WOMEN'S CAUCUS

DEMOCRATIC PARTY OF HAWAIʻI

March 20, 2014

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 2371 HD1 Relating to Taxation
Hearing: Thursday, March 20, 2014, 9:00 a.m., Room 211

POSITION: STRONG SUPPORT

The Hawaiʻi State Democratic Women's Caucus writes in strong support of HB 2371 HD1 Relating to Taxation, which would establish a State Earned Income Tax Credit and reduce or eliminate tax liability for low-income taxpayers; and would change the tax incentives for low-income household renters and the refundable food excise tax credit.

The federal Earned Income Tax Credit (EITC) is a refundable tax credit targeted at working families with children. Widely considered the most efficient anti-poverty program, it helps workers keep more of what they earn. Twenty-five other states have EITC's as a percentage of the federal EITC. These tax credits help boost families and the communities in which they live. Working families would use the money to pay rent, pay for groceries or medicines, putting money into the local economy.

The two refundable credits help alleviate the highly regressive impact of the GET and the high cost of housing on low and moderate-income families. The proposed changes to these credits would update it to recover ground lost to inflation since they were last set.

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. Hawaiʻi 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 Hawaiʻi 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 Hawaii's tax system.

Hawaiʻi'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. The proposed changes are just small adjustments to the tax burden placed on working families. We urge the committee to pass this measure.

Hawaiʻi State Democratic Women's Caucus, 404 Ward Avenue Suite 200, Honolulu, HI 96814
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Goodwill
Industries of Hawaii, Inc.

LATE

To: The Honorable Senator David Ige, Chair
The Honorable Senator Michelle Kidani, Vice-Chair
Senate Committee on Ways and Means

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

Date: March 19th, 2014

Re: **Testimony in Support of HB 2371 HD 1, – Relating to Taxation**

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 approximately 1,500 into jobs in our community.

Thank you for the opportunity to testify in strong support of HB 2371, which would implement progressive tax policies to help our low and moderate-income families. This bill would create a state earned income tax credit, eliminate income tax liability on households living below the federal poverty guidelines, and adjust the food/excise tax credit and low-income household renter's credit for the inflation. All of these measures will help to address the fact that Hawai'i's cost of living is the highest in the nation, and our regressive taxation system only makes the challenge of financial self-sufficiency even greater. Despite being the 8th poorest state under the U.S. Census' Supplemental Poverty Measure, we are also considered the 4th worst state for taxing people in poverty. To alleviate these burdens, we support:

Adjusting the food/excise tax credit: Households in the bottom fifth of Hawai'i's income distribution pay 11 percent of their income toward the General Excise Tax. The GET is the most regressive tax because low-income households must spend most of their income on necessities which are subject to the tax. Adjusting this tax credit will provide greater relief for low and moderate-income families who pay a disproportionate share of their income toward the GET.

Adjusting the low-income household renters credit: Hawai'i has the highest cost of shelter in the nation, and 43 percent of our households are renters. The low-income household renters credit helps alleviate the impact of property taxes and the GET on these households. This credit has not been adjusted since the 1980s, despite inflation and skyrocketing rents.

Eliminating taxes on people in poverty: According to the Institute for Taxation and Economic Policy, Hawai'i is considered fourth worst state for taxing those in poverty. It is counterproductive to reduce poor households' income and then rely on other public expenditures to help address the negative consequences of poverty. This low-income workers credit would also help those living close to the poverty guidelines but still struggle to survive.

Creating a state earned income tax credit:
The federal Earned Income Tax Credit (EITC) is considered the most effective anti-poverty measure ever created. It is a finely calibrated tax credit targeted at working families with children and lets workers keep more of what they earn. It keeps millions of children out of poverty, including 15,000 in Hawai'i alone. Half of the states have recognized the benefits of the EITC in alleviating poverty and implemented a state EITC to great effect.

We respectfully urge the Committee to pass this bill to provide critical relief to our families struggling to simply make ends meet. Thank you for this opportunity to provide testimony on this matter.