

LATE

The Twenty-Seventh Legislature
Regular Session of 2014

THE SENATE
Committee on Human Services
Senator Suzanne Chun Oakland, Chair
Senator Josh Green, Vice Chair
Hawaii State Capitol, Conference Room 016
Thursday, February 6, 2014; 1:45 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2206
RELATING TO TAXATION**

The ILWU Local 142 supports S.B. 2206, which establishes an earned-income tax credit, reduces or eliminates the state income tax liability for taxpayers with a federal adjusted gross income of less than 125% of the federal poverty guidelines, and amends existing tax incentives for low-income household renters and taxpayers using the refundable food/excise tax credit.

Income inequality in this nation and in this state continues to grow. The rich get richer largely because they are able to amass assets that can be invested to make more money while the poor and middle-income folks need all of their income to eke out a living for themselves and their families and have nothing left to save. Lower income workers in Hawaii and elsewhere spend every last dime of their income to pay for food, medical costs, housing, and other necessities. Contrary to popular belief, they are the ones helping to keep this economy running by patronizing grocery stores, retail outlets, restaurants, car repair shops and the like for goods and services needed for their families.

Unfortunately, because they spend whatever they earn on these necessities, lower income workers have little in savings. One ingenious program has been the Earned-Income Tax Credit (EITC). Those who work and earn less than a certain amount qualify for a refundable tax credit from the federal government when they file their tax returns. S.B. 2206 intends to implement a similar EITC to help low income taxpayers in Hawaii build assets.

S.B. 2206 also reduces or eliminates the state income tax liability for taxpayers with a federal Adjusted Gross Income (AGI) of less than 125% of the federal poverty level (FPL). The FPL for Hawaii (due to our cost of living, Hawaii's FPL is higher than the rest of the nation, except Alaska) for a single person working full-time is actually less than the current minimum wage of \$7.25. One-hundred-twenty-five percent of the FPL for a single person would be just slightly more than the minimum wage. Rather than expect these low-wage workers to pay taxes to the State, then be forced to seek government support for food stamps and other subsidies, the State should be looking at ways to help them become self-sufficient. This measure will work towards that end.

Finally, S.B. 2206 increases refundable tax credits for low-income renters and for food and excise tax. With the cost of food and housing among the highest in the nation (if not the highest), increasing tax credits to support self-sufficiency is worth considering.

The ILWU urges passage of S.B. 2206 and appreciates the opportunity to provide testimony.

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SB2206
Relating to Taxation
Senate Committee on Human Services

February 6, 2014

1:45 p.m.

Room 016

The Office of Hawaiian Affairs (OHA) **SUPPORTS** SB2206. This measure would establish an earned-income tax credit and reduces or eliminates the state income tax liability for taxpayers with a federal adjusted gross income of less than 125 percent of the federal poverty guidelines. It would also amend existing tax incentives for low-income household renters and taxpayers who utilize the refundable food and excise tax credit. OHA supports this bill as it fits within our strategic priority of improving the conditions of Native Hawaiians toward greater economic self-sufficiency.

According to a 2011 American Community Survey (ACS) data report, 20.9% of Native Hawaiians with children live in poverty compared to 13.2% for the state. In addition to local data that highlights the issue of poverty in our communities, the Institute on Taxation and Economic Policy (ITEP) released a report stating that Hawai'i is one of the ten states with the highest taxes on the poor. Although there are many ways to address poverty, SB2206 identifies several pragmatic approaches to reform our tax system to benefit our neediest populations.

This measure proposes to establish a state Earned Income Tax Credit (EITC). Currently, there are 42 states that have an income tax and 24 of those states have enacted a state EITC. To be eligible to receive a state EITC, an individual must utilize the federal EITC. The individual would receive a set percentage of what was claimed for the federal EITC. If the state EITC was 20 percent of the federal EITC, a family receiving a federal EITC of \$2,500 would be refunded \$500 for the state EITC. By establishing a state EITC we can address economic disparities in a systemic way. A meaningful state EITC refund for low income families would provide the necessary funds for them to purchase basic necessities and contribute to Hawai'i's economy.

In addition to establishing a state EITC, the measure aims to address the income tax liability for our working poor. The ITEP report states that the poorest 20 percent of Hawai'i taxpayers spent an average of 12.2 percent of their incomes on state and local taxes each year compared to the state's top one percent of taxpayers who earn more than \$400,000 and who only paid 6.3 percent of their incomes on state and local taxes. While we understand that the income tax generates revenue

for the state, taxing our neediest population at a higher rate does not provide for a long-term solution to an economy on the mend. By allowing our working poor to keep more of what they earn, families who need more of their income to pay for basic necessities will not have to rely on social service programs. In turn, our working families would have an opportunity to offset costs incurred by childcare and transportation expenses as they work towards greater economic self-sufficiency.

OHA urges this committee to **PASS** SB2206. Mahalo nui for the opportunity to testify.

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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 06, 2014 10:11 AM
To: HMS Testimony
Cc: cdmitche@hawaii.edu
Subject: Submitted testimony for SB2206 on Feb 6, 2014 13:45PM

Categories: Yellow Category

SB2206

Submitted on: 2/6/2014

Testimony for HMS on Feb 6, 2014 13:45PM in Conference Room 016

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|--------------|--------------------|--------------------|
| Christiaan Mitchell | Individual | Support | Yes |

Comments: A robust middle class is absolutely fundamental to a healthy democracy. This bill takes a comprehensive approach to supporting working families as they try to build assets and establish basic economic vitality. Hawaii's current taxation system places a very heavy burden on low- and moderate-income workers that endangers their ability to move into and remain in the middle class. Please support this, and other measures, that help those among us trying to build a better future for their children.

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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