



March 20, 2014

LATE

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

FROM: Jeanne Y. Ohta, Co-Chair

RE: HB 1719 HD1 Relating to Taxation
Hearing: Thursday, March 20, 2014, 9:00 a.m., Room 211

POSITION: STRONG SUPPORT

The Hawai'i State Democratic Women's Caucus writes in strong support of HB 1719 HD1 Relating to Taxation, eliminate the state income tax liability for taxpayers if their AGI's fall below the federal poverty guidelines.

Imposing state income tax liability on those in poverty means that some working families are actually pushed deeper into poverty by taxes, which ultimately results in the need for expensive social service expenditures by the state. Hawai'i should eliminate all tax liability for households living in poverty and reduce it by half for those at 100-125% of the federal poverty guidelines.

The lowest-income taxpayers in Hawai'i pay an average of approximately 13% of their income in state and local taxes—among the highest in the nation—while those earning more than \$400,000 pay closer to 8%. The GET is a major contributor to the regressive impact of Hawai'i's tax system.

Hawai'i's families in poverty pay a larger share of their income in taxes than those in all but 3 other states. The lack of adequate credits and exemptions means that some working poor families are actually pushed deeper into poverty by our tax system.

We urge the committee to pass this measure. Thank you for the opportunity to provide testimony.



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COMMITTEE ON WAYS AND MEANS

Thursday March 20, 2014
Conference Room 211
HB1719 HD1 RELATING TO TAXATION
TESTIMONY
Beppie Shapiro for the League of Women Voters of Hawaii

Chair Ige, Vice-Chair Kidani, Members of the Committee:

The League of Women Voters of Hawaii supports HB1719 HD1 which would reduce or eliminate the tax liability for very poor taxfilers.

The League believes that public policy should promote self-sufficiency and that the most effective social programs are those designed to prevent or reduce poverty. The League also believes that fiscal policy should provide for taxes that are progressive overall, applying higher tax rates as income increases. While it is true that our income tax rates are already reduced for low-income filers, can't we go further to ease the tax burdens on our low-income working families? We point out that Hawaii is only one of 15 states to tax families of four with incomes at the poverty level.¹ Let's help these low income working families move into the middle class. HB1719 HD1 is an admirable and badly needed vehicle for achieving this purpose in Hawai'i.

The population addressed by this bill is in dire need of relief. Currently the Federal Poverty Guidelines (100%FPL) are as follows:²

2014 POVERTY GUIDELINES FOR HAWAII	
Persons in family/household	Poverty guideline
1	\$13,420
2	18,090
3	22,760
4	27,430

I'm sure none of us here can imagine living in Hawaii on this income, or even 125% of these income (i.e. \$34,280 for a family of four).

A single parent of one child working at minimum wage 40 hours per week, 52 weeks per year, earns 16% below the federal poverty guidelines for a family of two. Unfortunately many of our hard-working citizens are in this situation. Hawai'i's poverty rate of 17.3% (approximately

¹ <http://www.cbpp.org/cms/index.cfm?fa=view&id=3741>

² Aspe.hhs.gov/poverty/14poverty.cfm



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240,000 individuals) makes Hawai'i the 9th poorest in the nation.³

In 2012 20% or 2,000 of Hawai'i's children under six lived in low-income working families.⁴ Research on early childhood development has found that income insecurity negatively affects three key aspects of brain development – positive relationships, learning resources, and high stress. Surely we should reward these working families by not reducing their inadequate incomes through overly high income taxation. The extra money they would have if HB1719 HD1 is enacted would surely be spent immediately on basic necessities of life, thus adding economic activity to the State and its businesses.

The League of Women Voters concurrently supports raising the minimum wage, as outlined in our testimony on other bills on that topic. We think the combination of a more adequate minimum wage and the tax credits outlined in this bill constitute a powerful, efficient anti-poverty program – this is not an either/or situation. We point out that even with the proposed income tax changes, our low-income families will still be contributing to other state tax revenue, including excise taxes and gasoline taxes.

We urge you to pass this bill with an implementation date no later than 2016. Thank you for the opportunity to submit testimony.

³ U.S. Census Bureau, Current Population Reports, Supplemental Poverty Measure: 2012

⁴ Population Reference Bureau, analysis of data from the U.S. Census Bureau, 2008 - 2012 American Community Survey.