



DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



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. 1294, Relating to the Income Tax Credit For Low-Income Household Renters

The Department of Taxation (Department) appreciates the intent of H.B. 1294 and provides the following comments for your consideration.

H.B. 1294 amends the income tax credit for low-income household renters by changing the taxpayers qualifying for the credit as well as the amount of the credit. The measure extends the tax credit to individual taxpayers with an adjusted gross income (AGI) of less than \$30,000, a married couple filing jointly with an AGI of less than \$60,000, a married couple filing separately if the couple could have filed a joint return with an AGI of less than \$60,000, a head of household with an AGI of less than \$60,000, or a qualifying widow or widower with an AGI of less than \$60,000. The amount of the credit is increased to \$75. A provision is also added to increase the credit amount yearly by an amount derived from the increase in the Consumer Price Index (CPI) from the CPI for calendar year 2016.

The Department notes that an annual automatic adjustment based on the CPI will make this credit difficult for the Department to administer and will result in confusion for taxpayers. If the credit is to be increased, the Department suggests it be increased by a fixed amount.

Thank you for the opportunity to provide comments.



# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase renter credit

BILL NUMBER: HB 1294

INTRODUCED BY: Jordan, Brower, Hashem, Keohokalole, Tsuji, Yamashita and 4 Democrats

BRIEF SUMMARY: Amends HRS section 235-55.7 to establish income thresholds to claim the renter credit as follows: (1) a taxpayer with adjusted gross income (AGI) of less than \$30,000; (2) a married couple filing a joint return with an adjusted gross income of less than \$60,000; (3) a married couple filing separate returns, if a joint return could have been filed with an adjusted gross income of less than \$60,000; (4) a head of a household with an adjusted gross income of less than \$60,000; or (5) a qualifying widow or widower with an adjusted gross income of less than \$60,000. If more than \$1,000 was paid in rent, then they are eligible for a renter credit of \$75.

For tax years beginning after December 31, 2015, 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 2016.

EFFECTIVE DATE: Tax years beginning after December 31, 2015

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 \$60,000 and the amount of the credit from \$50 to \$150. It would also provide that these amounts will increase by the change in the CPI. While the proposed measure increases some of the AGI limits and the renter tax credit, it does not change the qualification amount – the taxpayer still will need to pay \$1,000 in rent during a taxable year 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 of age or older may claim double the credit. We raise the question of whether the credit should instead be a percentage of the rent paid, so that taxpayers' relief would be linked to the amount of rent they need to pay.

Digested 2/17/15

**FIN-Jo**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 17, 2015 2:09 AM  
**To:** FINTestimony  
**Cc:** bedame@gmail.com  
**Subject:** Submitted testimony for HB1294 on Feb 18, 2015 14:00PM

**HB1294**

Submitted on: 2/17/2015

Testimony for FIN on Feb 18, 2015 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bart Dame	Democratic Party of Hawaii	Support	Yes

Comments: We can support this bill, but only if it is amended to raise the renter's tax credit to \$150.

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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# PARTNERS IN CARE

## Oahu Continuum of Care



*Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.*

### TESTIMONY IN SUPPORT OF HB 1294 RELATING TO THE INCOME TAX CREDIT FOR LOW-INCOME HOUSEHOLD RENTERS

**TO:** Representative Sylvia Luke, Chair; Representative Scott Nishimoto, Vice Chair; and members of the House Committee on Finances  
**FROM:** Betty Lou Larson, Advocacy Committee, Partners in Care  
**Hearing:** **Wednesday, February 18, 2015, 2:00 PM, Room 308**

Dear Chair Luke, Vice Chair Nishimoto, and members of the committee:

Thank you for the opportunity to provide testimony **in strong support** of HB 1294, which would increase the low-income household renters credit. I am Betty Lou Larson from the Advocacy Committee of Partners in Care. We support this policy to increase the financial stability of low-income people and help them remain securely housed.

It is no coincidence that Hawaii has both the highest cost of housing and the highest rate of homelessness among the states. Four out of five extremely low-income households are paying more than *half* of their income toward housing. We face the highest cost of living in the country, at over 60 percent above the national average. Low-income families struggle just to pay for basic necessities, with virtually none left over to save for a rainy day.

Increasing the renters credit is one tool to help prevent homelessness and keep families securely housed. Our providers have found that for many families who are living paycheck to paycheck, a small crisis such as a car breakdown can be the precipitating event for homelessness. Thirty percent of Hawaii's 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 3 months, putting them at severe risk of homelessness. Increasing the renters credit will help provide a buffer by alleviating the tax burden on these families.

Updating 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. While we are cognizant of the Legislature's need to maintain state revenues, we respectfully propose an increase of the **credit value to \$150 per qualified exemption** for all households earning up to \$60,000. This would **simply account for inflation** since the credit value was last set in 1981 and the income threshold was set in 1989. We also support the bill's provision to index the credit to the rate of inflation to preserve its value in future years.

Increasing the renters credit will make a meaningful difference for low and moderate income households, helping them make ends meet, save for emergencies, and avoid homelessness. We should do all we can to make sure that families at risk of homelessness stay housed.

Again, thank you for the opportunity for Partners in Care to testify in **strong support** of HB 1294. Please contact me at (808) 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) if you have any questions.



AMERICANS FOR DEMOCRATIC ACTION

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OFFICERS	DIRECTORS			MAILING ADDRESS
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February 13, 2015

Chair Luke and Finance Committee

Re: HB 1294 RELATING TO THE INCOME TAX CREDIT FOR LOW-INCOME HOUSEHOLD RENTERS.  
Hearing on Feb. 18, 2105

Dear Rep. Luke and Committee Members:

Americans for Democratic Action is an organization devoted to the promotion of progressive public policies.

We support HB 1294 with an amendment. The credit should be raised from \$50 to \$150 and not to \$75. The credit has not been increased since 1981. So \$75 is not enough. The automatic adjustments for future inflation is a good idea.

Our lowest income earners are paying a higher percentage of their income in state taxes than our top income earners. This is not just. Please pass a bill that makes significant cuts to the income tax burden that low-income persons are currently bearing. They pay a higher percentage than high-income people pay."

Thank you for your consideration.

Sincerely,

John Bickel  
President



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT OF HB 1294: RELATING TO THE INCOME TAX CREDIT FOR LOW-INCOME HOUSEHOLD RENTERS

TO: Representative Sylvia Luke, Chair, Representative Scott Nishimoto, Vice Chair and Members, Committee on Finance

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

**Hearing: Wednesday, 2/18/15, 2:00 pm; Conference Room 308**

Thank you for the opportunity to testify **in support of HB 1294**, which amends the income tax credit for low-income household renters to adjust for inflation.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii 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 Hawaii. This bill speaks directly to our advocacy priority of reducing poverty in Hawaii.

Hawaii's high cost of living, including the highest cost of shelter in the country<sup>1</sup> and food costs for a family of four at 68% more than the mainland<sup>2</sup>, 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 Hawaii 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.

Catholic Charities Hawaii's position is that the amount of the credit should be adjusted to \$150 per exemption rather than the \$75 proposed in the bill. The income thresholds should also be raised accordingly since those amounts have not been updated since the 1980s. Inflation and the cost of living as well as rents have significantly devalued the credit. We do appreciate the provision to tie the amount of the credit to the Consumer Price Index for future increases. This 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](mailto:trisha.kajimura@catholiccharitieshawaii.org) if you have any questions.

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<sup>1</sup> Hawaii 2013 State Housing Profile, National Low Income Housing Coalition. <http://nlihc.org/sites/default/files/SHP-HI.pdf>.

<sup>2</sup> 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>.



46-063 Emepele Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

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**TESTIMONY FOR HOUSE BILL 1294, RELATING TO THE INCOME TAX CREDIT  
FOR LOW-INCOME HOUSEHOLD RENTERS**

**House Committee on Finance  
Hon. Sylvia Luke, Chair  
Hon. Scott Y. Nishimoto, Vice Chair**

**Wednesday, February 18, 2015, 2:00 PM  
State Capitol, Conference Room 308**

Honorable Chair Luke and committee members:

I am Kris Coffield, representing the IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 300 local members. On behalf of our members, we offer this testimony in support of, with proposed amendments for HB 1294, relating to the income tax credit for low-income household renters.

Hawaii's rising cost of living disproportionately impacts low- and moderate-income renters. Today, our state's cost of living is almost 160 percent of the national average, with 78 percent of low-income residents spending more than half of their income on rent. Median rent in Hawai'i increased by 45 percent from 2005 to 2012, approximately three times the rate of inflation during the same period. Moreover, as the Hawaii Appleseed Center for Law and Economic Justice notes, more than 40 percent of our households are renters, over half of whom pay more than 30 percent of their income toward rent. renter households do not benefit from federal or state tax benefits available to homeowners, including mortgage interest deductions or real estate tax home deductions, nor are they able to build home equity. Instead, landlords pass along costs from general excise and property taxes to renters at a rate of \$60 per \$1,500 in rental costs, exacerbating poor families' financial plight.

Hawai'i's working poor pay higher tax bills than those in all but three other states and the tax rate for low- and moderate-income households is among the highest in the nation. Our poorest taxpayers, or those who earn less than \$17,000 per year, pay, on average, approximately 13 percent of their income in state and local taxes, while those earning more than \$326,000 pay closer to 8 percent (notably, the average income for residents in the former group is \$9,800, while the average income for residents in the latter category is \$698,600). In turn, inadequate tax credits and exemptions lead to personal income taxes pushing low-income working families deeper into poverty and debt (see Institute on Taxation and Economic Policy chart at bottom, "Who Pays? A Distribution Analysis of the Tax Systems in All 50 States, 4<sup>th</sup> Edition, 2013).

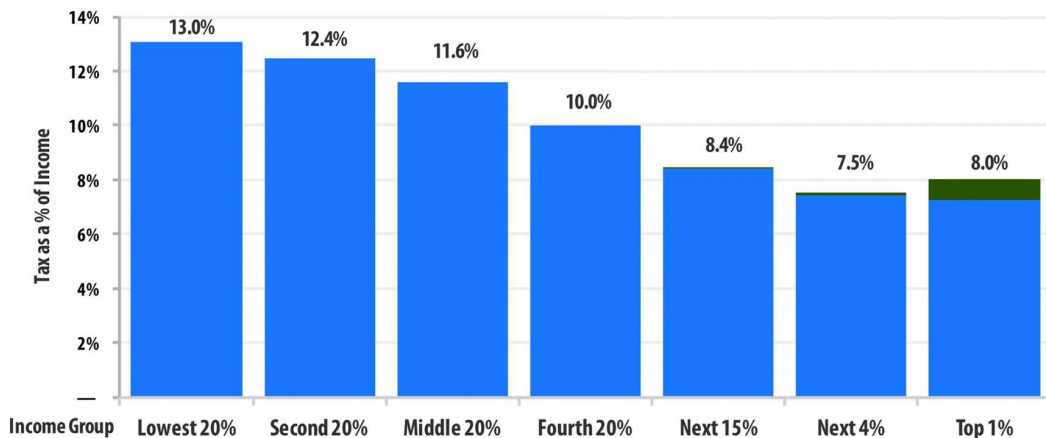
Again following HACLEJ, we note that the low income household renters credit was created in 1977 to offset the high cost of housing in Hawai'i. The credit currently provides a \$50 per qualified



exemption for households with an adjusted gross income of less than \$30,000 who paid more than \$1,000 a year in rent. The value of the credit has not been updated since 1981, however, and income thresholds have not been adjusted since 1989. Over that time, the rate of inflation has increased by 156 percent. The proposed changes to the LIHR envisioned by this bill will help renters catch up to two decades' worth of inflationary damage by increasing the maximum value of the credit to \$75 per qualified household exemption and adjusting income thresholds to allow households with an adjusted gross income of less than \$60,000 to claim the credit. The measure will also link future LIHR increases to the consumer price index, ensuring that renters are not left behind in coming years. That said, we encourage your committee to increase the credit to \$150 per qualified household exemption, thus ensuring that today's credit has the same relative inflation-adjusted value as that of 1981.

## Hawaii State & Local Taxes

Shares of family income for non-elderly taxpayers



Source: Institute on Taxation and Economic Policy [www.WhoPays.org](http://www.WhoPays.org)

This chart shows, at a glance, how unfair Hawaii's current tax structure is. The poorest 20% of residents pay about 13% of their income in state and county taxes, middle income residents pay about 11.6%, but the wealthiest pay only 8%.

To make things worse, the green segment atop the right column shows a tax cut which will only go to the richest residents. It will take effect on December 31, 2015, unless the legislature votes to cancel it.

Your legislator gets to CHOOSE, this session, whether to spend \$48 Million to give the rich a tax cut or whether the tax code should be made more fair, with low and middle income residents getting tax relief through increased credits on food and rent and other proposals.

Put simply, poor people pay a higher effective tax rate than their middle class and wealthy peers because of our reliance upon the GET. We must find ways to rebalance our tax code by increasing credits that alleviate the tax burden borne by our most vulnerable residents. Accordingly, this proposal will significantly lower the tax load for impoverished families, especially those with children. Mahalo for the opportunity to testify in support of this bill.

Sincerely,  
 Kris Coffield  
 Executive Director  
 IMUAlliance





LAW  
AND  
ECONOMIC  
JUSTICE

Board of Directors

Sherry Broder, Esq.  
David Derauf, Esq.  
Naomi C. Fujimoto  
Patrick Gardner, Esq.  
John H. Johnson  
Nathan Nelson, Esq.  
David J. Reber, Esq.  
Mike Webb

Executive Director

Victor Geminiani, Esq.



Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Support HB 1294 Relating to the Income Tax Credit for Low-Income Household Renters  
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. 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 **strong support** of House Bill 1294 Relating to the Income Tax Credit for Low-Income Household Renters, which would increase the low-income household renters credit value to \$75 per exemption. HB 1294 would also adjust the income eligibility limits to cover single filers earning up to \$30,000 and married filers with a household income of up to \$60,000. In addition, the bill would automatically increase the credit based on inflation to ensure that it does not lose value going forward. We desperately need to alleviate the tax burden on renter families struggling to afford housing, and increasing the renters credit is an efficient and immediate way to do so.

Renters in Hawai'i face a staggering housing cost burden. More than 40 percent of our households rent, and over half of them are cost-burdened, meaning they pay more than 30 percent of their income toward rent (the standard definition of housing affordability). This is no surprise, as the fair market rent for a two-bedroom unit in Hawai'i is \$1,640. A full-time worker would need to earn \$31.54 per hour for this rent to be affordable. Yet the mean wage for a renter is just \$13.86. The lowest-income households face a crushing cost burden: 78 percent are paying more than *half* of their income in rent. Even moderate-income households struggle, with 63 percent of households earning 51–80% of the area median income facing a housing cost burden; these households are generally ineligible for public assistance. These housing cost burdens leave families with precious little left over to make ends meet, let alone build assets or save for a down payment on a home.

At the same time, Hawai'i's regressive tax structure makes it even harder for families to afford housing. Hawai'i's low-income residents face the second highest state and local tax burden in the country. Our tax structure is heavily regressive, with the lowest income households paying over 13 cents per dollar of income toward state and local taxes and the wealthiest paying just 7 cents. The General Excise Tax is the biggest contributor to this regressivity. It hits low-income households the hardest because they must spend nearly all of their income on necessities, including their rent, that are subject to the GET. While property owners are legally responsible for paying the GET on their rental income, as well as their property taxes, they pass along these costs in the rent. Assuming this practice, around \$60 out of a \$1,500 rent payment goes to cover the GET owed on the landlord's rental income.

This credit also makes our tax structure fairer by providing targeted tax relief to renters. Renters, who are disproportionately low-income, do not benefit from tax breaks such as the mortgage interest and



property tax deductions, which are available only to homeowners. Nor do they build equity in a home or profit from its appreciation. This credit is a modest measure to provide similar help to renters.

Hawai'i Applesseed respectfully proposes an **amendment to increase the credit value to \$150** per qualified exemption, which would account for inflation since the credit value was last set in 1981. Today, the buying power of the credit is just \$19.20. During this same period, rents have skyrocketed by almost 70 percent in real dollars. Similarly, the income eligibility limit of \$30,000 was set back in 1989, and is now worth just \$15,714—below the poverty level for a household of two. The bill's proposed increase to \$60,000 for married couples would help to account for this inflation. In light of this stagnation, we favorably note HB 1294's provision to increase the credit value in accordance with the Consumer Price Index so that the credit does not lose ground again.

We also encourage the committee to **consider an amendment to further calibrate the income limits based on family size**. We favorably note that HB 1294 currently distinguishes between single individuals and married couples, with a higher income limit for married couples. The income eligibility limit could also be incrementally increased to take into account income relative to the number of children, similar to the structure of the federal earned income tax credit. For example:

<u>Household Composition</u>	<u>Income Eligibility Limit</u>
Single, no children	\$30,000
Single, 1 child	\$35,000
Single, 2 children	\$40,000
[...]	[. . .]
Married, no children	\$60,000
Married, 1 child	\$65,000
Married, 2 children	\$70,000
[. . .]	[. . .]

By further modifying this credit, the Legislature can target the families most in need while controlling costs to the state.

Again, thank you for the opportunity to testify in **strong support** of HB 1294. After 30 years of leaving renters behind, we have a chance to help low and moderate-income households afford housing and make our tax structure fairer and more progressive.

finance1-Kim

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, February 17, 2015 12:43 PM  
To: FINTestimony  
Cc: sarah@neighborhoodplace.org  
Subject: \*Submitted testimony for HB1294 on Feb 18, 2015 14:00PM\*

**HB1294**

Submitted on: 2/17/2015

Testimony for FIN on Feb 18, 2015 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sarah Figueroa	Neighborhood Place of Puna	Support	No

Comments:

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**HPCCA**

HAWAII PRIMARY CARE ASSOCIATION

**House Committee on Finance**

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice Chair

**Testimony on House Bill 1294**

**Relating to Income Tax Credit for Low-Income Household Renters**

**Submitted by Nani Medeiros, Public Affairs and Policy Director**

**February 18, 2015, 2:00 pm, Room 308**

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports House Bill 1294, amending income tax credits for low-income household renters.

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.





## In Support of HB 1294

With the cost of shelter in Hawai'i continually rising, low and moderate income households face a daunting struggle to make ends meet and pay the rent:

- Hawai'i's families face the highest cost of living in the highest in the nation, at almost 160% of the national average. Our residents pay more for shelter than any state in the nation, with 78% of those living in poverty spending more than half of their income on housing.
- Renter households do not benefit from federal or state tax benefits available to homeowners, including mortgage interest deductions or real estate tax home deductions. Nor are they able to build equity in a home.
- Landlords generally pass along costs from the General Excise Tax and property taxes to renters.

### Hawai'i's Taxes Exacerbate this Struggle

- Hawaii is the second worst state for taxing families in poverty. The poorest taxpayers pay, on average, approximately 13 cents of every dollar of income in taxes, while those earning more than \$400,000 pay closer to 7 cents on every dollar of income.
- The lack of adequate credits and exemptions means that the personal income tax actually pushes some low-income working families deeper into poverty.

### Proposed Adjustments to the Low Income Household Renters Credit

- The low income household renters credit (LIHR) was created in 1977 to mitigate the high cost of shelter in Hawai'i. The credit currently provides a \$50 per qualified exemption for households with an adjusted gross income of less than \$30,000 who paid more than \$1,000 a year in rent. The value of the credit has not been updated since 1981, and the income thresholds have not been adjusted since 1989. The rate of inflation has increased by 156% since the credit value was last set in 1981.
- The proposed changes to the LIHR credit would update it to recover ground lost to inflation in the past two decades. They would increase the maximum value of the credit amount to \$150 per qualified exemption for households and adjust the income thresholds so that households with an adjusted gross income of less than \$60,000 can claim the credit.
- Proposed changes would also key future increases in the credit to the rate of inflation to ensure that it does not lose ground going forward.

Mari Ono, MSW  
2450A Naai St.  
Honolulu, HI 96819

From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, February 17, 2015 11:16 AM  
To: FINTestimony  
Cc: ash.kierkiewicz@gmail.com  
Subject: Submitted testimony for HB1294 on Feb 18, 2015 14:00PM

**HB1294**

Submitted on: 2/17/2015

Testimony for FIN on Feb 18, 2015 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ashley Kierkiewicz	Individual	Support	No

Comments: I strongly support increasing the renters credit. Please amend this measure to reflect an increase from \$50 to \$150 (\$75, as written in HB 1294, does not take into account inflation). I support tax fairness and increasing the credit to cover more households. Mahalo for your consideration!

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, February 17, 2015 11:27 AM  
To: FINTestimony  
Cc: drodrigues2001@yahoo.com  
Subject: Submitted testimony for HB1294 on Feb 18, 2015 14:00PM

**HB1294**

Submitted on: 2/17/2015

Testimony for FIN on Feb 18, 2015 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Darlene Rodrigues	Individual	Support	No

Comments: I write in **STRONG SUPPORT** for HB1294. Providing tax relief for low income families, individuals and our kupuna is much needed. It 's hard to make ends meet with the high cost of living in Hawai'i. Let's show our aloha for all people regardless of income! Let's raise the tax credit to adjust for the harder times of living in our beloved Hawai'i. I strongly urge you to pass this measure! Mahalo for the chance to send in testimony.

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, February 17, 2015 12:46 PM  
To: FINTestimony  
Cc: napua@neighborhoodplace.org  
Subject: \*Submitted testimony for HB1294 on Feb 18, 2015 14:00PM\*

**HB1294**

Submitted on: 2/17/2015

Testimony for FIN on Feb 18, 2015 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Napuanani Hilario	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, February 17, 2015 12:09 PM  
To: FINTestimony  
Cc: mwood17@hawaii.rr.com  
Subject: Submitted testimony for HB1294 on Feb 18, 2015 14:00PM

**HB1294**

Submitted on: 2/17/2015

Testimony for FIN on Feb 18, 2015 14:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melinda Wood	Individual	Support	No

Comments: I strongly support all measures to provide tax relief for home renters. Most families who are renting will never have a chance to purchase a home in HI unless they are able to save more from their modest incomes. HB 1294 is good start in that direction. Please support 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.

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**LATE**

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

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TO: Representative Sylvia Luke, Chair  
Representative Scott Nishimoto, Vice-Chair  
Members, House Committee on Finance

FROM: Scott Morishige, MSW  
Executive Director, PHOCUSED

HEARING: **Tuesday, February 18th, 2015 at 2:00 p.m. in Conf. Rm. 308**

**Testimony in Support of HB1294, Relating to the income tax credit for low-income household renters.**

Thank you for the opportunity to provide testimony in **support** of HB1294, which adjusts the low-income household renter's credit. PHOCUSED is a nonprofit membership and advocacy organization that works together with community stakeholders to impact program and policy change for the most vulnerable in our community, such as the homeless.

Hawaii has the highest cost of living in the nation – at almost 160% of the national average. Hawaii residents pay more for shelter than any other state in the nation, with 73% of those living in poverty paying more than half of their income on housing. Many of these severely cost burdened renter households are headed by people who are elderly or disabled – 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 early 1980s. This bill will increase the value of the credit for the first time since 1981, and increase the income threshold for the first time since 1989. PHOCUSED sees this bill as a step in the right direction that will provide greater financial relief for low-income households throughout Hawaii.

PHOCUSED also **supports amendments** to increase the renters credit to \$150 to account for inflation since it was last set in 1981.

Once again, PHOCUSED strongly urges your support of this bill. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at [admin@phocused-hawaii.org](mailto:admin@phocused-hawaii.org).



## Hawaii Women's Coalition

### COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

Rep. Scott Y. Nishimoto, Vice Chair

**LATE**

DATE: Wednesday, February 18, 2015

TIME: 2:00 P.M.

PLACE: Conference Room 308

### **STRONG SUPPORT FOR HB 1294**

Aloha Chair Luke, Vice Chair Nishimoto and members,

The Coalition is in strong support of this measure that is one of the economic justice bills before you this session. We understand that the vanishing middle class in Hawaii more adversely affects women, with so many who are single parents, who are caregivers for elderly parents, who are making 80 cents on the dollar compared to men and who are finding it difficult to provide food and shelter for their families. Women on the lower end of the economic scale too often cannot afford rent in Hawaii, never mind buy a home, the so-called American dream.

Consider:

#### **Hawai'i's families face the highest cost of living in the nation**

- Our state weighs in at almost 160% of the national average. Our residents pay more for shelter than any state in the nation, with 78% of those living in poverty spending more than half of their income on housing.
- Renter households do not benefit from federal or state tax benefits available to homeowners, including mortgage interest deductions or real estate tax home deductions. Nor are they able to build equity in a home.
- Landlords generally pass along costs from the General Excise Tax and property taxes to renters.

#### **Hawai'i's Taxes Exacerbate this Struggle**

- **Hawaii is the second worst state for taxing families in poverty.** The poorest taxpayers pay, on average, approximately 13 cents of every dollar of income in taxes, while those earning more than \$400,000 pay closer to 7 cents on every dollar of income.

- The lack of adequate credits and exemptions means that the personal income tax actually pushes some low-income working families deeper into poverty.

**The Low Income Household Renters Credit has not been adjusted in 35 years!**

- The low income household renters credit (LIHR) was created in 1977 to mitigate the high cost of shelter in Hawaii. The credit currently provides a \$50 per qualified exemption for households with an adjusted gross income of less than \$30,000 who paid more than \$1,000 a year in rent. The value of the credit has not been updated since 1981, and the income thresholds have not been adjusted since 1989. The rate of inflation has increased by 156% since the credit value was last set in 1981.
- This bill would update the LIHR in order to recover ground lost to inflation in the past two decades. It would **increase the maximum value of the credit amount to \$150 per qualified exemption** for households and adjust the income thresholds so that **households with an adjusted gross income of less than \$60,000** 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.

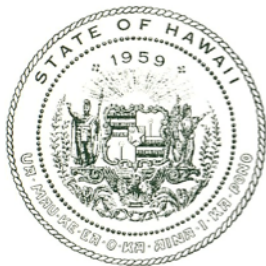
Please pass this bill. Haven't Hawaii's women and our families suffered enough?

Mahalo for the opportunity to testify,

Ann S. Freed Co-Chair, Hawai'i Women's Coalition  
Contact: annsfreed@gmail.com Phone: 808-623-5676



HAWAII  
STATE  
COMMISSION  
ON THE  
STATUS  
OF  
WOMEN



Chair  
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February 17, 2015

**LATE**

To: Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair  
Members of the House Committee on Finance

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

Re: Testimony in Support, HB 1294, Relating to the Income Tax Credit for Low Income Household Renters

Thank you for this opportunity to testify in support of HB 1294, which would amend the tax credit for low income household renters to adjust for inflation. This measure would increase the maximum value of the credit amount to \$75.00; the Commission's position is that any increase that will benefit working families will be beneficial.

The low income household renters credit (LIHR) was created in 1977 to mitigate the high cost of shelter. The value of that credit has not been updated since 1981. Additionally, the income thresholds have not been adjusted since 1989. To date, the rate of inflation has increased by 156% since the credit value was originally set in 1981.

Currently, Hawaii is the 8<sup>th</sup> poorest state under the United States Census Supplemental Poverty Measure. Hawaii is considered the 2nd worst state for taxing people in poverty. Many of our families are reliant on state benefits just to stay afloat and the majority of those families are headed by women as single heads of household. Our working families face the highest cost of living in the nation. 78% of those living in poverty spend more than half of their income on housing.

What began as a policy aimed at alleviating a financial burden has not maintained its relevance and ability to assist working families who rent. Renters do not benefit from any federal tax scheme and additionally, they cannot build equity. Our renters credit needs to be updated to reflect the reality of today's working families who rent, and should be keyed to inflation so that it continues to have meaningful impact on some of our most vulnerable residents.

The Commission urges this Committee to pass HB 1294.

Thank you for this opportunity to testify in support of tax reform.

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.



**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1179, H.B. 1181, H.B. 1294  
RELATING TO THE INCOME TAX CREDIT  
FOR LOW-INCOME HOUSEHOLD RENTERS**

The ILWU Local 142 supports H.B. 1294, which sets a separate adjusted gross income threshold for married couples filing jointly, married couples filing separately, heads of households, and qualifying widows or widowers to qualify for the income tax credit for low-income household rents and provides for annual adjustments based upon the Consumer Price Index for all urban consumers.

The bill provides for the threshold to be \$30,000 for a single taxpayer, and \$60,000 for a married couple filing jointly, a married couple filing separately, a head of household, or a qualifying widow or widower. Taxpayers within those thresholds who pay more than \$1,000 for rent may claim tax credits of \$75 multiplied by the number of qualified exemptions. This proposal seems reasonable since the tax credit for low-income household renters has been virtually unchanged for years.

The widely accepted income standard for housing affordability is 30 percent. Using this standard, a single taxpayer earning \$30,000 a year should pay no more than \$750 for rent each month. If that taxpayer pays \$1,000 for rent, 40 percent of the taxpayer's income will go toward rent, leaving little left for food, utilities, etc. It's no wonder that low-income renters are struggling to pay their bills. A single unforeseen expense can throw a low-income renter's budget completely off and place them hopelessly in debt.

H.B. 1294 also proposes to adjust the tax credit in accordance with the Consumer Price Index. This automatic adjustment makes sense, recognizing Hawaii's high cost of living and removing politics from the equation. The same should be considered for the minimum wage.

The ILWU urges passage of H.B. 1294. Thank you for the opportunity to testify on this measure.



From: mailinglist@capitol.hawaii.gov  
 Sent: Tuesday, February 17, 2015 9:26 PM  
 To: FINTestimony  
 Cc: annsfreed@gmail.com  
 Subject: Submitted testimony for HB1294 on Feb 18, 2015 14:00PM

**HB1294**

Submitted on: 2/17/2015

Testimony for FIN on Feb 18, 2015 14:00PM in Conference Room 308

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

Comments: Testimony sent to email for FIN testimony. Please check, Mahalo, Ann S. Freed CoChair, Hawaii Women's Coalition

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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