consider to be the middle class. Where will this type of reasoning lead us to next? Forty years ago, the state made a deal with retirees and now he proposes to break that promise if HB1092 HD1 SD1 is passed

I humbly ask that you not pass HB 1092 HD1 SD1 out of committee in any form as a means of showing all retiree's that in Hawaii we do care about our senior citizens who are living on a fixed income and will not tax their hard earned pensions.

Thank you for allowing me to submit comments in regards to this bill.

Respectfully Submitted

From: Ruth Walker [rekw32@hawaiiantel.net]
Sent: Tuesday, March 29, 2011 1:22 PM
To: WAM Testimony
Subject: HB 1092 H.D. 1 S.D. 1

HB 1092, H.D. 1 S.D. 1: Hearing on Friday, April 1, 2011 at 9:00 a.m.

Thank you for the opportunity of allowing me to provide testimony against HB 1092 H.D. 1 Proposal A that seeks to tax the pension of retirees whose reported federal adjusted gross income is $75,000or more for individuals and married retirees who file tax returns separately, and various other designated ceilings for heads of households, and for joint filers or surviving spouses, effective January 1, 2011.

I oppose the bill specifically for the following reasons.

As a person who has been retired for 23 years, my retirement income substantially is below the $75,000 threashold. However, I fear this threshold can easily lead eventually to the taxing of pensions of moderate or lower incomes like mine as the bill moves through the sessions, if not now then possibly in the near future.

The bill also unfairly targets the retirees who have anticipated retirement benefits based on conditions and agreements when we first entered into contract with the State. Imposing tax upon our retirement at this time will create undue difficulty as plans had already been made anticipating different circumstances.

Instead of targeting a small group like the retirees, another option would be to cut costs of operating the government where possible, if not, then to impose a GET so that a greater number of people of Hawaii can share in the burden of creating income for the State.

I am also a member of State Board of HGEA retirees Unit I representing approximately 10,000 state retirees who are also opposed to this bill.

I appreciate the opportunity to express my strong opposition to H.B. 1092 H.D. 1 Proposal A and would like to extend my thanks to you. Mahalo and Aloha, Ruth

To: Senate Committee on Ways and Means, Senator David Y. Ige, Chair

Date: Friday, April 1, 2011, State Capitol Conference Room 211, 9:00 am.

Re: HB 1092 HD1 SD1

Chair Ige and Committee Members. My name is Jack Katahira and I am retired and live in the Alewa Heights area. I am opposed to HB 1092 HD1 SD1 because it targets retiree pensions without any assurance that the State will not come back later and lower the thresholds and tax the pensions of moderate and lower income retirees. The State needs to evaluate restructuring and program efficiencies as proposed by Governor Abrocrombie before resorting to taxing retirees.

Thank you for the opportunity to submit my testimony.

Jack Katahira

1331 B Mamalu Street

Honolulu, HI 96817

From: lauraqhorigan [laurahorigan@hotmail.com]
Sent: Wednesday, March 30, 2011 10:28 AM
To: WAM Testimony
Subject: Fw: HB1092 HD1 SD1

From: laura horigan
Sent: Wednesday, March 30, 2011 10:24 AM
To: wamtstimony@capitol.hawaii.gov ; Steven Tam
Subject: HB1092 HD1 SD1

TO: Ways and Means Committee chair Senator David Y. Ige
FOR: Friday April1, 2011 Room 211 9:00am
Testimony on HB1092 HD1 SD1
Thank you for the opportunity to submit my testimony.

I am a 75 year old widow living on a fixed income from pensions and social security.I have lived and worked in Hawaii for 46 years.I raised my 2 children here but they now live elsewhere to seek better employment opportunities. I am strongly opposed to HB1092 as I feel that it puts an unfair burden on retirees. Living expenses are rising constantly. I feel that once a figure is set by law above which pensions will be taxed that this threshold figure can, and most probably will, be lowered in the future. Surely the task of increasing state revenues can be more evenly spread across the population rather than falling on the most vunerable.
Laura L. Horigan
2563 Date St. #305
Honolulu, Hi 96826

From: Ethel Fleming [ethelfleming@me.com]
Sent: Tuesday, March 29, 2011 9:05 AM
To: WAM Testimony
Subject: HB 1092, HD1, SD1 Relating to Taxation

HEARING_WAM_04-01-11_ 9:00 AM - HI State Legislature, CR 211

Dear Senators: I am a voter, residing at 1624 Dole Street #1600, Honolulu, HI 96822, and also a retiree after 40 years of employment with the State of Hawaii.

I understand that the bill to tax pensions will be heard on Friday, April 1, 2011, and it will be for DECISION MAKING only. HB 1092, HD1, SD1 was already heard in Senator Hee's Judiciary and Labor Committee last week. The changes include the following:

A) A taxpayer filing an individual return with a federal adjusted gross income of $100,000 or more;

B) A taxpayer filing as a head of household with a federal adjusted gross income of $150,000 or more; and

C) A taxpayer filing a joint return or as a surviving spouse with a federal adjusted gross income of $200,000 or more.

I have strong objections to passing HB 1092, HD1, SD1. Here are a few reasons to oppose the bill.

1) Section 1 of HB 1092, HD1, SD1, states that this bill is designed "to institute improvements and equity among taxpayers", but that is seriously inaccurate. It will "open the door" for future legislation that will adversely impact the retirees in the State who receive less than the income limits addressed above.

2) Historically, once a tax is enacted, it rarely is reduced or repealed.

3) In article XVI, section 2, the framers of the 1950 Hawaii Constitution provided that membership in an employees' retirement system is a contractual relationship, "the accrued benefits of which shall not be diminished or impaired..." (reinstated in the 1978 Constitutional amendments.)

4) If not for the continued skimming of the Employees Retirement System (ERS) funds by the Legislature over the years, along with reckless takeaways and negligence, we would not be in this financial predicament. Money taken away from publicly employed retirees' projected benefits needs to be restored. These retirees never received those "surplus" funds, so why is the State's financial situation fixated on retirees to resolve the deficit?

5) The Governor is proposing a $728.6 million spending increase while the State has a huge budget deficit. We have no information that he has cut duplication or waste, and he wants to restore programs. He seems to place the burden of balancing the budget on the backs of retirees; many are struggling to make ends meet with the increased demands of the recession. This is unfair and unjust.

6) If retirees are asked to "help paddle the canoe" in the agitated currents of the budget, what about the rest of the population? The fairest means to enhance State revenues to balance the canoe is to enact an increase in the General Excise Tax (GET). This will "spread the pain" to the entire population, which is the "we" referred to when we - EQUALLY - must all help paddle the canoe.

Mahalo for accepting these comments.

From: Ed of Maui [e_ichiriu2004@hawaiiantel.net]
Sent: Thursday, March 31, 2011 8:10 AM
To: WAM Testimony
Subject: HB 1092 SD1

Dear Senators:

My wife and I are strongly against taxing our hard-earned pensions. We became public employees not so we could earn high salaries, but for some of the benefits. It is unfair to tax our main source of income during our retirement years.

This bill will open the door for any future legislation that will impact the retirees in the State. It has been shown that once a tax is enacted, it is very rarely reduced or repealed.

Our new governor has proposed over $700 million in increased spending, while we have a huge deficit. He hasn't reduced duplication of waste and would like to restore programs. The governor seems to want to place the burden on the backs of retirees, many of whom are really struggling to make ends meet. It definitely is not fair to impose this on us.

I the continuous skimming of the Employees Retirement funds over the years along with reckless takeaways and negligence, we would not be caught in this financial situation.

The 1950 Hawaii Constitution provided in articleXVI, section 2, that membership in an employees' retirement system is a contractual relationship. It further stated that "the accrued benefits of which shall not be diminished or impaired (reinstated in the 1978 constituional amendment).

We would strongly urge you to NOT PASS this bill.

Thank you for taking the time to read our concerns.

Edwin I./Edith S. Ichiriu
P.O. Box 880213
Pukalani, Hawaii 96788

From: Vicki Kajioka [vkajioka@hawaii.rr.com]
Sent: Thursday, March 31, 2011 1:09 PM
To: WAM Testimony
Subject: Strongly Oppose HB1092, HD1, SD1

Senate
The Twenty-Sixth Legislature, State of Hawaii
Regular Session of 2011
Ways and Means Committee

March 31, 2011

HB 1092, HD1, SD1
RELATING TO TAXATION

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

Thank you for the opportunity to provide testimony in **strong opposition of H.B. 1092, HD1, SD1.**

My name is **Victoria Kajioka**, a retiree. I planned my entire working life for my retirement. I did not expect that my retirement income might be subject to state income tax. If this bill is enacted, it could be the first step to "open the door" to further increase taxing pensions in future years. Many retirees already find it difficult with a fixed income to keep up with the rising cost of living and this new tax will affect the quality of life of our retirees who worked hard all their lives to achieve a secure future.

By taxing pension using federally adjusted gross income this bill creates major inequities as an all-or-nothing tax proposition. If an individual's income were only $1 over the threshold, the entire income would be taxed, while not taxed at all if the income is below the threshold.

While Social Security is not technically taxed, it will be taxed de facto because those benefits are included as part of the income threshold used to qualify pensions for taxes.

In addition, it is unfair to seniors to make the tax retroactive to January 1, 2011. This deadline will not provide affected seniors with enough time to plan for this unexpected tax payment for next year.

Please consider other methods of increasing tax revenues such as increasing the General Excise Tax rather than placing a large burden on senior citizens.

Thank you for the opportunity to provide testimony.

Respectfully submitted,

Victoria Kajioka

To: Senate Committee on Ways and Means, Senator David Y. Ige, Chair

Date: Friday, April 1, 2011, State Capitol Conference Room 211, 9:00 am.

Re: HB 1092 HD1 SD1

Chair Ige and Committee Members. My name is Steve Godzsak and I am a retiree living in Hilo town. I am opposed to HB 1092 HD1 SD1 because:

This bill opens the door for taxing all pensions in a state with already high costs of living even for basic commodities. The small amount of extra revenue generated by the current threshold will not come close to addressing the budget shortfall. Once enacted this "slippery slope" of future tax increases will hit moderate and lower income retirees pension benefits. This will significantly impact retirees and could ultimately drive many to other locales where their hard earned pensions have greater buying power. The monies being spent by a vast contingent of retirees will leave Hawaii.

Although taxing pensions is a quick way to raise funds in the short term, it also is unfair because it targets one segment of our population, a segment that typically lives on fixed income. The state needs to look at restructuring government, setting priorities as regards the health and safety of its citizens, and increasing its efficiency before resorting to taxing retirees. The state must live within its budget.

Please evaluate this matter carefully and thank you for the opportunity to submit my testimony.

Steve Godzsak
Hilo, HI

From: Neil Kajioka [wckajnt@yahoo.com]
Sent: Thursday, March 31, 2011 2:35 PM
To: WAM Testimony
Subject: Strongly Oppose HB1092, HD1, SD1

Senate
The Twenty-Sixth Legislature, State of Hawaii
Regular Session of 2011
Ways and Means Committee

March 31, 2011

HB 1092, HD1, SD1
RELATING TO TAXATION

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

Thank you for the opportunity to provide testimony in **strong opposition of H.B. 1092, HD1, SD1.**

My name is **Neil Kajioka**, a federal retiree. I planned my entire working life for my retirement. I did not expect that my retirement income might be subject to state income tax. I am aware of other states that do not have a state tax for federal retirees and the committee should take this into consideration. If this bill is enacted, it could be the first step to "open the door" to further increase taxing pensions in future years. Many retirees already find it difficult with a fixed income to keep up with the rising cost of living and this new tax will affect the quality of life of our retirees who worked hard all their lives to achieve a secure future.

By taxing pension using federally adjusted gross income this bill creates major inequities as an all-or-nothing tax proposition. If an individual's income were only $1 over the threshold, the entire income would be taxed, while not taxed at all if the income is below the threshold.

While Social Security is not technically taxed, it will be taxed de facto because those benefits are included as part of the income threshold used to qualify pensions for taxes.

In addition, it is unfair to seniors to make the tax retroactive to January 1, 2011. This deadline will not provide affected seniors with enough time to plan for this unexpected tax payment for next year.

Please consider other methods of increasing tax revenues such as increasing the General Excise Tax rather than placing a large burden on senior citizens.

Thank you for the opportunity to provide testimony.

Respectfully submitted,

Neil Kajioka

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 31, 2011 2:33 PM
To: WAM Testimony
Cc: dstedesco@gmail.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Donald Tedesco
Organization: Individual
Address:
Phone:
E-mail: dstedesco@gmail.com
Submitted on: 3/31/2011

Comments:
I am a retiree senior who moved to Maui three years ago for two main reasons, the state didn't tax pensions and it was a state where one can volunteer in so many diverse organizations. I purchased a condo in Kihei and based the purchase and mortgage on my income each month. This bill HB 1092 - I though was to tax pensions over $100,000. This is not the case, the bill adds all income, social security disability as well as dividends. This is not fair and not was intended. Due to the fact that I am disabled and get pension income, I will be just over the $100,000 mark. If this bill passes, I have no choice but to sell my condo at a huge loss and move back to the mainland. I can't afford my unit and the Maui high prices on a new budget. I will have to sell my unit at a loss and move. What does Hawaii lose if people like me move back to the mainland. The state loses all the money we spend each day, the real estate tax we pay and the services we give the community. Is it really worth this. The income from this pension tax(?) will not solve or even dent the shortfall of money needed to balance the budget. The loss of individuals who live here like myself will result in a great loss to the great state of Hawaii. If this passes I have no choice but to leave this home. it is really a shame that I didn't know this was in store for me before I moved here and put down roots in the community. I ask you to reconsider and defeat this proposal.
Create a tax that is fair to each person, why penalize those who worked so hard to earn a pension.
Thank you,
Donald Tedesco

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 31, 2011 2:45 PM
To: WAM Testimony
Cc: slkikuyama@gmail.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Sharon
Organization: Individual
Address:
Phone:
E-mail: slkikuyama@gmail.com
Submitted on: 3/31/2011

Comments:
March 31, 2011
Dear JDL Committee:
We are submitting this testimony to your committee regarding provisions in Bill HB 1092 pertaining to taxation of pensions. It is such a jolt to discover that our carefully calculated plans at the time of retirement may be turned upside down. We understand the State, nation and city governments are experiencing financial trauma. We are all in the same canoe, we huli, our community will huli.

As federal retirees we are willing to do our share as we have done during our years as conscientious members of the working community. However, we ask that you consider the great hardships that will occur if this bill passes, as it currently stands.

If pensions must be taxed, please reflect on taxing pension income that exceeds certain thresholds, not AGI. Consider HB 1092 HD1 PROPOSED B as a prime example. You could even include an equitable exclusion as part of the pension in whatever bill you deem fair.

We appreciate the chance to share our concerns.
Aloha Pumehana,
Mr. and Mrs. Gary Kikuyama
41-049 Alaihi Street
Waimanalo, Hawaii 96795
(808) 428-1529

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 28, 2011 5:57 PM
To: WAM Testimony
Cc: DEWare@aol.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM
Attachments: Taxation Testimony.docx

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Dana E. Ware
Organization: Individual
Address:
Phone:
E-mail: DEWare@aol.com
Submitted on: 3/28/2011

Comments:

Taxation Testimony 4/1/2011

I want to take this opportunity to share some of my thoughts regarding the governor's proposed change to tax retired income.

I chose to retire in Hawaii following the conclusion of my military career. However, I also expected that my retired pay would not be subject to HI State income tax. It was part of my decision to retire in Hawaii...which is not an inexpensive place to retire by any measure. Hawaii has the highest $/KWH electricity in the nation, water/sewage is the highest I've ever paid and will probably double over the next few years to pay for the secondary treatment mandated by EPA, real estate is some of the most costly in the nation, and we could go on. However, Hawaii's "veteran friendly" taxation was a matter of discussion at the "transition assistance program (TAP) " seminars I attended in the years before my retirement and it was a factor that made me think I could live here, despite the high costs, and make ends meet. This proposed tax, is indeed a surprise.

In my personal situation, since my retirement from over 30 years of service with the United States military, I have established a business. For this income, I pay GET, the HI State income tax, and I spend virtually all of my income in Hawaii and therefore pay more GET. This is what I expected would happen regarding that income. Additionally, my wife still works full time. She pays taxes too. When our family budget doesn't balance, we make cuts. We do not have the option of telling our neighbors to pay for our expenses.

The taxation of my military retirement, even with the most recently announced AGI levels of $100K single, and $200K joint, will cause me to cease operating my business as the state taxes will simply be too onerous. It makes it not worthwhile for me to work a second career and grow a business. It makes it more cost effective for me to not work, not pay GET, not spend more earnings in Hawaii, and not pay GET on those expenditures. This increased taxation will not only tax my retired pay, but it will increase our marginal income tax rate at the same time.

The editorial attached below by Mr. Pace, which I read last month and I'm sure you saw as well, makes what I consider to be some good points on this issue.

- The thresholds are indeed sharp. $1.00 in earnings can cost a person thousands.
- Not only does Hawaii have the highest marginal income tax, I recently read we have the highest collective rate of taxation.
- I certainly did make financial and life plans based on Hawaii not taxing my retired pay. Future retirees will conduct similar analyses.
- I agree that this is a long-term solution to a short-term crisis. The governor is indeed "not letting a good crisis go to waste."
- If this tax is enacted, I will examine my options of where to live in retirement and spend my retired, and possibly second career, pay. I believe others will as well.
- Like the AMT, this tax will eventually affect many more people due to the reality of inflation.
- There is too much duplication between city/county and state functions in Hawaii. There are simply too many government employees for the tax payer to fund.
- I do not consider myself to be financially wealthy. I chose long ago to live my life within my means so that I could live a comfortable, not exorbitant, retirement. Now the rules are possibly changing, and without much notice.

Economists state that taxation changes behavior. I haven't yet decided to leave Hawaii, but if this proposal to tax retired pay is enacted (retroactively, it seems to January 1, 2011) I will certainly look at that possibility. It is simply a matter of cost of living and quality of life.

I hope you will consider my inputs and the impact this proposed increase in taxation will cause.

Sincerely,
Dana E. Ware
Kapolei

Abercrombie's pension tax idea is misguided and just plain wrong

By Jeff Pace

POSTED: 01:30 a.m. HST, Feb 10, 2011

Gov. Neil Abercrombie's proposal to tax pensions is shortsighted and just plain wrong. Here are the reasons why this is a very bad idea:

» The proposal is fundamentally unfair. Retirees who make one dollar over the adjusted gross income (AGI) thresholds will find their entire pension taxed. Retirees who make one dollar less will pay nothing. (The governor says Social Security will not be taxed, but last time I looked it was included in the computation of the federal AGI and the draft legislation makes no specific exception for Social Security.)

» The pension tax is a big enough tax increase to force higher-earning middleclass people out of the state and discourage them from coming here in the first place. We already have the highest marginal income tax rate in the country. The pension tax will just raise the tax bar higher and, in the long run, be more likely to reduce tax revenues than raise them.

» This tax will hit those least able to go back to work -- the elderly -- with a very large surprise tax increase. People made plans, committed to mortgages, made long-term health provisions based on long-standing state tax policy which is now going to be changed without warning. Financial obligations don't just magically go away because a politician suddenly decides a taxpayer has excess income.

» This will be a permanent, never-ending tax to address a temporary, recession-induced shortfall. With every recession in our history, tax revenues have fallen, then recovered as the economy regained its footing. In effect, the governor will be using a short-term crisis to increase funding for his post-recession plans. All taxpayers should be concerned about what the next fiscal crisis will bring.

» This isn't just about elderly retirees. Hawaii's military retirees in their 40s and 50s will now have to think hard about whether or not they can afford to live here. A single person or a two-earner couple with a military pension could easily exceed the AGI threshold. It would be a shame to lose more good citizens, many of them locals, who leave the military and hope to stay here. Is this a way to thank the veterans who have just spent the last decade at war?

» The AGI threshold amounts aren't indexed to inflation. Meaning, as pensions are increased by cost of living allowances, more pensions will cross into tax territory. Soon enough, by the governor's definition, we will all be "wealthy" enough to bear more taxation.

» The governor hasn't shown he's serious enough about cutting duplication, waste and unnecessary programs. Nowhere in his piece does he mention cutting state programs or eliminating those that duplicate the city's. Until he's done that, new tax revenues will just go into the same old political black hole.

Abercrombie misled the voting public about taxes during his campaign and now, he is defining "the wealthy" down to what most consider to be middle class. Where will this mentality take us next? Forty years ago, the state made a deal with retirees. He now proposes to break the promise represented by that tax policy.

This brings us to the key paragraph in his commentary piece last Sunday ("Pension tax would end preferential treatment," Star-Advertiser, Island Voices): his determination that all retirees are obligated to "service the unfunded liability of the pension funds themselves."

In saying this, he cloaks the mismanagement of state retirement funds and denies the state's responsibility for the scale of the miscalculation it has made.

Shortsighted, cynical, deceptive -- these are just a few of the words that come to mind regarding the governor's position. Any legislators who back this proposal, or any version of it, will rue the day they raised their hands in support.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 28, 2011 12:13 PM
To: WAM Testimony
Cc: brownm009@hawaii.rr.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Colonel and Mrs. Mark L. Brown, U.S. Army (Retired)
Organization: Individual
Address:
Phone:
E-mail: brownm009@hawaii.rr.com
Submitted on: 3/28/2011

Comments:
My wife (Martha) and I are Kaneohe residents represented by Senator Jill N. Tokuda.

Hawaii is one of only ten states that do not tax pension and social security income. Like for other resort States such as Florida, this tax advantage encourages tens of thousands of retirees to settle here in their golden years. Retirees are very beneficial economically because they bring their assets and pension income to their new home and usually do not compete for employment. In effect, they are long-term tourists who boost local job opportunities and business income substantially across-the-board. Taxing pensions would discourage future retirees from settling in Hawaii and cause some current retired residents to leave for lower cost-of-living alternatives on the Mainland.

Although the higher Adjusted Gross Income (AGI) pension tax boundaries provided by HB 1092 HD1 SD1 (of $200k for a joint tax return) is a considerable improvement over the low $75k AGI threshold proposed by Gov. Abercrombie, clearly any pension tax would be harmful to the State economy.

I therefore recommend the State legislature discard the pension tax alternative and reconsider other options, such as a modest increase in the General Excise Tax (GET), that would meet budgetary requirements and not harm the State economy to a disproportional extent.

Thank you for your thoughtful consideration.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 28, 2011 12:28 PM
To: WAM Testimony
Cc: rechnitz@hawaii.edu
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Garry Rechnitz
Organization: Individual
Address:
Phone:
E-mail: rechnitz@hawaii.edu
Submitted on: 3/28/2011

Comments:
Unfortunately this bill is flawed in many ways . Specifically , the threshold for pension taxation goes from no tax to full tax (it should be graduated) and improperly includes social security payments . There is also a problem with pensions from foreign entities paid to Hawaii residents .
The current bill is poorly thought out and should be reconsidered .

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 28, 2011 3:51 PM
To: WAM Testimony
Cc: gdball@hawaiiantel.net
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: gregory d ball
Organization: Individual
Address:
Phone:
E-mail: gdball@hawaiiantel.net
Submitted on: 3/28/2011

Comments:
Tax laws either incite or discourage specific economic activities. If you tax pensions at a level, you will discourage retirees in Hawaii from engaging in post-retirement productive business activity, since it would be better to stay under the threshold by doing nothing.

Do you really want retirees to not contribute to the Hawaii economy?

From:	mailinglist@capitol.hawaii.gov
Sent:	Tuesday, March 29, 2011 6:57 PM
To:	WAM Testimony
Cc:	bernie5miranda@gmail.com
Subject:	Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: bernie miranda
Organization: Individual
Address:
Phone:
E-mail: bernie5miranda@gmail.com
Submitted on: 3/29/2011

Comments:
I'm opposed to taxing state retires on their pension incomes. No one group should be targeted to address a budget shortfall. Increasing the GET would be more equitable--everyone sharing in the sacrifice.
Ultimately government should be reduced or at the very least not expanded during these times of uncertainty.
We really need your support. So much taxes--feels as if we should be sailing on the Mayflower out of here -and I'm local- born and raised on Oahu).

From: Eiko Kanehiro [ekaneh@gmail.com]
Sent: Tuesday, March 29, 2011 2:19 PM
To: WAM Testimony
Subject: HB 1092, HD1, SD1

To: Committee on Ways and Means
From: Eiko Kanehiro (Mrs. Kenneth Kanehiro)
Re: HB 1092, HD1, SD1
Friday, April 1, 2011; 9:00 a.m.

Honorable Senators:

Thank you for taking on the formidable task of finding revenue to balance our State's budget at this difficult time.

However, please do not do it by taxing pensions --letting the camel get his nose under the tent. Today the rich; tomorrow, me and Amy and Paul and Bernie...

I never realized, until I retired, why The Old & Ugly fearfully spoke of "fixed income." Many of us are very nervous about the future. It is unnerving to think about looking for a job again--slow of foot, slow in the brain, ugly to look at. Would you hire us at the Legislature?

Raise the General Excise Tax temporarily, instead.

Mahalo!

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 29, 2011 1:00 PM
To: WAM Testimony
Cc: vegasa001@hawaii.rr.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Alan Vegas
Organization: Individual
Address:
Phone:
E-mail: vegasa001@hawaii.rr.com
Submitted on: 3/29/2011

Comments:
Please show some decency and respect for people who have worked for and earned their retirement income.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 30, 2011 4:47 PM
To: WAM Testimony
Cc: mauicrowe@gmail.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: james crowe
Organization: Individual
Address:
Phone:
E-mail: mauicrowe@gmail.com
Submitted on: 3/30/2011

Comments:
Senator, Ige and committee, I am one of Hawaii's seniors who is retired and on fixed income. I am opposed to bill HB1092 because I see it as a dangerous precedent. It is a way of opening the door to even more taxing of the elderly.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 30, 2011 5:08 PM
To: WAM Testimony
Cc: reinze@hotmail.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Reinze Young
Organization: AARP
Address:
Phone:
E-mail: reinze@hotmail.com
Submitted on: 3/30/2011

Comments:
Chair Ing and committee members. My name is Reinze Young, I am retired and I live in the Hilo area. I am opposed to HB 1092 HD1 SD1 because the State of Hawaii needs to seriously apply efficiency with tax dollars and live within the budget BEFORE any new tax is considered.

Thank you

Reinze Young
Hilo, Hawaii

From:	mailinglist@capitol.hawaii.gov
Sent:	Wednesday, March 30, 2011 7:06 PM
To:	WAM Testimony
Cc:	yoshitomt001@hawaii.rr.com
Subject:	Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: comments only
Testifier will be present: No
Submitted by: Kathleen Yoshitomi
Organization: Individual
Address:
Phone:
E-mail: yoshitomt001@hawaii.rr.com
Submitted on: 3/30/2011

Comments:
1. Oppose the passage of HB1092HD1SD1. The threshold that determines the taxing of pensions will be lowered whenever there is a need for revenues to cover the budget shortfall which seems to be every year. Eventually, everyone will be taxed on their pensions. 2. The current bill is very unfair since a person whose adjusted gross income is at or below the threshold pays no state taxes on their pension and a person who may be $1.00 above the threshold pays state taxes on their entire pension. 3. Government needs to be downsized. Essential functions that only government can or should be doing need to identified and only these should be funded. There also needs to be consolidation of departments, divisions, branches, etc which will streamline government and reduce cost. The current level of government is unsustainable.

From: Donna [tamashird004@hawaii.rr.com]
Sent: Tuesday, March 29, 2011 10:12 AM
To: WAM Testimony
Subject: HB 1092, HD1, SD1, date - 4/1/11

I would like to strongly OPPOSE amendments to HB 1092, HD1, SD2, Part III, Section 5, (2) taxation of pension income affecting individual taxpayers in the three categories, A, B, and C. You are affecting the lives of state employees who retired under the premises that our pensions would not be taxed and who are now on fixed incomes. Why are you targeting state retirees? A more equitable solution would be to raise the general excise tax which would generate income from EVERYONE and would be more a more equitable scenario.

Please don't do this to state retirees. We have worked many years and have planned for our "golden years".

Thank you.

Donna Tamashiro

From:	mailinglist@capitol.hawaii.gov
Sent:	Tuesday, March 29, 2011 6:00 PM
To:	WAM Testimony
Cc:	rlurbe@honolulu.gov
Subject:	Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Raymond LURBE
Organization: Individual
Address:
Phone:
E-mail: rlurbe@honolulu.gov
Submitted on: 3/29/2011

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 30, 2011 10:30 AM
To: WAM Testimony
Cc: toddhairgrove@yahoo.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Todd Hairgrove
Organization: Individual
Address:
Phone:
E-mail: toddhairgrove@yahoo.com
Submitted on: 3/30/2011

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 30, 2011 10:47 PM
To: WAM Testimony
Cc: jsherlock@honolulu.gov
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: James Sherlock
Organization: Individual
Address:
Phone:
E-mail: jsherlock@honolulu.gov
Submitted on: 3/30/2011

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 29, 2011 9:06 AM
To: WAM Testimony
Cc: sassylady3128@yahoo.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Lisa Reed
Organization: Individual
Address:
Phone:
E-mail: sassylady3128@yahoo.com
Submitted on: 3/29/2011

Comments:

From: Honda, Kathleen [khonda@honolulu.gov]
Sent: Tuesday, March 29, 2011 3:06 PM
To: WAM Testimony

I am opposing the tax pension bill 1092. I will be retiring in July, 2011 and cannot afford any pension cuts.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 29, 2011 10:27 PM
To: WAM Testimony
Cc: jlouiskahanu@honolulu.gov
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: J.K. Louis-Kahanu
Organization: Individual
Address:
Phone:
E-mail: jlouiskahanu@honolulu.gov
Submitted on: 3/29/2011

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 29, 2011 10:51 PM
To: WAM Testimony
Cc: bhottendorf@gmail.com
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Blake Hottendorf
Organization: Individual
Address:
Phone:
E-mail: bhottendorf@gmail.com
Submitted on: 3/29/2011

Comments:

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 31, 2011 8:59 AM
To: WAM Testimony
Cc: kiamanu@hawaiiantel.net
Subject: Testimony for HB1092 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1092

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Theodore Merrill
Organization: Individual
Address:
Phone:
E-mail: kiamanu@hawaiiantel.net
Submitted on: 3/31/2011

Comments: