SB 2207

Measure Title: RELATING TO INCOME TAX.

Report Title: Income Tax; Credit; Tax Liability

Description: 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 set forth each year by the United States Department of Health and Human Services. Applies to taxable years beginning after December 31, 2014.

Companion: HB1806

Package: Keiki Caucus

Current Referral: HMS, WAM

Introducer(s): CHUN OAKLAND, BAKER, KEITH-AGARAN, RUDERMAN, TOKUDA, Galuteria, Ige, Kidani, Shimabukuro, L. Thielen

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Suzanne Chun Oakland, Chair
and Members of the Senate Committee on Human Services

Date: Thursday, February 6, 2014
Time: 1:45 P.M.
Place: Conference Room 16, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 2207, Relating to Income Tax

The Department of Taxation (Department) appreciates the intent of S.B. 2207, and provides the following information and comments for your consideration.

S.B. 2207 would create an income tax credit that would reduce the income tax liability of taxpayers with a federal adjusted gross income (FAGI) of between 100% and 125% of the federal poverty guidelines, and would eliminate income tax liability for taxpayers with a Federal AGI below federal poverty guidelines. S.B. 2207 would apply to taxable years beginning after December 31, 2014.

First, the Department notes that using the "federal poverty guidelines" as a limitation for a tax credit is difficult for the Department to administer. It is the Department's understanding that the applicable "federal poverty guidelines" depends on the household size. It is also the Department's understanding that what is considered a household for purposes of the federal poverty guidelines may differ from who may file jointly and who may be claimed as a dependent for tax purposes. If the Committee wishes to advance this measure, the Department suggests that the income limitation for this tax credit be fixed amounts which limits both the FAGI and the Hawaii adjusted gross income (HAGI), and are adjusted appropriately to account for the filing status of the taxpayer.

Second, while the Department appreciates the desire to provide tax relief for taxpayers falling below federal poverty guidelines, the Department notes that the tax structure is not the most efficient means of providing or determining who is in need of financial support.

For example, the FAGI also takes into account any reduction of income due to business loss, capital loss, depreciation, and other allowable deductions. Taxpayers with low federal AGI may not necessarily be financially disadvantaged. As a result, a taxpayer's FAGI might fall below federal poverty guidelines due to a large capital loss or due to depreciation of various types of held property, not necessarily because the taxpayer is financially disadvantaged.

The Department also notes that the FAGI excludes amounts such as cost-of-living allowances for federal employees, contributions to the State employees' retirement system, and interest on out-of-state bonds; whereas HAGI captures those income sources. On the other hand, FAGI excludes certain pensions, social security benefits, first $5,881 of military reserve or Hawaii National Guard duty pay, payments to an individual housing account and other subtractions from Federal adjusted gross income. Thus, as stated above, the Department suggests limiting the qualification for the credit by FAGI and HAGI.

Finally, the Department notes that the State already provides relief to low and middle income taxpayers in the forms of income tax credits such as the refundable food/excise tax credit (food credit)[1] and the income tax credit for low-income household renters (renters' credit)[2]. The food credit is a graduated amount based on income level, which is determined by the FAGI and the number of qualified exemptions, ranges from $85 to $25 per exemption for taxpayers with income under $50,000. The renters' credit is $50 per exemption, provided that each taxpayer 65 years of age or over may claim double the tax credit, for taxpayers with Hawaii AGI under $30,000. Adjustment these current provisions are substantially easier for the Department to administer.

Thank you for the opportunity to provide comments.

---

1 Act 211, Session Laws of Hawaii (SLH) 2007, replaces the low-income refundable tax credit with the refundable food/excise tax credit and increases the amount of the credit.

2 Act 15, SLH 1977, establishes the renters' credit. The amount of the credit was $20 per qualified exemption for each taxpayer with an adjusted gross income of less than $20,000. Act 230, SLH 1981, increases the amount of the credit to $50 per qualified exemption. Act 321, SLH 1989, increases the income threshold for the credit to less than $30,000. Act 98, SLH 1990, makes the credit refundable (provides the credit to resident taxpayer who has no taxable income).

HAWAII
STATE
COMMISSION
ON THE
STATUS
OF
WOMEN

Chair
LESLIE WILKINS

COMMISSIONERS:

ELENA CABATU
CARMILLE LIM
AMY MONK
LISA ELLEN SMITH
MARILYN LEE
JUDY KERN

Executive Director
Catherine Betts, JD

Email:
Catherine.a.betts@hawaii.gov
Visit us at:
humanservices.hawaii.gov
/hscsw/

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

February 5, 2014

To: Senator Suzanne Chun Oakland, Chair
Senator Josh Green, MD, Vice Chair
Members of the Senate Committee on Human Services

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

Re: Testimony in Support, SB 2207, Relating to Income Tax

On behalf of the Hawaii State Commission on the Status of Women, I would like to thank the Committee for hearing this bill and for the opportunity to testify in support of SB 2207, which would reduce state income taxes by fifty percent for households between 100 and 125 percent of the federal poverty guidelines.

Where Hawaii Ranks

Residents in Hawaii face staggering and ever-rising living costs and the burden is doubly onerous on working families, particarly those headed by women. According to the U.S. Commerce Department Bureau of Economic Analysis, Hawaii has the highest cost of living in the nation. Despite the recent economic uptick, poverty rates for women and children remain at an historic high. The National Women's Law Center (NWLC) reports that more women live in poverty than men, and more than four in ten women-headed households with children are poor. Further, the NWLC found that full-time working women are typically paid 77 cents for every dollar paid to their male counterparts, an annual difference of $11,608 in median earnings. Gendered income inequality is even more asymmetrical for immigrant and Native women.

Hawaii is one of only 15 states that taxes full-time workers in families of three earning minimum wage. Our regressive taxation system functions as an additional barrier to meeting basic survival needs for women and children in Hawaii. The poorest taxpayers pay nearly 13 cents of every dollar of income in taxes, whereas those earning more that $400,000 pay near to 8 cents on every dollar of income. The Hawaii Appleseed Center for Law and Economic Justice reports that poor residents in Hawaii pay more in state taxes than all but three other states. We should not tax families who are barely able to afford the basic costs of living in Hawaii.

How SB 2207 would work in Hawaii

One of the most powerful tools for combatting poverty is by establishing a tax code that assists working families. According to the Center on Budget and Policy Priorties, expansions in Earned Income Tax Credit lifted an estimate 6.35 million people out of poverty, nearly half of them children, in 2010 alone. SB 2207 would increase income and reduce the amount of tax that working families owe by reducing final income tax liability by half for households within 100 to 125 percent of the federal poverty line. This bill is critical because would assist those living close to poverty guidelines but who are still struggling to make ends meet.

Hawaii has an opportunity to show its commitment to working families, women and children, by establishing a tax code that alleviates rather than exacerbates poverty. We urge this Committee to pass SB 2207. Thank you for your time.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Low-income tax credit

BILL NUMBER: SB 2207; HB 1806 (Identical)

INTRODUCED BY: SB by Chun Oakland, Baker, Keith-Agaran, Ruderman, Tokuda and 5 Democrats; HB by Mizuno

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to provide that low-income taxpayers shall be eligible for a tax credit to reduce their state income tax liability by 50% if a taxpayer has a federal adjusted gross income (FAGI) between one hundred and one hundred twenty-five percent of the federal poverty guidelines. Taxpayers with a FAGI at or below the federal poverty guidelines shall receive a credit that eliminates their income tax liability. Taxpayers with income above one hundred twenty-five percent of the federal poverty guidelines shall be ineligible for the credit.

Defines "federal poverty guidelines" as the guidelines set forth by the U.S. Department of Health and Human Services each year for Hawaii.

Requires claims for a tax credit, including amended claims, to be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

Directs the director of taxation to prepare any forms that may be necessary to claim a credit and also requires the taxpayer to furnish information to ascertain the validity of the claim for the tax credit.

EFFECTIVE DATE: Tax years beginning after December 31, 2014

STAFF COMMENTS: This measure proposes a low-income tax credit which would effectively eliminate any state income tax that might be due if the taxpayer's federal adjusted gross income falls below the federal poverty guidelines or if the taxpayer's income falls between 100% and 125% of the federal poverty guidelines, the amount of the tax credit will be equal to 50% of the taxpayer's calculated state income tax liability. It should be noted that those poverty guidelines will differ depending on the size of the family unit.

Although this might sound like a great strategy to address the fact that Hawaii's threshold for the state income tax is one of the lowest in the nation of those states that impose an income tax, this response may not be as simplistic as one would think. From a compliance and administrative stand point, the proposed credit will require additional calculations and steps in order for it to be claimed. The taxpayer would have to calculate federal adjusted gross income, then compare that with the federal poverty guidelines and then if the federal adjusted gross is more than the federal poverty guideline but less than 125% of the federal poverty guidelines the taxpayer would then have to calculate state taxable income and state tax liability in order to determine what 50% of that liability would be or the amount of the credit that could be claimed.

The other point to consider is that the adoption of this measure ignores some of the unique features of Hawaii's income tax law. For example, the state income tax extends a credit for general excise taxes paid based on state adjusted gross income. Some of the major differences between the definition of adjusted gross income for federal and state purposes are the taxation of Social Security and defined benefit pension payments. These sources of income may lift some state taxpayers above the federal poverty line whereas exclusion of these sources of income may currently place the same taxpayer in a position where no state income taxes are currently owed. So the question is whether or not it is fair that some taxpayers, based on federal adjusted gross income, pay federal taxes but pay no state income taxes and those whose income falls below the federal poverty line also pay no income taxes.

If the concern here is that those taxpayers whose available income falls below the federal poverty guidelines pay no state income taxes, then the more appropriate approach is to establish a threshold before which state income taxes are due based on the combination of the standard deduction and personal exemption equaling or exceeding the federal poverty guidelines.

Digested 2/5/14

HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President	Juliet Begley	Jan Lubin		PO. Box23404
Barbara Polk, Vice-President	Josh Frost	Stephen O'Harrow		Honolulu
Fritz Fritschel, Treasurer	Karin Gill	Jim Olson	Bart Dame (Alt)	Hawai'i 96823
Chuck Huxel, Secretary	Brien Hallett	George Simson	Marsha Schweitzer (Alt)	

January 31, 2014

TO: Chair Suzanne Chun-Oakland; Vice Chair Josh Green
Members of the Senate Committee on Human Resources

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

RE: Support and Comments on SB 2207 On Taxation

The Americans for Democratic Action, Hawai'i is strongly in support of SB 2207. It just does not make sense to tax those in poverty.

In Hawai'i, those in poverty pay more in state taxes than all but thee other states. We should be supplementing their income not taxing it. SB 2207 would reduce or eliminate the state income tax liability for taxpayers with a federal adjusted gross income of less than 125 percent of the federal poverty guidelines set forth each year by the United States Department of Health and Human Services. Give relief to those who need it most. The wealthy get their share of tax breaks; it is long past time for the least in society to get theirs.

CATHOLIC CHARITIES HAWAIʻI

TESTIMONY IN SUPPORT OF SB 2207: Relating to Income Tax

TO: Senator Suzanne Chun Oakland, Chair, Senator Josh Green, Vice Chair, and Members, Committee on Human Services

FROM: Trisha Kajimura, Social Policy Director, Catholic Charities Hawaii

Hearing: Thursday, February 6, 2014, 1:45 pm, Conference Room 016

Chair Chun Oakand, Vice Chair Green, and Members, Committee on Human Services:

Thank you for the opportunity to testify on SB 2207, which eliminates state income tax liability for those with a federal adjusted gross income of less than 100% of federal poverty level and reduces it by half for those with a federal adjusted gross income of 100% to 125% of the federal poverty level. I am Trisha Kajimura, Social Policy Director for Catholic Charities Hawaii. **I am testifying in support of SB 2207.**

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 Hawaiʻi.

Hawaiʻi's high cost of living, including the highest cost of shelter in the country and groceries costing approximately 60% more than the national average, makes living with a low-income very difficult. Expecting these people to pay income tax as they struggle to stay sheltered and maintain nutrition is inhumane and unreasonable. Anyone earning the income required to benefit from this tax credit is earning far below a living wage and unable to afford all of the basic living expenses of rent, food and transportation. Taxing them further into poverty as we currently do will require them to seek public, charitable, or other assistance.

Allowing low-income workers to keep more of the wages they earn gives them a hand up rather than a hand-out. For example, a family of three earning the federal poverty level income of $22,470 in 2013 would have a Hawaiʻi state income tax liability of $497. With this policy established, that family can put that $497 into the economy through purchase of food and household goods and be better able to meet their own needs.

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

Hawai'i Alliance for Community-Based Economic Development
677 Ala Moana Blvd., Suite 702 Honolulu, HI 96813
Ph. 808.550.2661 Fax 808.534.1199
Email info@hacbed.org www.hacbed.org

HACBED

Community Voice, Collective Action

Date: January 29, 2014
To: Senator Suzanne Chun Oakland, Chair, Senator Josh Green, 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 2207

Aloha Chair Chun Oakland, Vice-Chair Green, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB 2207, which establishes a tax credit to eliminate income taxes for those living in poverty.

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. As such, HACBED strongly supports the proposed bill that would eliminate personal income tax liability for any family in poverty while also reducing tax liability for families just above the poverty line.

The Family Economic Self-Sufficiency Standard (FESS) further 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.

Eliminating taxes for families living below the poverty guidelines while reducing it in half for families at the 100-125% guidelines 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. Since 2006, 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) as part of the Family & Individual Self-Sufficiency Program (FISSP).

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 2207 would thus go a long way to supplement the needs of these by eliminating or greatly reducing taxes on families below or near the poverty line to assist them in their efforts to truly build their assets.

Mahalo for this opportunity to testify,

Brent N. Kakesako
Executive Director
Hawaiʻi Alliance for Community-Based Economic Development

Testimony of Hawai‘i Appleseed Center for Law and Economic Justice
Supporting SB 2207 Relating to Income Tax
Senate Committee on Human Services
Scheduled for Hearing Thursday, February 6, 2014, 1:45 PM, Room 016

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 2207, which would create a low income tax credit that would eliminate state income tax liability on households living below the federal poverty guidelines. It would also provide a credit to reduce income tax liability by 50 percent for households living at 100–125 percent of the guidelines.

We should be supporting our low-income workers instead of driving them deeper into poverty through income taxes. But right now, we do just that. Hawai‘i is one of only fifteen states that tax the income of those living below the poverty guidelines. According to the Institute on Taxation and Economic Policy, when all state and local taxes are figured in, we impose the fourth greatest tax burden for households in poverty. One out of ten households in Hawai‘i live below the official poverty guidelines, and our child poverty rate is 17 percent. Under the U.S. Census's supplemental poverty measure, which is considered a more accurate measure because it adjusts for the cost of living and availability of government assistance, we are the **8th poorest state**, with over 17 percent of all households living in poverty.

Poverty's myriad negative effects on the well-being of individuals, families, children, and communities are all too apparent. The impact of poverty includes hunger, homelessness, poor health, lost educational opportunities, higher crime rates, and reduced productivity. These consequences not only weaken our communities but result in increased public expenditures for the social services needed to remedy the problems arising from poverty. Taxing those who are in poverty makes it more likely that they will remain poor and is an inefficient policy.

Creating a low-income tax credit that eliminates the burden Hawai‘i state income taxes place upon poor wage-earners will help mitigate the effects of our high cost of living and relatively low wages. In almost all cases, only the working poor will be able to claim this credit. We also favorably note that the reduction of income tax liability by 50 percent for those living just over the poverty guidelines will prevent a steep tax cliff for these households. (Please see page 2 of this testimony for who would be affected by this credit.) As the supplemental poverty measure indicates, even families above the poverty guidelines face significant economic hardship.

Again, thank you for the opportunity to testify in support on SB 2207. We respectfully urge you to pass this bill unamended so we can help our working families to achieve financial security instead of inhibiting it.

Hawai‘i Appleseed Center for Law and Economic Justice
119 Merchant Street, Suite 605A ◆ Honolulu, Hawai`i, 96813 ◆ (808) 587-7605

Incomes of Households Benefiting from the Low-Income Tax Credit Based on 2013 Federal Poverty Guidelines		
Household size	**Poverty level**	**125%**
1	**$13,230**	**$16,538**
2	**$17,850**	**$22,313**
3	**$22,470**	**$28,088**
4	**$27,090**	**$33,863**
5	**$31,710**	**$39,638**
6	**$36,330**	**$45,413**
7	**$40,950**	**$51,188**
8	**$45,570**	**$56,963**

HPCA
HAWAI'I PRIMARY CARE ASSOCIATION

Senate Committee on Human Services
The Hon. Suzanne Chun Oakland, Chair
The Hon. Josh Green, Vice Chair

Testimony in Support of Senate Bill 2207

Relating to Income Tax

Submitted by Robert Hirokawa, Chief Executive Officer

February 6, 2014, 1:45 pm, Room 016

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports Senate Bill 2207, establishing an earned income tax credit and eliminating state income tax liability for taxpayers making less than 125 percent of the federal poverty limit.

The HPCA is a staunch believer in the social determinants of health, those economic and social conditions that influence an individual and a community's health status. These conditions serve as risk factors endemic to a person's living and working environment, rather than their behavioral or genetic histories. Factors such as income, education, access to recreation and healthy foods, housing, and employment, can and do have measurable impacts on a person and a community, both in health and financial outcomes.

Seventy-three percent of the patients seen by community health centers live below one hundred percent of the federal poverty limit. This living situation has been shown to manifest in poorer health outcomes, often as a direct result the social determinants associated therein, such as lack of adequate housing or access to fresh produce. For these reasons, the HPCA supports mitigating the tax burden felt by low-income families.

Thank you for the opportunity to testify.

WOMEN'S CAUCUS

DEMOCRATIC PARTY OF HAWAIʻI

February 6, 2014

TO: Senator Suzanne Chun Oakland, Chair
Senator Josh Green, Vice Chair and
Members of the Committee on Human Services

FROM: Jeanne Y. Ohta, Co-Chair

RE: SB 2207 Relating to Income Tax
Hearing: Thursday, February 6, 2014, 1:45 p.m., Room 016

POSITION: STRONG SUPPORT

The Hawaiʻi State Democratic Women's Caucus writes in strong support of SB 2207 Relating to Income Tax, eliminate the state income tax liability for taxpayers with AGI of less than 125% of 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. 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 Hawaiʻi'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.

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

Hawaiʻi State Democratic Women's Caucus, 404 Ward Avenue Suite 200, Honolulu, HI 96814
hidemwomen@gmail.com

TESTIMONY IN SUPPORT OF SB 2207: RELATING TO INCOME TAX
WRITTEN TESTIMONY ONLY

TO: Senator Suzanne Chun Oakland, Chair, Human Services;
Senator Josh Green, Vice-Chair; and
Members of the Committee on Human Services

FROM: Jan Harada, CEO, Helping Hands Hawaii

Hearing: Thursday , February 6, 2014, 1:45p.m.; CR 016.

Chair Chun-Oakland, Vice-Chair Green, and Committee Members:

Thank you for the opportunity to provide testimony **in support** of **SB 2207, Relating to Income Tax**, which would establish a low income tax credit.

Helping Hands Hawaii (HHH) is a community-based non-profit organization who primarily serves those who are struggling with poverty, homelessness, mental illness, or language access issues. Services are both emergency/immediate in nature as well as those designed to encourage development of sustainable self-sufficiency and housing stabilization. As it relates to our work around poverty and homelessness, we have seen the effects of a Hawaii that has among the highest cost of living in the nation, with many paying more than the advisable 30% of income just for shelter, food, and utilities. According to the 2012 U.S. Census Bureau statistics, Hawaii's poverty rate is 17.3%, ranking us as the 9th poorest State in the nation. Additionally, the Family Economic Self-Sufficiency Standard (FESS) depicts the obstacles that Hawaiʻi 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.

A low income tax credit would eliminate tax liability for households living in poverty, and would reduce it by half for those at 100-125% of federal poverty guidelines. Without such a credit, Hawaii's working families are essentially pushed deeper into poverty by taxes, which may increase their reliance on publicly funded social services.

We urge your support for SB2207 as an important pathway out of poverty.

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

COMMITTEE on HUMAN SERVICES

THURSDAY FEB. 6, 2014, 1:45 PM
Conference Room 016
SB2207 RELATING TO INCOME TAX
TESTIMONY Beppie Shapiro for the League of Women Voters of Hawaii

Chair CHUN-OAKLAND, Vice-Chair GREEN, MEMBERS OF THE COMMITTEE:

The League of Women Voters of Hawaii supports the intent of SB 2207 which would address poverty in Hawai`i by eliminating state income tax liability for those at or below the Federal poverty level and creating an income tax credit of 50% for anyone with a federal adjusted gross income of less than 125 percent of Federal Poverty Guidelines.

While it is true that our income tax rates are already highly graduated for low-income filers, can't we go further to ease the tax burdens on our low-income families? We point out that Hawaii is only one of 15 states to tax families of four with incomes at the poverty level.[1]
Guidelines (100%FPL) are as follows:

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 these incomes.

LEAGUE OF WOMEN VOTERS®

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

The population addressed by this bill is in dire need of relief. The extra money they would have if SB2207 is enacted would surely be spent immediately on basic necessities of life, thus adding economic activity to the State and its businesses.

We hope our State Tax Department and the Department of Business and Economic Development will provide some analysis on this bill for the benefit of this Committee and all Hawaii citizens. We want to move forward with confidence that the income tax changes proposed will still provide adequate resources for our State programs and services.

We urge you to pass this bill. Thank you for the opportunity to submit testimony.

TESTIMONY IN SUPPORT OF SB 2207: RELATING TO INCOME TAX

TO: Senator Suzanne Chun Oakland, Chair; Senator Josh Green, Vice Chair; and members of the Senate Committee on Human Services

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

Hearing: Thursday, February 6, 2014, 1:45 PM, Room 016

Dear Chair Chun Oakland, Vice Chair Green, and committee members:

Thank you for the opportunity to provide testimony in **strong support** of Senate Bill 2207, to eliminate income tax liability on households below the federal poverty guidelines and to reduce liability by half for households at 100 to 125 percent of poverty. I am 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 and to aid those transitioning out of homelessness to keep more of their earnings.

Homelessness is a pressing social crisis, and Hawai‘i has the highest rate of homelessness in the nation. Many factors contributing to chronic, individual, and family homelessness. But for many households, especially families, their low income relative to the high cost of living—which is twice the national average—means they can barely make ends meet and are at risk of or actually end up homeless. Low-income families, especially those in poverty, struggle just to pay for necessities, including shelter, with virtually none left over to save for a rainy day. We also see households who have worked hard to get their lives back on track and find employment struggle to find affordable housing. As a result, these households who are ready to work and live in permanent housing are stuck in transitional housing because they cannot afford market rents. Unsurprisingly, 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 rent.

Partners In Care supports this tax credit as a way to prevent homelessness and help working households transition out of homelessness by keeping more of what they earn. We should not be taxing people deeper into poverty, especially when these are the very households who are at risk of homelessness. Becoming homeless is a traumatic experience with lasting effects and requires costly social services. This bill will help families at risk of homelessness to stay housed, and help those who are currently homeless to become financially secure and move into stable housing. Again, thank you for the opportunity to testify in **strong support** of SB 2207.

PHOCUSED

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

TO: Senator Suzanne Chun-Oakland, Chair
Senator Josh Green, Vice-Chair
Members, Committee on Human Services

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: Senate Committee on Human Services
Thursday, February 6, 2014 at 1:45 p.m. in Conf. Rm. 016

Testimony in Support of SB2207, Relating to Income Tax.

Thank you for the opportunity to provide testimony in **strong support** of SB2207, which would establish a low income tax credit. PHOCUSED is a coalition of health, housing, human services agencies and individual advocates committed to strengthening policies and programs to support 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. 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 this, Hawaii's families in poverty also pay a larger share of their income in taxes than those in all but 3 other states.

A low income tax credit would eliminate tax liability for households living in poverty, and would reduce it by half for those at 100-125% of federal poverty guidelines. Without such a credit, Hawaii's working families are essentially pushed deeper into poverty by taxes, which may increase their reliance on publicly funded social services.

Once again, PHOCUSED strongly urges your **strong support** of SB2207. We appreciate the opportunity to testify. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at admin@phocused-hawaii.org.

200 N. Vineyard Blvd, Bldg B Honolulu, HI 96817 P: 808.521.7462
www.phocused-hawaii.org admin@phocused-hawaii.org

UNITE HERE!
LOCAL 5 HAWAII

Eric Gill, Financial Secretary-Treasurer Hernando Ramos Tan, President Godfrey Maeshiro, Senior Vice-President

Wednesday, February 05, 2014

The Honorable Suzanne Chun-Oakland - Chair and Committee Members
Hawaii State Legislature
Senate Committee on Human Services
State Capitol
415 S. Beretania Street

RE: SB 2207, relating to income tax.

Chair Chun-Oakland, Vice-Chair Green, and members of the Senate Committee on Human Services:

UNITE HERE Local 5, a local labor organization representing 10,000 hotel, health care and food service workers employed throughout our State, hereby registers our support for Senate Bill 2207, relating to income tax.

SB 2207 would provide much needed economic relief to Hawai'i's families in greatest need.

Our union is an organization whose mission, role and existence is founded on the solidarity and concerted activity of our members. Our most fundamental task is to build unity and common purpose, and to do so we must also have the courage to speak out on issues that affect all our working families.

It is a shame that Hawai'i's residents in poverty pay more in state taxes than all but three other states, yet our cost of living is the highest in the nation. Hawai'i can do better. One of the most profitable industries to have taken root in our islands continues to see record number of visitors and profit levels, yet we are losing hundreds and hundreds of good local jobs. Hawai'i can do better, and we can start by ensuring that we don't tax those families who are barely getting by as it stands.

We ask for your support in passing SB 2207. Thank you.

1516 South King Street • Honolulu, Hawaii • 96826-1912 • Phone (808) 941-2141 • Fax (808) 941-2166 • www.unitehere5.org

Greetings to Hawaii's Legislators! And thank you for this opportunity to provide input for decisions that will affect our youngest keiki.

As a community member participating in the Action Strategy Teams of the Governor's Executive Office of Early Learning, I have carefully studied proposed laws supporting economic equity in Hawaii.

I strongly support: 1) adjusting the Low-Income Household Renters and Food/Excise tax credits adjusted for inflation; 2) stop taxing working families that are below poverty level; 3) creating a State Earned Income Tax Credit; and, 4) raising the minimum wage.

Hawaii has the highest cost of living in the United States. Hawaii's tax system is one of the most regressive in the country, meaning that Hawaii taxes more families in poverty or who are close to poverty than other states. Hawaii has the 9th highest rate of poverty in the country.

Families with young children are more likely to live in or close to the poverty line. Think about it: families with young children in Hawaii would benefit greatly from restoring economic equity through these measures. If we want to support families with young children, then we need to have economic policies in place that will support low-income families through tax credits, adjusting tax credits for inflation, and raising the minimum wage.

Hawaii can choose to improve early childhood outcomes— social and emotional development, educational and later economic success— by working to restore economic equality and passing SB 2206 and SB 2207.

Thank you and Mahalo!

Lynn B. Wilson, PhD
1188 Bishop Street, Suite 1502
Honolulu, HI 96813