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STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION



To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Wednesday, February 18, 2015  
Time: 2:00 P.M.  
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.B. 1182, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 1182 and provides the following comments for your consideration.

H.B. 1182 amends the income tax credit for expenses for household and dependent care services necessary for gainful employment by changing the applicable percentage for calculating the credit. The bill applies to taxable years beginning after December 31, 2014.

Because this bill only changes the percentages for calculating the credit, the Department will be able to administer this change for the 2015 tax year.

Thank you for the opportunity to provide comments.



# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase dependent care credit

BILL NUMBER: HB 1182

INTRODUCED BY: Johanson, Luke, Morikawa, Nishimoto, Saiki

BRIEF SUMMARY: Amends HRS section 235-55.6 to increase the amount of the dependent care credit as follows:

Adjusted gross income	Tax credit
Not over \$25,000	25%
Over \$25,000 but not over \$30,000	24%
Over \$30,000 but not over \$35,000	23%
Over \$35,000 but not over \$40,000	22%
Over \$40,000 but not over \$45,000	21%
Over \$45,000 but not over \$50,000	20%
Over \$50,000	15%

EFFECTIVE DATE: Tax years beginning after December 31, 2014

STAFF COMMENTS: It should be remembered that the dependent care credit is available only if the care provided permits taxpayers to be gainfully employed. The state dependent care credit ranges from 15% to 25% of eligible care expenses. The percentage amount varies with income, with higher percentage amounts applicable to lower income taxpayers. This measure provides a modest increase in the dependent care credit, and lowers the income thresholds at which the additional credit may be claimed.

Digested 2/17/15

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Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting House Bill 1182 Relating to Taxation  
House Committee on Finance  
Scheduled for Hearing Wednesday, February 18, 2015 2:00 PM, Room 308

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*Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit law firm created to advocate on behalf of low income individuals and families in Hawai'i on policy and legal issues. 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.*

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Thank you for the opportunity to testify in **support** of House Bill 1182, which would expand the dependent care credit for households earning between \$20,000 and \$40,000 and make households with income between \$40,000 to \$50,000 eligible for the credit.

Low and even moderate-income households struggle to make ends meet in Hawai'i, which has the highest cost of living in the country. These hardships are made even worse by Hawai'i's regressive tax structure. In fact, Hawai'i's low-income residents face the second highest tax burden in the country. Increasing the dependent care credit to cover more expenses for a greater number of families will help address this disproportionate tax burden and helps reduce the cost of living in Hawai'i.

Again, thank you for the opportunity to testify in **support** of HB 1182 to help our working families make ends meet, achieve and maintain financial self-sufficiency, and reduce their tax burden.

The Twenty-Eighth Legislature  
Regular Session of 2015

HOUSE OF REPRESENTATIVES  
Committee on Finance  
Rep. Sylvia Luke, Chair  
Rep. Scott Y. Nishimoto, Vice Chair  
State Capitol, Conference Room 308  
Wednesday, February 18, 2015; 2:00 p.m.

**LATE**

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1179, H.B. 1181, H.B. 1182  
RELATING TO INFLATION ADJUSTMENTS TO HRS CHAPTER 235  
AND TAXATION**

The ILWU Local 142 supports the following measures: H.B. 1179, which provides for annual adjustments to the Hawaii standard deduction, income tax rate brackets, and personal exemption in response to increases in inflation; H.B. 1181, which amends the state income tax by changing the amounts of the basic standard deduction and personal exemption; and H.B. 1182, which amends the income tax credit for expenses for household and dependent care services necessary for gainful employment by changing the manner in which the taxpayer's applicable percentage is determined.

All three bills attempt to bring fairness and equity to Hawaii's tax structure, which is said to be among the highest in the nation. These measures will help low-wage workers pay taxes in proportion to their income and in recognition of the high cost of living in Hawaii. To do otherwise would unfairly penalize those who diligently work yet are unable to bring themselves out of the ranks of the working poor.

Obviously, the best solution would be to increase the wages and salaries of all who work for a living, but the Legislature is not in a position to dictate to employers how much they should pay to their employees—other than setting a minimum wage. However, the Legislature is in a position to help working people in Hawaii with a fair tax structure and possibly an Earned Income Tax Credit such as provided by the federal government. With a more equitable tax structure, low-wage workers may be able to accumulate some savings with which to pay rent deposits, provide for a rainy day, and develop some financial security.

The ILWU urges passage of all three bills for the sake of low-income taxpayers and their families. Thank you for considering our testimony.

**LATE**

**TESTIMONY OF GINO SOQUENA  
GOVERNMENT RELATIONS DIRECTOR  
LABORERS' INTERNATIONAL UNION OF NORTH AMERICA LOCAL 368**

HOUSE OF REPRESENTATIVES  
THE TWENTY-EIGHTH LEGISLATURE  
REGULAR SESSION OF 2015

COMMITTEE ON FINANCE  
Rep. Sylvia Luke, Chair  
Rep. Scott Nishimoto, Vice Chair

NOTICE OF HEARING

DATE: Wednesday, February 18, 2015  
TIME: 2:00 PM  
PLACE: Conference Room 308  
State Capitol  
415 South Beretania Street

**TESTIMONY ON HOUSE BILL NO. 1182, RELATING TO TAXATION.**

TO THE HONORABLE SYLVIA LUKE, CHAIR, SCOTT NISHIMOTO, VICE CHAIR, AND MEMBERS OF THE FINANCE COMMITTEE:

My name is Gino Soquena, and I am the Government and Community Relations Director of the Laborers' International Union of North America Local 368, which represents almost 5,000 members throughout the State of Hawaii.

Thank you for the opportunity to submit testimony in support of House Bill No. 1182.

The Hawaii Laborers' Union has long supported measures that would lower the cost of living for low income individuals. This bill will lessen the cost of living for everyone who files state income taxes.

For these reasons, we support House Bill 1182, and ask that it be passed.

Gino Soquena  
Hawaii Laborers Union Local 368  
(808) 673-0441