

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Mele Carroll, Chair
and Members of the House Committee on Human Services

Date: Tuesday, February 11, 2014
Time: 9:30 a.m.
Place: Conference Room 329, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 1808, Relating to Income Tax Credits

The Department of Taxation (Department) appreciates the intent of H.B. 1808, to increase the credit for low income renters, and provides the following comments for your consideration.

H.B. 1808 increases the income threshold and amount of the income tax credit for low-income household renters. Also, the bill provides for annual adjustment of the credit by the increase in the Consumer Price Index (CPI). The bill applies to taxable years beginning after December 31, 2014. However, the CPI adjustment provision would apply to taxable years beginning after December 31, 2015, because 2015 is given as the base year for the CPI adjustment.

The Department appreciates the effort to increase tax credits for low-income renters; however, the Department must point out that an annual automatic CPI adjustment will make the credit very difficult for the Department to administer and cause confusion for taxpayers. Instead, the Department suggests that fixed amounts be adopted.

Thank you for the opportunity to provide comments.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase renter credit

BILL NUMBER: SB 2208; HB 1808 (Identical)

INTRODUCED BY: SB by Chun Oakland, Baker, Galuteria, Ruderman and 4 Democrats; HB by Muzuno

BRIEF SUMMARY: Amends HRS section 235-55.7 to increase the income threshold to claim the renter credit from \$30,000 to \$59,700 and the amount of the renter credit from \$50 to \$146.

For tax years beginning after December 31, 2014, the threshold amount and the amount of the renter credit shall be increased by an amount equal to such dollar amount, multiplied by the percentage, if any, by which the Consumer Price Index (CPI) for the preceding calendar year exceeds the CPI for calendar year 2015.

EFFECTIVE DATE: Tax years beginning after December 31, 2014

STAFF COMMENTS: The 1970 legislature adopted a system of tax credits for household renters which was intended to partially offset the higher tax burden on renters resulting from the lack of tax relief similar to the home exemption for homeowners and the 4% general excise tax levied on rental income. The current renter credit was established by the 1977 legislature at \$20 per exemption for those taxpayers with adjusted gross incomes of less than \$20,000 who paid more than \$1,000 in rent during the tax year. The 1981 legislature subsequently increased the credit amount to \$50. Act 239, SLH 1989, increased the adjusted gross income limit to \$30,000 to claim the credit. The proposed measure would increase the adjusted gross income limit to claim the credit from \$30,000 to \$59,700 and the amount of the credit from \$50 to \$146. It would also provide that these amounts will increase by the change in the CPI. While the proposed measure increases the AGI limit and the renter tax credit, it does not change the amount the taxpayer paid in rent during a taxable year of \$1,000 to qualify for the credit.

Currently, the amount of credit is calculated at a flat amount (now \$50), multiplied by the number of qualified exemptions to which a taxpayer is entitled, provided that a taxpayer 65 years or age or older may claim double the credit. We raise the question of whether the credit should be based on 4% of the rent paid in order to return to the original intent of the credit. That way taxpayers' relief would be linked to the amount of rent they need to pay.

Digested 2/7/14



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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TO: Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice Chair
Members, Committee on Human Services

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committee on Human Services

Tuesday, February 11, 2014 at 9:30 a.m. in Conf. Rm. 329

Testimony in Support of HB1808, RELATING TO INCOME TAX CREDITS.

Thank you for the opportunity to provide testimony **in support** of HB 1808, which would increase the value of the low income household renters credit and adjust the income thresholds for inflation. PHOCUSED is a statewide coalition of health, housing, and human services organizations committed to strengthening policies and programs that benefit the marginalized and underserved in Hawaii.

Households in Hawaii experience the highest cost of living in the nation – paying more for food, utilities and shelter than comparable families on the mainland. An estimated 43% of these households (194,900 households) are renters. Of this number, the Center for Budget Policy & Priorities (CBPP) estimates that 25% (49,800 households) are low-income renter households that are severely cost burdened – paying over 50% of their monthly income just for housing costs. Nearly 1/3 of these severely cost burdened renter households are headed by people who are elderly or have disabilities – representing some of the most vulnerable members of our community.

While the median cost of rent in Hawaii has increased by 45% between 2005 to 2012, the low-income household renters credit has not been adjusted since the 1980s. This bill will increase the value of the credit for the first time since 1981, increase the income threshold for the first time since 1989, and will allow for future increases in the credit comparable to the rate of inflation. PHOCUSED sees this bill as a step in the right direction that will provide greater financial relief for low-income households throughout Hawaii.

Once again, PHOCUSED **strongly urges your support** of HB1808, and appreciates the opportunity to testify on this important issue. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at admin@phocused-hawaii.org.



TESTIMONY IN SUPPORT OF HB 1808: Relating to Income Tax Credits

TO: Representative Mele Carroll, Chair, Representative Bertrand Kobayashi, Vice Chair and members of the Committee on Human Services

FROM: Trisha Kajimura, Social Policy Director, Catholic Charities Hawai'i

Hearing: Tuesday, February 11, 2014, 9:30 am; Conference Room 329

Thank you for the opportunity to testify on HB 1808, which amends the income tax credit for low-income household renters to adjust for inflation. I am Trisha Kajimura, Social Policy Director for Catholic Charities Hawaii. **I am testifying in support of HB 1808.**

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. This bill speaks directly to our advocacy priority of reducing poverty in Hawai'i.

Hawai'i's high cost of living, including the highest cost of shelter in the country¹ and food costs for a family of four at 68% more than the mainland², makes living with a low-income very difficult. Not only are these people spending a high percentage of their income on basic living expenses but also on the regressive General Excise Tax.

The original intent of the low-income household renters' credit was to reduce the disproportionate share of taxes paid by low and moderate-income households. However, the credit value has not been updated since 1981 and the eligibility cutoff has not been updated since 1989. So the current value, when adjusted for inflation is worth less than forty percent of its original value. On the other hand, average rents in Hawai'i have increased by well beyond the rate of inflation. In other words the need and justification for this tax credit has increased while the value of the existing credit has decreased.

Adjusting the amount of the credit to \$146 per exemption and the eligibility cutoff to \$59,700 would bring the low-income household renters credit current to 2014 and provide a more meaningful amount of tax relief to struggling renters.

Updating the low-income household renters' credit will help us in the fight to reduce and prevent homelessness. Our families need this tax credit to help with the struggle of covering their basic living expenses.

Thank you for your support. Please contact me at (808)527-4810 or trisha.kajimura@catholiccharitieshawaii.org if you have any questions.

¹ Hawaii 2013 State Housing Profile, National Low Income Housing Coalition. <http://nlihc.org/sites/default/files/SHP-HI.pdf>.

² Based on the U.S. Department of Agriculture's Thrifty Food Plan, which is used as the basis for Supplemental Nutrition Assistance Program benefits. See <http://www.cnpp.usda.gov/usdafoodplanscostoffood.htm>.





PARTNERS IN CARE

Oahu's Coalition of Homeless Providers

TESTIMONY IN SUPPORT OF HB 1808: RELATING TO INCOME TAX

TO: Representative Mele Carroll, Chair; Representative Bert Kobayashi, Vice Chair; and members of the House Committee on Human Services

FROM: Peter K. Mattoon, Advocacy Committee Co-Chair, Partners In Care

Hearing: **Tuesday, February 11, 2014, 9:30 AM, Room 329**

Dear Chair Carroll, Vice Chair Kobayashi, and committee members:

Thank you for the opportunity to provide testimony in **strong support** of House Bill 1808, to increase the low-income household renters income tax credit. My name is Peter K. Mattoon, and I am an Advocacy Committee Co-Chair for Partners In Care, a coalition of care providers focusing on the needs of homeless persons and strategies to end homelessness. We support this policy to help prevent low-income people from becoming homeless.

Homelessness is a pressing social crisis, and Hawai'i has the highest rate of homelessness in the nation. For many households, especially families, their low income relative to the high cost of living, which is almost 60 percent above the national average, means they can barely make ends meet and are at risk of—or actually become—homeless. This is no surprise because low-income families, especially those in poverty, struggle just to pay for basic necessities, with virtually none left over to save for a rainy day. Thirty percent of our residents live in liquid asset poverty, meaning that if they were to lose their income, they would have insufficient liquid assets to survive at the poverty level for just three months, and a 2006 study found that 170,000 people on Oahu were three paychecks away from homelessness.

Housing here costs twice as much as the national average. As a result, many of our low-income families are severely cost-burdened—three out of four extremely low-income households are paying more than *half* of their income toward shelter. The mean hourly wage of a renter is just \$13.56, but a full-time worker would need to earn \$32.14 an hour to afford a two-bedroom apartment at market rent without paying more than 30 percent of her income.

The renters credit has not been adjusted for inflation since the 1980s, let alone the staggering increases in rent. Between 2005 and 2012 alone, rent increased by 45 percent in Honolulu. Adjusting the renters credit will help families afford housing and also provide some relief for the regressive burden of the General Excise Tax and property taxes levied on low-income households. This credit will make a meaningful difference for low-income households, better allowing them to make ends meet, build assets, and avoid homelessness.

Becoming homeless is a traumatic experience, and those who become homeless generally require social services to get back on their feet. We should do all we can to make sure that families at risk of homelessness stay housed. Again, thank you for the opportunity for Partners In Care to testify in **strong support** of HB 1808.

Partners In Care, c/o Aloha United Way, 200 N. Vineyard Blvd. Suite 700
Honolulu, Hawai'i 96817

Partners In Care is a membership organization of homeless service providers, other service professionals, units of local and state government, homeless consumers, and other community representatives located in Hawai'i on Oahu. It is a planning, coordinating, and advocacy body that develops recommendations for programs and services to fill gaps in the Continuum of Care on Oahu.



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www.hawaiiancommunity.net

February 6, 2014

HB 1808 Relating to Income Tax Credits
House Committee on Human Services
February 11, 2014, 9:30 AM, Room 329

Aloha Chair Carroll and Committee Members,

I am writing on behalf of Hawaiian Community Assets, a nonprofit 501c3 HUD-certified housing counseling agency, to testify in **strong support** of House Bill 1808, which would increase the value of the low income household renters credit and adjust the income thresholds for inflation that has occurred since they were last set.

According to the Corporation for Enterprise Development's 2012 Assets and Opportunities Scorecard, Hawaii renters rank last in the nation in housing cost burden, paying, on average, 58.2% of their income toward housing. This is due in part to the fact that rental income is subject to the General Excise Tax, and unit owners who must pay property taxes often include the costs in rent. At the same time, unlike homeowners who are able to claim mortgage interest deductions, tenants are unable to access similar relief. Combined with the fact that Hawaii has the highest cost of living in the United States, at more than 160% of the national average, our Hawaii renters are faced with major barriers as they try to build their asset wealth and achieve long-term financial stability.

Our State tax rate on low-income families makes the challenge of financial stability even worse. Our low-income families pay approximately 13% of their income toward state and local taxes, while those earning over \$400,000 pay closer to 8%. The legislature helped alleviate this burden through the refundable low-income household renters credit created in 1977. However, this credit has not been adjusted since the 1980s and is outdated and unable to meet the needs of our low-income Hawaii renters.

This reality can be seen in the rising number of homeless individuals in our islands. According to the Hawaii Appleseed Center for Law and Economic Justice, Hawaii reported the highest homeless rate per capita in the nation with an increase of 11% between 2010 and 2011. Of these homeless individuals, 42% were reported to be children. As an organization that provides financial education and housing counseling to our homeless families, it is clear to see that a severe lack of affordable housing and market rate rentals at \$1,382 for a 1-bedroom condo on Oahu will continue to drive our homeless rate up, unless our people are provided the type of relief which HB 1808 offers.

The proposed adjustments in HB 1808 will provide greater relief to more of our families burdened by high rental housing costs. The proposed changes to the LIHR credit would update it to recover ground lost to inflation in the past two decades. They would increase the maximum value of the credit amount to \$146 per qualified exemption for households and adjust the income thresholds so that households with an adjusted gross income of less than \$59,700 can claim the credit. Proposed changes would also key future increases in the credit to the rate of inflation to ensure that it does not lose ground going forward.

Mahalo for the opportunity to provide my testimony in strong support of HB 1808 and encourage you to take action to provide critical relief to our renter families struggling to afford housing.

Sincerely

A handwritten signature in black ink that reads "Jeff Gilbreath". The signature is written in a cursive style with a large initial "J" and "G".

Jeff Gilbreath
Executive Director

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Testimony of Hawai'i Appleseed Center for Law and Economic Justice
House Bill 1808 Relating to Income Tax Credits
House Committee on Human Services
Scheduled for Hearing Tuesday, February 11, 2014, 9:30 AM, Room 329

Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

Thank you for the opportunity to testify in **strong support** of House Bill 1808, which would adjust the low-income household renters credit for inflation. This important credit, intended to provide meaningful tax relief to low and moderate-income households, has not been updated in decades. We desperately need to alleviate this tax burden on renter families struggling to make ends meet.

Renters face a staggering cost burden here in Hawai'i. More than 40 percent of our households are renters, and over half of them are cost-burdened, meaning they pay more than 30 percent of their income toward rent. This is no surprise, as the fair market rent for a two-bedroom household is \$1,671. A full-time worker would need to earn \$32.14 per hour for this rent to be affordable, while the mean wage for a renter is just \$13.56. This housing cost burden plagues moderate income families, but among the lowest-income households, they face a crushing cost burden: 73 percent are paying more than *half* of their income in rent. This leaves them with precious little left over to make ends meet, let alone build assets or save for a down payment on a home.

Renters are also disproportionately cost-burdened relative to homeowners. This credit helps make our tax system more equitable. Renters don't benefit from mortgage interest or property tax deductions, nor are they able to build home equity. The GET is levied on rental income, and building owners must pay property taxes. While property owners are legally responsible for paying the GET and property taxes, they often pass these costs along in the rent.

Hawai'i's regressive tax system further exacerbates this burden. The lowest income households pay around 13 cents per dollar of income toward taxes, while the wealthiest pay closer to 8 cents of every dollar. Our state is heavily reliant on revenue from the GET, which is a major contributor to the regressive tax structure, hitting low-income households the hardest because they must spend nearly all of their income on necessities subject to the GET.

The credit of **\$50 was last set in 1981**, and its real value dramatically declined: the buying power of this sum is just \$19.51 in 2013 dollars. At the same time, rents have risen skyrocketed. Adjusting for inflation, rents in real dollars have gone up by almost 80 percent. The credit should also be updated to cover more families by adjusting the income eligibility thresholds for the inflation that has occurred since 1989. We should preserve the intent of the legislature to provide meaningful tax relief to low and moderate-income families by adjusting for inflation and peg future increases to the Consumer Price Index so the credit does not lose ground going forward.

We have an opportunity to make a real difference in the lives of low and moderate income households, and after 30 years of letting the credit lose ground, it's time to update it to address the serious financial struggle of these families to pay for housing.. Again, thank you for the opportunity to testify in **strong support** on HB 1808.

Hawai'i Appleseed Center for Law and Economic Justice

February 7, 2014

Page 2 of 2



AMERICANS FOR DEMOCRATIC ACTION

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February 7, 2014

TO: Chair Mele Carroll, Vice Chair Bert Kobayashi
Members of the House Committee on Human Services

FROM: John Bickel, President
Americans for Democratic Action/Hawai'i

RE: Support and Comments on HB 1808 Relating to Income Tax Credits

Americans for Democratic Action/Hawaii supports HB 1808. Americans for Democratic Action has been advocating for public policies to pursue Franklin Roosevelt's dream for America: a dream of the freedom of speech, of worship, from fear and from want. In particular this bill would help alleviate freedom from want for low-income renters and depend on an income tax credit. This bill would help adjust for inflation. As the economy has been improving, rents have been rising. While the top one percent has been doing better than ever, those at the bottom need more help than ever. This is one way to alleviate a bit of their pain.

TESTIMONY HB 1808 RELATING TO TAX CREDITS
BEFORE THE HOUSE COMMITTEE ON HUMAN SERVICES

February 11, 2014

9:30 AM

Room 329

Aloha Chair Carroll, Vice-Chair Kobayashi, and members of the House Committee on Human Services, **my name is Stephen Morse. I am the Executive Director of Blueprint for Change (BFC) and am here today to strongly support House Bill 1808** which would increase the value of the low income household renters' credit and adjust the income thresholds for inflation that has occurred since they were last set. This measure will provide much-needed financial relief to Hawai'i's low and moderate-income renters.

Members, for the record, BFC is the fiscal, technical, and administrative support entity for seven Neighborhood Place centers statewide that provide support and strengthening services to families at risk of child abuse and neglect under a POS contract with the Department of Human Services. We find that one of the biggest risk factors for child neglect in the families we serve is that they are living in unstable living conditions. In many cases, these families are also mired in other socioeconomic problems, such as unemployment and low incomes, substance abuse, and chronic health problems, but studies show that the key to helping these families break the cycle of poverty starts with providing them stable housing. Without stable housing, these families live transient lifestyles that make it hard for them to focus on problem-solving. It also makes it extremely difficult for prevention/diversion programs such as our Neighborhood Places to help provide the sustained, support services these families need to break the cycle, because they are always on the move.

Hawai'i has the highest cost of living in the United States, at more than 160 percent of the national average. When considering the high cost of living as well as the availability of government assistance, we have the 8th highest rate of poverty among the states, with 17 percent of our households living below the U.S. Census Supplemental Poverty Measure. Housing is twice as expensive as the national average, with 73 percent of extremely low-income households spending more than half of their income on housing. More than half of renters, who are disproportionately lower-income, do not live in affordable housing, meaning that they pay more than 30 percent of their income toward rent.

Our regressive taxation system only makes the challenge of financial self-sufficiency worse. Low income people pay around 13 percent of their income toward state and local taxes, while those earning over \$400,000 pay closer to 8 percent. This regressive taxation also occurs when tenants pay their rent. Rental income is subject to the General Excise Tax, and the unit's owner must pay property taxes. These costs are generally passed along in the rent. At the same time, tenants do not enjoy many of the financial benefits available to homeowners, including the mortgage interest deduction and property tax deduction, nor are they building assets through home equity.

The legislature helped alleviate this burden through a targeted form of tax relief for low and moderate income renters, the refundable low-income household renters credit created in 1977. But this credit has not been adjusted since the 1980s and is badly in need of updating. Between 2005 and 2012 alone, rents increased by 45 percent. The proposed adjustments in HB 1808 will provide greater relief to more of Hawai'i's families.

The proposed changes to the LIHR credit would update it to recover ground lost to inflation in the past two decades. They would increase the maximum value of the credit amount to \$146 per qualified exemption for households and adjust the income thresholds so that households with an adjusted gross income of less than \$59,700 can claim the credit. Proposed changes would also key future increases in the credit to the rate of inflation to ensure that it does not lose ground going forward.

We respectfully urge the Committee to pass this HB 1808 unamended to provide critical relief to our renter families struggling to afford housing. If we are going to break the cycle poverty and prevent the generational neglect of children within these families, we need to support housing and tax credit programs such as HB 1808.

kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 04, 2014 2:48 PM
To: HUSstestimony
Cc: abbycutter@gmail.com
Subject: *Submitted testimony for HB1808 on Feb 11, 2014 09:30AM*

HB1808

Submitted on: 2/4/2014

Testimony for HUS on Feb 11, 2014 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Abigail Cutter	Individual	Support	No

Comments:

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 09, 2014 9:24 PM
To: HUS testimony
Cc: joycemcharles@gmail.com
Subject: *Submitted testimony for HB1808 on Feb 11, 2014 09:30AM*

HB1808

Submitted on: 2/9/2014

Testimony for HUS on Feb 11, 2014 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Joyce Midori Charles	Individual	Support	No

Comments:

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Lynn B. Wilson, PhD

HB 1808 Relating to Income Tax Credits

House Committee on Human Services

February 11, 2014, 9:30 AM, Room 329

Thank you for the opportunity to testify in **strong support** of House Bill 1808. Hawaii can only benefit from passing this legislation that works to “even” the tax playing field, providing much needed financial relief to Hawaii’s low and moderate-income renters, especially benefiting young families with young children.

- Hawai‘i has the highest cost of living in the United States, at more than 160 percent of the national average.
- Hawaii has the 8th highest rate of poverty among the states, with 17 percent of our households living below the U.S. Census Supplemental Poverty Measure (considering the high cost of living as well as the availability of government assistance).
- Housing in Hawaii is twice as expensive as the national average, with 73 percent of extremely low-income households spending more than half of their income on housing.
- More than half of renters, who are disproportionately lower-income, do not live in affordable housing, meaning that they pay more than 30 percent of their income toward rent.

The proposed changes to the LIHR credit would update it to recover ground lost to inflation in the past two decades. They would increase the maximum value of the credit amount to \$146 per qualified exemption for households and adjust the income thresholds so that households with an adjusted gross income of less than \$59,700 can claim the credit. Proposed changes would also key future increases in the credit to the rate of inflation to ensure that it does not lose ground going forward.

Hawaii needs to act on its commitment to support the healthy growth and development of young children by ensuring passage of bills aimed at addressing tax inequities related to low-income families with Hawaii’s youngest keiki. Research shows that poverty and low-income can have dramatic and long-lasting effects on early brain development, socio-emotional and physical health. Hawaii’s infants and toddlers deserve all our efforts to address tax policy inequities, including passing HB1808.

I respectfully urge the Committee to pass this HB 1808 unamended to provide critical relief to our renter families struggling to afford housing. This credit is an effective way to do so, but it must be updated to provide meaningful assistance.

Many thanks for your support of HB 1808.

Lynn B. Wilson, PhD

1188 Bishop Street, Suite 1502

Honolulu, HI 96813

HAWAII
STATE
COMMISSION
ON THE
STATUS
OF
WOMEN



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Executive Director
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Visit us at:
humanservices.hawaii.gov
/hscsw/

235 S. Beretania #407
Honolulu, HI 96813
Phone: 808-586-5758
FAX: 808-586-5756

February 10, 2014

To: Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice Chair
Members of the House Committee on Human Services

From: Cathy Betts
Executive Director, Hawaii State Commission on the Status of Women

Re: Testimony in Support, HB 1808, Relating to Income Tax Credits

Thank you for this opportunity to testify in strong support of HB 1808, which would amend the tax credit for low income household renters to adjust for inflation.

The low income household renters credit (LIHR) was created in 1977 and the value of that credit has not been updated since 1981. Additionally, the income thresholds have not been adjusted since 1989. To date, the rate of inflation has increased by 156% since the credit value was originally set.

Currently, Hawaii is the 8th poorest state under the United States Census Supplemental Poverty Measure. Hawaii is considered the 4th worst state for taxing people in poverty. Housing is twice as expensive as the national average, with 73% of extremely low income households spending more than half of their income on housing. Many of our families are reliant on state benefits just to “get by” and the majority of those families are headed by women as single heads of household.

What began as a policy aimed at alleviating a financial burden has not maintained its relevance and ability to assist working families who rent. Our renters credit needs to be updated to reflect the reality of today’s working families who rent.

The Commission urges this Committee to pass HB 1808.

Thank you for this opportunity to testify.

LATE

LATE

To: The Honorable Representative Mele Carroll, Chair
The Honorable Representative Bertrand Kobayashi, Vice Chair
House Committee on Human Services

From: Laura Smith, President/CEO
Scott Fuji, Assistant Director of Community Services
Goodwill Industries of Hawaii, Inc.

Date: February 11th, 2014

Re: **Testimony in Support of HB 1808 – Relating to Income Tax Credits**

Goodwill Industries of Hawaii, Inc. (Goodwill) is among the largest human service non-profit organizations in Hawaii. Our mission is to help people find and succeed in employment. With a Statewide footprint, and offices on Oahu, Maui, Hilo, Kona and Kauai, last year Goodwill served over 15,000 people, placing more than 1,500 into jobs in our community.

Thank you for the opportunity to testify in **strong support** of House Bill 1808, which would increase the value of the low income household renters credit and adjust the income thresholds for inflation that has occurred since they were last set. This measure will provide much-needed financial relief to Hawai'i's low and moderate-income renters.

Hawai'i has the highest cost of living in the United States, at more than 160 percent of the national average. When considering the high cost of living as well as the availability of government assistance, we have the 8th highest rate of poverty among the states, with 17 percent of our households living below the U.S. Census Supplemental Poverty Measure. Housing is twice as expensive as the national average, with 73 percent of extremely low-income households spending more than half of their income on housing. More than half of renters, who are disproportionately lower-income, do not live in affordable housing, meaning that they pay more than 30 percent of their income toward rent.

Our regressive taxation system only makes the challenge of financial self-sufficiency worse. Low income people pay around 13 percent of their income toward state and local taxes, while those earning over \$400,000 pay closer to 8 percent. This regressive taxation also occurs when tenants pay their rent. Rental income is subject to the General Excise Tax, and the unit's owner must pay property taxes. These costs are generally passed along in the rent. At the same time, tenants do not enjoy many of the financial benefits available to homeowners, including the mortgage interest deduction and property tax deduction, nor are they building assets through home equity.

The legislature helped alleviate this burden through a targeted form of tax relief for low and moderate income renters, the refundable low-income household renters credit created in 1977. But this credit has not been adjusted since the 1980s and is badly in need of updating. Between 2005 and 2012 alone, rents increased by 45 percent. The proposed adjustments in HB 1808 will provide greater relief to more of Hawai'i's families.

The proposed changes to the LIHR credit would update it to recover ground lost to inflation in the past two decades. They would increase the maximum value of the credit amount to \$146 per qualified

exemption for households and adjust the income thresholds so that households with an adjusted gross income of less than \$59,700 can claim the credit. Proposed changes would also key future increases in the credit to the rate of inflation to ensure that it does not lose ground going forward.

We respectfully urge the Committee to pass this HB 1808 unamended to provide critical relief to our renter families struggling to afford housing. This credit is an effective way to do so, but it must be updated to provide meaningful assistance.

Thank you for this opportunity to testify on this important matter for Hawaii's working families.