Hawaii
Children's Action Network
Building a unified voice for Hawaii's children

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March 29, 2016

To: Senator Jill Tokuda, Chair
Senator Donovan Dela Cruz, Vice Chair
Senate Committee on Ways and Means

From: Deborah Zysman, Executive Director
Hawaii Children's Action Network

Re: **HB 2166 HD1 SD1– Relating to Income Tax Credits – Support**
Hawaii State Capitol, Conference Room 211, March 29, 2016 – 9:35 AM

On behalf of Hawaii Children's Action Network (HCAN), formerly Good Beginnings Alliance, we are writing in support of HB 2166 HD1 SD1 – Relating to Income Tax Credits.

HCAN is committed to improving lives and being a strong voice advocating for Hawai'i's children. Last fall, HCAN convened input in person and online from more than 50 organizations and individuals that came forward to support or express interest for a number of issues affecting children and families in our state that resulted in the compilation of 2016 Hawai'i Children's Policy Agenda, which can be accessed at http://www.hawaii-can.org/2016policyagenda.

HCAN supports this the original language in this initiative to increase the low-income household renters credit from $50 to a maximum value of $150 per qualified exemption for households. This bill also adjusts the income threshold to allow households with an adjusted gross income of less than $60,000 to claim the credit.

The low-income household renters credit was created nearly 40 years ago but the last update was in 1989 when the income threshold was increased. However, the tax credit has not been adjusted since 1981. This proposed change adjusts the credit values to make up for decades of inflation and neglect. Additionally, the credit will be tiered to better focus on those most in need and gradually phase-out as household income increases.

Housing is highest cost burden for families followed by childcare as a percentage of the overall family budget. More than half of renter-households spend more than 30 percent of their income on rent. We desperately need to alleviate the burden on renter families that are struggling to afford housing.

We need sound policies and stable funding sources that address the chronic housing shortage and bridge the economic gap for families to afford safe and secure housing, especially those with young children. Without state investments, we could see our state continue to lead the nation in growing rates for homelessness and unsafe and unstable housing.

Homeless Children: Hawaii has the highest homeless rate in the nation. It's estimated that one-third of the homeless in Hawaii are children.

Unstable Housing: Many of our families may not be living on the street or the beach, yet they don't have permanent housing -- they stay with friends and family –- moving frequently.

High cost of housing for families: 60 percent of households with young children in Hawaii pay more than 30% of their income for housing.

We need solutions and improved outcomes for our most vulnerable populations. Let's build a comprehensive affordable housing program that helps families at every stage secure stable housing options and allows us establish greater economic stability and a healthier thriving community.

For these reasons, HCAN respectfully requests that the committee vote to pass this bill and restore provisions of its original version.

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

TESTIMONY FOR HOUSE BILL 2166, HOUSE DRAFT 1, SENATE DRAFT 1, RELATING TO INCOME TAX CREDITS

Senate Committee on Ways and Means
Hon. Jill N. Tokuda, Chair
Hon. Donovan M. Dela Cruz, Vice Chair

Tuesday, March 29, 2016, 9:35 AM
State Capitol, Conference Room 211

Honorable Chair Tokuda and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that boasts over 350 members. On behalf of our members, we offer this testimony **in strong support of** House Bill 2166, HD1, SD1, relating to income tax credits.

The low-income household renter's credit was created almost 40 years ago to provide tax relief to low- and moderate-income households, yet has not been updated in decades. As our state maintains the highest cost of living, rental, and housing prices in the nation, we must ease the tax burden on struggling families.

As noted by the Hawai'i Appleseed Center for Law and Economic Justice, local renters face crippling cost burdens:

- 44 percent of Hawai'i's households are renters;
- More than half of our renter-households are cost-burdened, spending more than 30 percent of their income on rent;
- 72 percent of people in Hawaiʻi living at or near the poverty line spend more than half of their incomes on rent;
- 63 percent of moderate-income renters—households making 51–80 percent of the area median income, and generally ineligible for public assistance—are cost-burdened; and

- A full-time worker needs to make $31.61 per hour to be able to afford fair market rent for a two-bedroom apartment.

The islands' regressive tax system only worsens the problem. Low-income households face the second highest tax burden in the nation, paying over 13 percent of their income in taxes. The top 20 percent of our state's earners, by comparison, pay 8 percent or less. Moreover, renters don't benefit from mortgage interest or property tax deductions, but pay their landlords' GET and property taxes in the form of higher rents. While the renters' credit was last adjusted in 1989 when the income threshold was increased, the value of the credit hasn't changed since 1981. Thus, in inflation-adjusted dollars, the income threshold is a paltry $15,640 and the credit worth only $19.11. This measure would increase the credit's amount to account for inflation and improve the credit's progressivity by allowing for a gradual credit phase-out as household income increases, thereby focusing the credit on those in need. It would also automatically increase the credit, in future years, by linking it to the Consumer Price Index, ensuring that it does not again stagnate or precipitously lose value. Finally, it decreases the value of the credit is household income increases, eliminating "tax cliffs" that exclude those earning just over the prescribed thresholds from the credit's benefits.

Appleseed projects that these changes will benefit approximately 83,000 households, putting $20.3 million into the pockets of low- and moderate-income families, money that could be used for food, school supplies, clothes, and medical needs. Mahalo for the opportunity to testify **<u>in support</u>** of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance

TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa
808-395-3233

HEARING: 9:35 a.m. Tuesday, March 29, 2016

SUBJECT: HB 2166, HD1, SD1 Relating to Income Tax Credits - **SUPPORT**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on HB2166, HD1, SD1, which would expand the low-income household credit for renters.

According to the U.S. Census Bureau (http://www.census.gov/quickfacts/table/PST045215/15003), median gross rent for 2010 – 2014 was $1,528 per month. Included in the monthly amount is general excise tax (GET) of approximately $60. The current credit of $50 is woefully inadequate if the idea is to offset the impact of the GET.

I therefore support an increase in the credit as well as revisions to the adjusted gross income to include a separate calculation for joint filers.