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) 587-1530
FAX NO: (808) 587-1584

To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, February 12, 2014
Time: 10:30 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2208, Relating to Income Tax Credits

The Department of Taxation (Department) appreciates the intent of S.B. 2208 to increase the credit for low income renters and provides the following comments for your consideration.

S.B. 2208 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 tax years beginning after December 31, 2015 because year 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 confusing for taxpayers. Instead, the Department recommends that a fixed amount for the income tax credit be adopted.

Thank you for the opportunity to provide comments.

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, 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

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: February 10, 2014
To: Senator David Y. Ige, Chair, Senator Michelle N. Kidani, Vice-Chair, and members of the Committee on Ways and Means
From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)
Re: Strong Support for SB 2208

Aloha Chair Ige, Vice-Chair Kidani, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB 2208, which amends the income tax credit for low-income household renters to adjust it for inflation.

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).

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 2208 would go a long way to supplement the needs of these families by amending the income tax credit for low-income household renters to adjust it for inflation and thus assist these families 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

HAWAI'I APPLESEED CENTER
LAW
AND
ECONOMIC
JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Senate Bill 2208 Relating to Income Tax Credits
Senate Committee on Ways and Means
Scheduled for Hearing Wednesday, February 11, 2014, 10:30 AM, Room 211

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** Senate Bill 2208, which would increase the low-income household renters credit value as well as raising the income eligibility thresholds. This important credit, intended to provide meaningful tax relief to low and moderate-income households, has not been updated for inflation 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 SB 2208

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

Cover Sheet

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

Senate Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

Wednesday, February 12, 2014 at 10:30 A.M.

Conference Room 211

SB 2202, SB 2205, SB 2208: Relating to Tax Credits, Taxation, & Income 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

United Way
Aloha United Way

February 7, 2014

Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
Wednesday, February 12, 2014 at 10:30 A.M.
Conference Room 211

SB 2202, SB 2205, SB 2208: Relating to Tax Credits, Taxation, & Income Tax Credits - SUPPORT

Dear Chair David Y. Ige, Vice Chair Michelle N. Kidani and Committee Members:

Aloha United Way strongly encourages your favorable consideration of SB 2202, SB 2205, SB 2208 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, SB 2205, SB 2208 target those who are emerging from reliance on state support programs.

SB 2202, SB 2205, SB 2208 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

Kim Gennaula
President & Chief Executive Officer

HPCA
HAWAI'I PRIMARY CARE ASSOCIATION

Senate Committee on Ways and Means
The Hon. David Y. Ige, Chair
The Hon. Michelle N. Kidani, Vice Chair

Testimony in Support of Senate Bill 2208

Relating to Income Tax Credits
Submitted by Robert Hirokawa, Chief Executive Officer
February 12, 2014, 10:30 am, Room 211

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports Senate Bill 2208, amending income tax credits for low-income household renters to adjust for inflation.

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.

PARTNERS IN CARE
Oahu's Coalition of Homeless Providers

TESTIMONY IN SUPPORT OF SB 2208: RELATING TO INCOME TAX CREDITS

TO: Senator David Ige, Chair; Senator Michelle Kidani, Vice Chair; and members of the Senate Committee on Ways and Means

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

Hearing: Wednesday, February 12, 2014, 10:30 AM, Room 211

Dear Chair Ige, Vice Chair Kidani, and committee members:

Thank you for the opportunity to provide testimony in **strong support** of Senate Bill 2208, to adjust the low-income household renters income tax credit for 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 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 for 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 do 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 to stay housed. Again, thank you for the opportunity for Partners In Care to testify in **strong support** of SB 2208.

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

Goodwill
Industries of Hawaii, Inc.

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: February 12th, 2014

Re: **Testimony in Support of SB 2208, – Relating to Income Tax Credits**

Thank you for the opportunity to testify in **strong support** of Senate Bill 2208, 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.

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.

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. Over 40 percent of our households are renters and are disproportionately lower income. Unsurprisingly, more than half of renters do not live in affordable housing, meaning that they pay more than 30 percent of their income toward rent.

In 1977, 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. 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 changes to the low-income household renters credit would update it to recover ground lost to inflation. SB 2208 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. Currently the adjusted gross income limit is set at $30,000 causing many households that are at risk of falling into poverty to miss out on this valuable tax credit. The bill 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 SB 2208 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 today

PHOCUSED

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

TO: Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
Members, Committee on Ways & Means

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: Senate Committee on Ways & Means

Wednesday, February 12, 2014 at 10:30 a.m. in Conf. Rm. 211

Testimony in Support of SB2208, RELATING TO INCOME TAX CREDITS.

Thank you for the opportunity to provide testimony **in support** of SB2208, 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 SB2208, 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.

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

CATHOLIC CHARITIES HAWAIʻI

TESTIMONY IN SUPPORT OF SB 2208: Relating to Income Tax Credits

TO: Senator David Y. Ige, Chair, Senator Michelle N. Kidani, Vice Chair, and members of the Committee on Ways and Means

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

Hearing: Wednesday, February 12, 2014, 10:30 am; Conference Room 211

Thank you for the opportunity to testify on SB 2208, which amends the income tax credit for low-income household renters to adjust for inflation. **Catholic Charities Hawaiʻi supports SB 2208.**

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[1] and food costs for a family of four at 68% more than the mainland[2], 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 tax credit, when adjusted for inflation, is worth less than forty percent of its original value. On the other hand, average rents in Hawaiʻi have increased by well beyond the rate of inflation. 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. 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 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.

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[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.

Catholic Charities USA
CLARENCE T. C. CHING CAMPUS • 1822 Keʻeaumoku Street, Honolulu, HI 96822
Phone (808)527-4810 • trisha.kajimura@CatholicCharitiesHawaii.org
United Way
Aloha United Way

From: mailinglist@capitol.hawaii.gov
To: WAM Testimony
Cc: barbarapolk@hawaiiantel.net
Subject: Submitted testimony for SB2208 on Feb 12, 2014 10:30AM
Date: Monday, February 10, 2014 10:50:35 PM

SB2208

Submitted on: 2/10/2014
Testimony for WAM on Feb 12, 2014 10:30AM in Conference Room 211

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

Comments: SB2208 increases the current tax credit for low income renters. Because this has not been increased for some time, we are driving low income people further into poverty. Although the changes in the bill are not large, they are important to the people they will impact. I urge you to pass this bill.

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.

From:	mailinglist@capitol.hawaii.gov
To:	WAM Testimony
Cc:	mendezj@hawaii.edu
Subject:	*Submitted testimony for SB2208 on Feb 12, 2014 10:30AM*
Date:	Friday, February 07, 2014 4:34:59 PM

SB2208

Submitted on: 2/7/2014

Testimony for WAM on Feb 12, 2014 10:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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.

From:	mailinglist@capitol.hawaii.gov
To:	WAM Testimony
Cc:	joycemcharles@gmail.com
Subject:	*Submitted testimony for SB2208 on Feb 12, 2014 10:30AM*
Date:	Sunday, February 09, 2014 9:15:57 PM

SB2208
Submitted on: 2/9/2014
Testimony for WAM on Feb 12, 2014 10:30AM in Conference Room 211

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

Comments:

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.

SB 2208 Relating to Income Tax Credits
Senate Committee on Ways and Means
Wednesday, February 12, 2014, 10:30 AM, Room 211

Thank you for the opportunity to testify in **strong support** of Senate Bill 2208, 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. Over 40 percent of our households are renters and are disproportionately lower income. Unsurprisingly, more than half of renters 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 also 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.

In 1977, 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. 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 changes to the low-income household renters credit would update it to recover ground lost to inflation. SB 2208 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. The bill 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 SB 2208 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.
Kaui Pratt, 45-411 Akimala St., Kaneohe, HI 96744 Phone: 393-1948

To: Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice Chair

Members, Committee on Ways and Means

From: Laura Finlayson

Hearing: Senate Committee on Ways and Means

DATE: Wednesday, February 12, 2014
TIME: 10:30 a.m.
PLACE: Conference Room 211
State Capitol
415 South Beretania Street

SB 2208

Thank you for the opportunity to testify in support of SB 2208 which would increase the low-income household renters credit and adjust the income threshold for inflation.

The median cost of rent has increased by 45% over a 7 year span from 2005-2012. This has created a burden on our renters who currently receive little relief from the low income household renters credit. The credit has not been adjusted since 1981, leaving renters behind in the current economy. Moreover, the income threshold has not been increased over the years; this has allowed the inflation rate to create a vulnerable population that is not able to receive assistance from the renters credit.

By increasing the low income household renters credit, more people will be able to afford adequate housing for their families. This is a critical issue in Hawaii as a majority of renters are housing cost burdened, meaning that they pay more than 1/3 of their income to housing expenses. This creates undue stress on this population. By amending the credit and the income threshold for inflation, this population will be able to more greatly thrive economically.

I appreciate the opportunity to provide testimony in support of SB 2208. I strongly feel that the passage of this bill will help to empower a vulnerable population in Hawaii.

Laura Finlayson

lfinlays@my.hpu.edu

(757) 646-8644

Lynn B. Wilson, PhD
SB 2202, 2205, 2208
Senate Committee on Ways and Means
February 12, 2014, 10:30 AM, Room 211

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 refundable food/excise tax credit for inflation, especially since its last adjustment for inflation occurred in 2007; 2) creating a State Earned Income Tax Credit set at 10% of the federal EITC; and, adjusting the refundable low-income household renters credit for inflation since its last adjustment for inflation occurred in the 1980s.

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 2202, 2205, 2208.

Thank you and Mahalo!

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From:	mailinglist@capitol.hawaii.gov
To:	WAM Testimony
Cc:	morganthursday@yahoo.com
Subject:	Submitted testimony for SB2208 on Feb 12, 2014 10:30AM
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SB2208

Submitted on: 2/9/2014

Testimony for WAM on Feb 12, 2014 10:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Morgan Evans	Individual	Support	No

Comments: I strongly support reforming Hawaiʻi's tax laws so that they are more progressive and keep up with the changing needs of our community.

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February 9, 2014

Senate Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

Testimony in strong support of SB2208

Thank you for the opportunity to testify Chair Ige and Vice Chair Kidani. I am N. Tod Robertson a resident of 620 McCully Street. I strongly support SB2208. I would like to encourage the Senate Committee on Ways and Means to 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. Over 40 percent of our households are renters and are disproportionately lower income. Unsurprisingly, more than half of renters 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 also 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.

In 1977, 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. 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 changes to the low-income household renters credit would update it to recover ground lost to inflation. SB 2208 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. The bill would also key future increases in the credit to the rate of inflation to ensure that it does not lose ground going forward.

I respectfully urge the Committee to pass this SB 2208 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.