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

Date: Tuesday, March 18, 2014
Time: 9:45 a.m.
Place: Conference Room 329, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2202, S.D. 1, Relating to Tax Credits

The Department of Taxation (Department) appreciates the intent of S.B. 2202, S.D. 1, and provides the following comments for your consideration. The Department takes no position on the adjustment to the income threshold and credit amounts.

S.B. 2202, S.D. 1, amends the income thresholds and credit amounts of the refundable food/excise tax credit to undetermined amounts. S.D. 1, has a defective effective date of July 1, 2050, and applies to taxable years beginning after December 31, 2014.

The Department notes that the Department of the Attorney General has recommended the definition of 'qualified exemption' to remove the physical residency requirement, while the residence requirement in the statement of the credit itself has been left intact. The result of this would be that the credit claimant is required to be a resident of Hawaii but the claimant's dependents are not. To ensure the Department can administer the credit consistently, the Department suggests the remaining references to resident or physical residency be removed from the credit.

Thank you for the opportunity to provide comments.

Aloha United Way

200 N. Vineyard Blvd., Suite 700
Honolulu, Hawaii 96817-3938
Telephone (808) 536-1951
Fax (808) 543-2222
Website: www.auw.org



Aloha United Way

Cover Sheet

Testifying Agency: Aloha United Way
Kim Gennaula, President & CEO

House Committee on Human Services
Rep. Mele Carroll, Chair
Rep. Bertrand Kobayashi, Vice Chair

Tuesday, March 18, 2014 at 9:45 A.M.

Conference Room 329

SB 2202, SD1: Relating to Tax Credits: Testimony in Support

Aloha United Way

200 N. Vineyard Blvd., Suite 700
Honolulu, Hawaii 96817-3938
Telephone (808) 536-1951
Fax (808) 543-2222
Website: www.auw.org



March 14, 2014

Committee on Human Services
Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice Chair
Tuesday, March 18, 2014 at 9:45 A.M.
Conference Room 329

SB 2202, SD1: Relating to Tax Credits - SUPPORT

Dear Chair Mele Carroll, Vice Chair Bertrand Kobayashi and Committee Members:

Aloha United Way strongly encourages your favorable consideration of SB 2202, SD1 which makes several changes to our tax policy to reduce the tax burden on our lowest income residents.

In January 2011, The Department of Business, Economic Development & Tourism published a report titled "Self-Sufficiency Income Standard – Estimates for Hawaii 2007". This report looks at the critical issue of family and individual self-sufficiency. DBEDT defines self-sufficiency as the ability to meet basic needs without government or other subsidies. The report clearly shows the impact of the ever-increasing cost of living in Hawaii on a workforce as fully 27% of Hawaii's families have inadequate income to be self-sufficient.

The federal earned income tax credit has proven to be the most efficient and effective way of providing tax relief to low income working families. This credit has lifted over 4.4 million Americans out of poverty every year. While our current "income-support" based welfare system is important to ensure our most needy are cared for, moving families from support to self-sufficiency requires a comprehensive set of asset building strategies – and a state earned income tax credit and the other tax relief provisions of SB 2202, SD1 target those who are emerging from reliance on state support programs.

SB 2202, SD1 provides an excellent start on a comprehensive set of programs that will eventually enable more of our citizens to enjoy a self-sufficient life and Aloha United Way strongly encourages favorable consideration of this important legislation.

Sincerely,



Kim Gennaula
President & Chief Executive Officer



TESTIMONY IN SUPPORT OF SB 2202: Relating to Tax Credits

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

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

Hearing: **Tuesday, March 18, 2014, 9:45 am; Conference Room 329**

Thank you for the opportunity to testify on SB 2202, which amends the food/excise tax credit. **Catholic Charities Hawai'i supports SB 2202.**

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 (GET). The nature of Hawai'i's broad-based GET is such that the lower one's income is, the higher a percentage of it goes to paying GET.

The food/excise tax credit, established in 2007, helps to restore some equity to lower-income consumers by providing a per-exemption refund based on an income scale. This bill should update the amounts of the food/excise credit according to inflation since 2007. When established, the income cut-off was \$50,000, with a tax credit ranging from \$25 to \$85. This bill should update the amount of the cut-off to \$56,500 and the tax credit range to \$28 to \$96. Tying the amount of the credit to the Consumer Price Index for future increases is a fair method of keeping the credit current.

Updating the food/excise tax credit will help us in the fight to reduce poverty in Hawai'i. 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>.

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Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Senate Bill 2202 SD1 Relating to Tax Credits
House Committee on Human Services
Scheduled for Hearing Tuesday, March 18, 9:45 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 Senate Bill 2202 SD1, which would adjust the food/excise tax credit value and income eligibility thresholds for inflation. These adjustments would be a much-needed update to the credit, giving more families greater tax relief from the regressive the impact of the General Excise Tax (GET). We also respectfully urge you to **amend** this bill by indexing future increases in the credit to the Consumer Price Index so that it does not lose ground going forward.

Hawai'i is the most expensive place to live in the country, with a cost of living at almost 160 percent of the national average. Groceries cost 57 percent more than they do on the mainland, and the cost of shelter is more than twice as much. Meanwhile, our wages are considered the lowest in the country when adjusted for the cost of living. We also face the eighth highest rate of poverty among the states based on the U.S. Census's Supplemental Poverty Measure, which figures in the cost of living as well as available government assistance. Even our moderate income families struggle to make ends meet.

However, Hawai'i's regressive tax system further exacerbates these struggles. The Institute on Taxation and Economic Policy has ranked Hawai'i as the fourth worst state in the country for taxing residents living in poverty. The regressivity of our tax system is due in large part to the GET, which disproportionately burdens low-income families who must spend nearly all of their income to get by. Virtually all goods and services are subject to the GET, including necessities such as food, medical services, and rent. In total, the bottom 40 percent of households pay around 13 cents per dollar of income toward taxes, while the wealthiest pay closer to 8 cents of every dollar. For these low-income households, the GET is the greatest contributor to their tax burden: 11 cents per dollar of their income goes toward the GET alone. To make matters worse, the GET's application to wholesale transactions results in a "pyramiding" effect that increases the price of goods and services.

This bill would increase the maximum credit value to \$96 per exemption to match the credit's buying power in 2007, when it was created.

All of Hawai'i's residents pay taxes in some form, and for low-income people, the GET imposes the greatest burden. This refundable tax credit targeted for low and moderate-income families is a key means to promote financial stability and promote a more equitable tax system. We strongly urge you to adjust the food/excise tax credit for inflation so that Hawai'i's families can better make ends meet. Again, thank you for the opportunity to testify in **strong support** of SB 2202.



PARTNERS IN CARE Oahu's Coalition of Homeless Providers

TESTIMONY IN SUPPORT OF SB 2202 SD1 RELATING TO TAX CREDITS

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, March 18, 2014, 9:45 AM, Room 329

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

Thank you for the opportunity to provide testimony in **strong support** of Senate Bill 2202, which would adjust the food/excise tax credit for inflation. 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 promote the financial security of low-income families at risk of homelessness and to help those transitioning out of homelessness to get back on their feet.

Hawai'i has the highest cost of living in the United States, at nearly 60% of the national average. Groceries here cost almost 60% more than they do on the mainland, and other necessities cost far more in Hawai'i, including housing, which costs more than twice as much. We have the 8th highest rate of poverty among the states, with 17% of our households living below the U.S. Census Supplemental Poverty Measure. Given the high cost of living and high poverty rate, it is no surprise that we have the highest rate of homelessness among the states.

Everyone who purchases anything in Hawai'i pays the GET, and even our poorest residents spend a substantial amount of their income on taxes. This regressive taxation system has only made the challenge of financial self-sufficiency harder. Low-income people pay around 13% of their income toward state and local taxes, while those earning over \$400,000 pay closer to 8%. The regressivity is due in large part to the GET, which is levied on nearly all goods and services.

The food/excise tax credit is an important step in alleviating this regressivity. Even our residents currently experiencing homelessness can receive this refundable tax credit to reduce the amount of their income that has gone toward the GET. However, this credit has not been adjusted for inflation since its inception in 2007, and we urge the committee to do so. We also strongly encourage the committee to **amend** this bill to key future **increases in the credit to the Consumer Price Index** to ensure that it does not lose ground going forward.

We respectfully urge the Committee to **pass SB 2202** to provide critical relief to our families struggling to make ends meet and prevent homelessness. The food/excise tax credit is an effective way help our most vulnerable individuals, but it must be updated to achieve its purpose.

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.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Food/excise tax credit

BILL NUMBER: SB 2202, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 235-55.85 to increase the food/excise tax credit based on the taxpayer's Hawaii adjusted gross income (AGI):

Adjusted gross income	Tax credit
Under \$ _____	\$ ____
\$ _____ under \$ _____	_____
_____ under _____	_____
_____ under _____	_____
_____ under _____	_____
_____ under _____	_____
_____ and over	_____

Repeals the provision requiring a person claiming the qualified exemption to have physically resided in the state for more than nine months during a taxable year.

EFFECTIVE DATE: July 1, 2050; applicable to tax years beginning after December 31, 2014

STAFF COMMENTS: This measure proposes to increase the refundable food/excise tax credit to provide tax relief to lower income taxpayers.

When considering prior versions of the bill, concerns were raised about the constitutionality of providing benefits only to residents of the state. Responding to those concerns, the prior committee deleted the requirement in the bill that the credit be limited to those physically residing in the state. Under the present bill, then, almost any nonresident of the state can file a tax return claiming little or no Hawaii adjusted gross income (because a nonresident presumably would be earning that income outside of Hawaii) and the state would then have to write that nonresident a check because the credit is refundable. Clearly, this is not what was intended.

Instead, consideration should be given to adjusting the income tax rates or the threshold amounts so those taxpayers that these credits are aimed to help will get the benefit of that help without having to deal with returns or credits, as they simply won't have to pay tax. The state saves huge money on administrative costs, and the poor are not taxed deeper into poverty.

Digested 3/13/14



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, March 18, 2014 at 9:45 a.m. in Conf. Rm. 329

Testimony in Support of SB2202 SD1, Relating to Tax Credits.

Thank you for the opportunity to provide testimony **in support** of SB2202 SD1, which would increase the value of the food/excise tax credit and adjust the income thresholds for inflation that has occurred since they were last set.. 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. And, they pay these elevated costs while earning the lowest adjusted income among all of the mainland states. In addition, Hawaii's poverty rate of 17.3% makes Hawaii the 9th poorest State in the nation according to 2012 U.S. Census Bureau data.

Despite these statistics, the tax rate for low-income households in Hawaii is among the highest in the nation. Hawaii's poorest taxpayers pay, on average, approximately 13 cents of every dollars of income in taxes, while those earning more than \$500,000 pay closer to 8 cents on every dollar of income. PHOCUSED sees SB2202 SD1 as a step in the right direction that will provide increased financial relief and greater equity for low-income households throughout Hawaii.

Once again, PHOCUSED **strongly urges your support** of SB2202 SD1, 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.



AMERICANS FOR DEMOCRATIC ACTION

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March 14, 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 SB 2202 SD1 Relating to Tax Credits

Americans for Democratic Action/Hawaii support SB 2202 SD1 as it only makes common sense to adjust the refundable food/excise tax credit for inflation. Yet it also seems to make sense to amend this bill to index the credit to future increases in the Consumer Price Index (CPI). Those who are poor enough to qualify for this credit should not be at the whim of the legislature each session to make the adjustment. It seems that writing the adjustment into the law would help the State budget for future years as it can better project the CPI than what the legislature will pass. So please support low income people to get just treatment with this tax credit.



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Date: March 14, 2014

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

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic
Development (HACBED)

Re: Strong Support for SB 2202 SD1

Aloha Chair Carroll, Vice-Chair Kobayashi, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB 2202 SD1, which amends the refundable food and excise tax credit by updating its adjusted gross income threshold and tax credit amounts.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development and asset building strategies. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. HACBED also facilitates the Family & Individual Self-Sufficiency Program (FISSP), which administers the Internal Revenues Services' Volunteer Income Tax Assistance (VITA) program as a part of its larger asset building and financial education initiatives for needy families. As such, HACBED strongly supports the proposed bill that would provide needed assistance in the area of state taxes through the establishment of a state EITC, a low-income workers credit, and adjusting essential tax credits for inflation.

The Family Economic Self-Sufficiency Standard (FESS) depicts the obstacles that Hawai'i families are facing. The FESS measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 25.9% of families with two adults and two children;
- 77.3% of single-adult families with one child; and
- 74.3% of single-adult families with two children.

These tax measures would provide an immediate lift for these families to pull themselves out of a financial crisis, smooth out fluctuations in family finances, and build on-going assets. Through the FISSP efforts, HACBED has served 16,871 low to moderate income families, saved them \$2.7 million in filing fees, helped to claim \$23.7 million in refunds, and brought \$12.8 million in new federal funds to the State of Hawai'i through claiming the federal EITC and Child Tax Credit (CTC).

SB 2202 SD1 - Testimony in Support
March 14, 2014 - Page 2

Through the FISSP surveys, families have indicated that they have used the money to manage daily expenses, eliminate debt, open and maintain savings accounts, purchase a new home, cover education costs, and start a business. The passage of SB 2202 SD1 would go a long way to supplement the needs of these families by amending the food and excise tax credit by updating its adjusted gross income threshold and tax credit amounts and thus assist these families in their efforts to truly build their assets.

Mahalo for this opportunity to testify,

Brent N. Kakesako
Executive Director
Hawai'i Alliance for Community-Based Economic Development

The Twenty-Seventh Legislature
Regular Session of 2014

HOUSE OF REPRESENTATIVES
Committee on Human Services
Rep. Mele Carroll, Chair
Rep. Bertrand Kobayashi, Vice Chair
Hawaii State Capitol, Conference Room 329
Tuesday, March 18, 2014; 9:45 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2202, SD1
RELATING TO TAX CREDITS**

The ILWU Local 142 supports S.B. 2202, SD1, which amends the refundable food/excise tax credit.

The food/excise tax credit is intended to mitigate the high cost of food and other goods in Hawaii. The increase to the tax credit proposed in S.B. 2202, SD1 is nominal, but may make a difference in the tax liability of a taxpayer with lower income and a large family. However, to the taxpayer with middle to higher income, the tax credit may have only a small impact.

We regret that language to tie increase to the tax credit with the Consumer Price Index was dropped from the bill. The tax credit could have kept pace with the cost of living in Hawaii, but the current draft is nevertheless worthy of your support. Any increase in tax credits will be welcome.

The ILWU urges passage of S.B. 2202, SD1. Thank you for the opportunity to testify on this matter.



March 18, 2014

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

FROM: Jeanne Y. Ohta, Co-Chair

RE: SB 2202 SD1 Relating to Tax Credits
Hearing: Tuesday, March 18, 2014, 9:45 a.m., Room 329

POSITION: STRONG SUPPORT

The Hawai'i State Democratic Women's Caucus writes in strong support of SB 2202 SD1 Relating to Tax Credits which would increase the value of the food/excise tax 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 families.

Hawai'i has the highest cost of living in the United States, at more than 160 percent of the national average. Groceries here cost almost 60 percent more than they do on the mainland, and other necessities cost much more in Hawai'i. 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.

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. The food and excise tax credit was established in 2007 to help reduce the burden of the GET, however, the credit has not been adjusted for inflation since its creation. The proposed adjustments in SB 2202 SD1 will update the credit to provide meaningful tax relief to more of Hawai'i's struggling families.

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.

The Hawai'i State Democratic Women's Caucus is a catalyst for progressive, social, economic, and political change through action on critical issues facing Hawaii's women and girls. It is because of this mission that the Women's Caucus supports this measure and urges its passage by the committee. Thank you for this opportunity to provide our testimony in support.

kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 8:31 AM
To: HUS testimony
Cc: cocpwhawaii@gmail.com
Subject: Submitted testimony for SB2202 on Mar 18, 2014 09:45AM

SB2202

Submitted on: 3/17/2014

Testimony for HUS on Mar 18, 2014 09:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Derek Tamura	COC Persons with Disabilities	Comments Only	No

Comments: The Chamber of Commerce for Persons with Disabilities, with the notion that "a rising tide lifts all boats", supports the resulting financial relief this will bring to many struggling families.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

To: The Honorable Representative Mele Carroll, Chair
The Honorable Senator 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: March 18th, 2014

Re: **Testimony in Support of SB 2202, – Relating to Tax Credits**

Thank you for the opportunity to testify in **strong support** of Senate Bill 2202, which would increase the value of the food/excise tax 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 families.

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.

A large part of helping Hawaii's unemployed and working poor move out of poverty and into self-sufficiency is making sure that what resources they do have are put to the maximum benefit. The refundable/food excise tax credit is a targeted and meaningful tax credit designed to put back some of the money that these individuals are spending everyday on the basic necessities for themselves and their families. The proposed adjustments in SB 2202 will update the credit to provide meaningful tax relief to more of Hawai'i's struggling families. 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.

The state should take an active role in supporting low-income people in the face of these barriers to economic stability. But our regressive taxation system has only made 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. The regressivity is due in large part to the General Excise Tax, which is levied on nearly all goods and services.

We respectfully urge the Committee to pass SB 2202 to provide critical relief to our families struggling to make ends meet. It promotes a fairer tax system by ensuring that we do not disproportionately burden those who are least able to pay. The food/excise tax credit is an effective way to achieve these goals, but it must be updated to provide meaningful assistance.

Thank you for this opportunity to testify today,



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwvhawaii.com

COMMITTEE on HUMAN SERVICES

Tuesday, March 18 2014 at 9:45 AM
Conference Room 329

SB2202, SD1 RELATING TO TAX CREDITS
TESTIMONY

Bepie Shapiro for the League of Women Voters of Hawai`i

Chair Carroll, Vice-Chair Kobayashi, Members of the Committee:

The League of Women Voters of Hawaii supports the intent of SB2202, SD1 which would increase the refundable food/excise tax credit and tie future increases to the increase in the Consumer Price Index (CPI). SB2202 SD1 leaves the amount of the food/excise tax credit unspecified and provides an implementation date of 2050, as well as correcting the unconstitutional restriction of length of residency of the taxpayer and some technicalities.

As written, the League cannot support SB2202 SD1 because we don't know if the credits will actually be increased.

We regret very much the deletion of indexing to the CPI. We note that no one who testified on SB2202, SD1 opposed the idea of adjusting the credits upward to account for inflation. The Department of Taxation recommended a flat amount of annual increase rather than applying the CPI; their reasoning that using the CPI would be difficult for the Department is puzzling. The CPI, easily available, is stated as a percentage which should be easily applied to the credit amount in the past year. Possibly the Department's present computer system makes inputting the percentage of increase difficult. Either re-programming the computer software, or using a relatively simple "work-around" strategy, could overcome this objection and retain the desirable indexing to inflation. Increases by flat amounts also fall in value over time, due to inflation.

The Standing Committee Report by the Committee on Ways and Means contains no explanation of why this important part of SB2202, SD 1 was deleted. We can easily see the importance of building in such an inflation adjustment, when we consider the decrease in value to the 2013



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taxpayer of the amounts specified in 2007. Just in terms of legislators' time and energy, an automatic increase would save the effort of revisiting the amount of credit every few years.

The League believes that public policy should promote self-sufficiency, and the preponderance of research demonstrates that the most effective social programs to address health, education, and decrease use of social services are those designed to prevent or reduce poverty.

Hawai'i's GET, with its universal reach and pyramiding, is very regressive – the poor pay a much greater share of their income in taxes due largely to the GET. Providing some relief via an increase in the refundable food/excise tax credit is an obvious way to compensate our neediest families.

As to the amount of increase, it seems only fair to restore the value of the credit in 2007, in 2013 dollars. Sadly the depth of poverty experienced by the poorest families has increased over this time frame. Surely we can find the will to assist these struggling families recoup the extra burden they face in the GET.

It is worth noting that those benefitting from an increased credit will undoubtedly spend the amount they gain quickly, on basic necessities – contributing a portion of what they have received back to the general fund via the GET, while also boosting the local economy.

We believe that this hearing, and others in the 2014 Legislature, will suffice to discuss this important measure. We recommend that you restore the indexing to the CPI, restore the amount of credit increase in SB2202 (sufficient to provide equal value as was provided in 2007), and provide an implementation date no later than 2016.

Thank you for the opportunity to submit testimony.

kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 4:58 AM
To: HUS testimony
Cc: abbycutter@gmail.com
Subject: Submitted testimony for SB2202 on Mar 18, 2014 09:45AM

SB2202

Submitted on: 3/17/2014

Testimony for HUS on Mar 18, 2014 09:45AM in Conference Room 329

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

Comments: Thank you for the opportunity to testify in strong support of Senate Bill 2202. I respectfully request that this bill be amended to automatically index the credit value to increases in the Consumer Price Index so that the credit does not diminish in value again. Thank you for your consideration.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 11:34 AM
To: HUS testimony
Cc: barbarapolk@hawaiiintel.net
Subject: Submitted testimony for SB2202 on Mar 18, 2014 09:45AM

SB2202

Submitted on: 3/17/2014

Testimony for HUS on Mar 18, 2014 09:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Polk	Individual	Support	No

Comments: Please pass this bill. The food/excise tax credit has not been raised for too long. In order to be sure this failure to keep up with inflation does not happen again, please amend the bill to include a yearly inflation adjustment.

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 10:04 AM
To: HUS testimony
Cc: drodrigues2001@yahoo.com
Subject: Submitted testimony for SB2202 on Mar 18, 2014 09:45AM

SB2202

Submitted on: 3/17/2014

Testimony for HUS on Mar 18, 2014 09:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Darlene Rodrigues	Individual	Support	No

Comments: I write on strong support of this measure. Please amend the tax credit to future increases in the Consumer Price Index. Hawai 'is working families and the working poor deserve a break on their taxes. Mahalo!

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 17, 2014 7:58 AM
To: HUS testimony
Cc: dejamarie@gmail.com
Subject: *Submitted testimony for SB2202 on Mar 18, 2014 09:45AM*

SB2202

Submitted on: 3/17/2014

Testimony for HUS on Mar 18, 2014 09:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Deja	Individual	Support	No

Comments:

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kobayashi1-Joni

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 18, 2014 12:31 AM
To: HUSstestimony
Cc: annsfreed@gmail.com
Subject: Submitted testimony for SB2202 on Mar 18, 2014 09:45AM

SB2202

Submitted on: 3/18/2014

Testimony for HUS on Mar 18, 2014 09:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Ann S Freed	Hawaii Women's Coalition	Support	No

Comments: The Hawaii Women's Coalition is in strong support of this measure that will help bridge the growing income equality gap in our state. Consider: • Hawai'i's families face the highest cost of living in the highest in the nation, at almost 160% of the national average. Groceries cost almost 60% more than they do on the mainland. • Our residents earn the lowest wages in the country when adjusted for the cost of living, while the tax rate for low-income households is among the highest in the nation.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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LATE

Aloha, Chair Carroll and Committee members:

Please forgive the late testimony, but I had to offer my strong support for Senate Bill 2202. The purpose of the food/excise tax credit has been undermined by not adjusting the credit to inflation. The legislation you are considering will, once again, enable our low and moderate-income families to stay afloat or rise from poverty.

Our cost of living far exceeds that of any other state in the nation and our rate of poverty ranks among the top. Safeguards such as the food/excise credit were designed and worked effectively towards helping our struggling working families not rely on government subsidies.

Adopting the bill to account for the inevitable rise in the Consumer Price Index will permanently equip the initiative with teeth and allow it to do what it can: help Hawaii's families who need it to get by.

Taking a proactive role in creating an environment for our low and moderate-income families to survive and thrive will lead to the dignity, prosperity, and hope that is necessary to make Hawai'i the paradise we all know it can be.

I strongly urge you to amend Senate Bill 2202 to index the food/excise tax credit to increases in the Consumer Price Index so we don't, once again, lose the ground we're working towards to inflation. This is not creating a new mechanism to help our needy families; amending SB 2202 will allow the credit to do what it was designed for and is proven to do: **HELP OUR STRUGGLING FAMILIES.**

Very truly yours,

Jason Parasco