

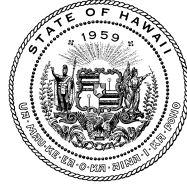
HB2166 HD1

Measure Title: RELATING TO INCOME TAX CREDITS.
Report Title: Income Tax Credit; Low-Income Household Renters
Description: Expands the low income-household renter's income tax credit based on adjusted gross income, filing status, and the Consumer Price Index for All Urban Consumers. Applies to taxable years beginning after 12/31/2016. (HB2166 HD1)

Companion:
Package: None
Current Referral: HOU, WAM
Introducer(s): JOHANSON, BELATTI, BROWER, CACHOLA, CULLEN, FUKUMOTO CHANG, HASHEM, ING, C. LEE, LOWEN, LUKE, MATSUMOTO, MORIKAWA, NAKASHIMA, NISHIMOTO, OHNO, RHOADS, SAIKI, WOODSON

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Breene Harimoto, Chair
and Members of the Senate Committee on Housing

Date: March 22, 2016

Time: 2:50 P.M.

Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 2166, H.D. 1, Relating to Income Tax Credits.

The Department of Taxation (Department) appreciates the intent of H.B. 2166, H.D. 1, and offers the following comments for your consideration.

H.B. 2166, H.D. 1, amends the low income renters' credit by changing the credit per exemption to unspecified amounts and by increasing the adjusted gross income (AGI) limit for the credit. The bill also provides separate AGI limits for single taxpayers and taxpayers filing jointly or as a surviving spouse or head of household.

The bill also requires annual adjustments to the credit amounts based on the Consumer Price Index (CPI). The adjustment is calculated by increasing the exemption amounts by the percentage, if any, that the CPI for the preceding calendar year exceeds the CPI for the calendar year 2017. The bill has a defective effective date and applies to taxable years beginning after December 31, 2016.

First, the Department notes that the proposed annual CPI adjustments will make the credit very difficult to administer and confusing for taxpayers. The bill will require the Department to annually adjust each exemption amount. In addition, the required adjustments will necessitate annual adjustments to our tax forms and computer system. If the legislature intends to increase the credit, the Department suggests it be increased by a fixed amount.

Second, the Department notes that the CPI adjustment for the first year (2017) will make it difficult for the Department to timely release updated income tax forms in time for the new tax filing season. The first CPI adjustment is due for tax years beginning after December 31, 2016. The calculation would require the CPI figures for calendar year 2016 and the CPI for calendar year

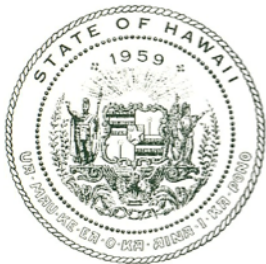
2017. However, the CPI for calendar year 2017 will not be available until early in the year 2018.¹ For this reason the Department recommends using the CPI for the 12 months preceding the previous June 30 and the CPI for the 12 months preceding June 30, 2017. Dividing the former by the latter will provide a similar percentage increase that will be available earlier in the year.

Finally, the Department notes that the Department of the Attorney General has previously stated that potential constitutional issues exist with residency requirement in the refundable food/excise tax credit, which is very similar to this credit. The Department defers to the Department of the Attorney General regarding the constitutionality of this credit.

Thank you for the opportunity to provide comments.

¹ CPI for reference month December 2015 released January 20, 2016, http://www.bls.gov/schedule/news_release/cpi.htm

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OF
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FAX: 808-586-5756

March 21, 2016

To: Senator Breene Harimoto, Chair
Senator Brickwood Galuteria, Vice Chair
Members of the Senate Committee on Housing

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

Re: Testimony in Support, HB 2166, HD1

Thank you for this opportunity to testify in strong support of HB 2166, HD1, 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 \$150.00 per qualified exemption.

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 8th poorest state under the United States Census Supplemental Poverty Measure. Hawaii is considered the 2nd worst state for taxing people in poverty. 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 policies aimed at alleviating a financial burden and mitigating the high cost of living for Hawaii's families have not maintained their relevance and ability to assist working families. 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 2166, HD1.



AMERICANS FOR DEMOCRATIC ACTION

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MAILING ADDRESS

PO. Box 23404
Honolulu
Hawai'i 96823

March 21, 2016

TO: Honorable Senator Harimoto, Chair, and Senator Galuteria, Vice Chair, and Members of the Senate Housing Committee

RE: HB 2166 Relating to Income Tax Credits
SUPPORT

HEARNG DATE: March 22.

Americans for Democratic Action is a national organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

ADA Hawaii Chapter supports HB 2166 as it expands the low income-household renter's credit based on adjusted gross income, filing status, and the Consumer Price Index for All Urban Consumers. It has been estimated that our tip fifth of income earners in Hawaii pay about 7 percent of their income in state taxes while the bottom fifth pay 14 percent. This is unacceptable. This bill would begin to solve the problem.

Thank you very much for considering the concerns of the Hawaii Chapter of Americans for Democratic Action.

Sincerely,

John Bickel
President



Progressive Democrats of Hawai'i

<http://pd-hawaii.com>

1418 Mokuna Pl. Pl, Honolulu, HI 96816

email: info@pd-hawaii.com

tel: 808-542-9084

COMMITTEE ON HOUSING

Senator Breene Harimoto, Chair

Senator Brickwood Galuteria, Vice Chair

Tuesday, March 22, 2016

2:50 pm, Room 225

HB2166 RELATING TO INCOME TAX CREDITS, IN STRONG SUPPORT

Good afternoon, Chair Harimoto, Vice Chair Galuteria and Members of the Committee,

Progressive Democrats of Hawaii strongly supports this bill, for reasons which have been repeated in successive sessions.

As we are all aware, the renter's tax credit has been set at \$50 since 1981, and inflation has eaten away at the value of that credit while the legislature has done nothing to preserve its value. If the Tax Credit were raised to restore it to the same value as in 1981, it would be raised to \$150.

For 34 years, working and middle class renters have had their interests neglected by previous legislatures and we believe the time is long past due when our legislators pay attention to the problem and restore that lost value to them.

We have attached a chart from the Institute on Taxation and Economic Policy we used last session as we fought for more tax fairness in this body. It shows at a glance how low and middle income residents pay a higher portion of their income than wealthier residents. It has not been updated to reflect the tax cut this body awarded to high-income earners last year. As we asked for more tax justice last year, we were told "there is no money." Yet the legislature saw fit to allow the higher income tax rate to expire, thereby giving away over \$40 million to those who are already the most affluent among us.

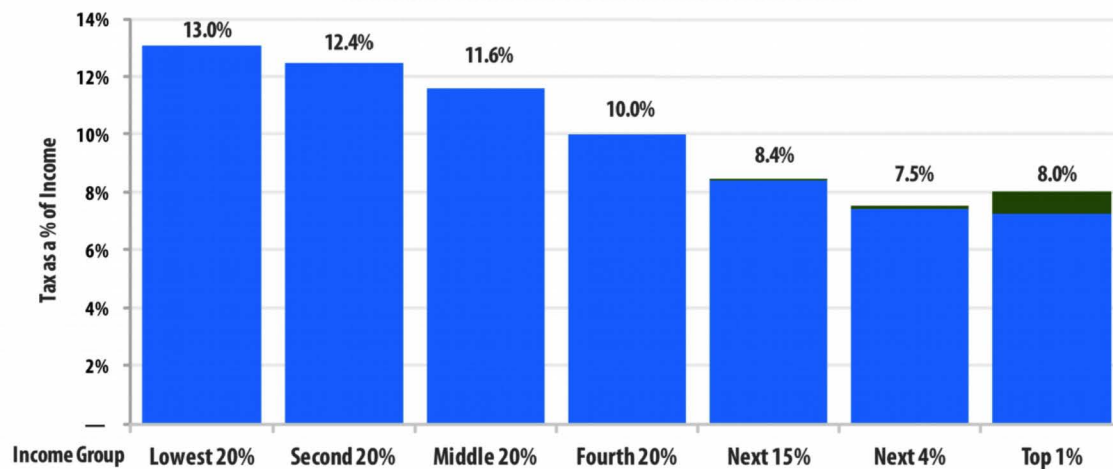
If you look at the chart, you can see that green area atop the columns on the right? That money was given away last year, making the chart and the tax structure in Hawaii, controlled by Democrat, even more unfair. But this year, the legislature has an opportunity to redress the inequity and make our tax system more fair. Our we can perpetuate the current system which taxes high income residents at a lower rate than low and middle earners.

Thank you for this opportunity to testify.

CHART ATTACHED

Hawaii State & Local Taxes

Shares of family income for non-elderly taxpayers



Source: Institute on Taxation and Economic Policy 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.



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

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TO: Senator Breene Harimoto, Chair
Senator Brickwood Galuteria, Vice-Chair
Members, Senate Committee on Housing

FROM: Scott Fuji, Executive Director PHOCUSED

HEARING: **Tuesday, March 22nd, 2016 at 2:50pm in Conf. Rm. 225**

Testimony in Support of HB 2166 HD1 RELATING TO INCOME TAX CREDITS

Thank you for the opportunity to provide testimony in **strong support** of HB 2166 which would expand the low income-household renter's credit for Hawaii's households. PHOCUSED is a non-profit membership based advocacy group for the health and human service sector.

The low-income renter's credit is long overdue for an update. Since its last update back in 1989 rents have skyrocketed across our state. Neither the income cap for becoming eligible for the credit nor the credit value itself has increased during these last 27 years resulting in losing ground for Hawaii's renting population. The increases and changes to the credit found in this bill would do the following:

- Allow this credit to naturally increase based on inflation
- Eliminate the "benefit cliff" by tiering the amount of benefit based on household income
- Increase the household income cap to \$60,000 so that more of Hawaii's working singles and families can benefit from this credit

In times of rising rents and low-wages Hawaii's families need some tax relief to help them stay in their homes. Homelessness is a rising issue and making rents more affordable requires approaches from all angles, including tax relief on their rents.

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.



**1124 Fort Street Mall, Suite 205 • Honolulu, Hawai`i 96813 Ph: 808.521.1846 Fx: 808.533.6995
Email: info@mentalhealth-hi.org • Web: www.mentalhealthhawaii.org**

March 21, 2016

TO: Senator Breene Harimoto, Chair, Senator Brickwood Galuteria, Vice Chair, and the members of the Senate Committee on Housing

FROM: Trisha Kajimura, Executive Director

RE : Testimony in support of HB 2166, Relating to Income Tax Credits

HEARING AT: Tuesday, March 22, 2016 2:50 pm CR 225

Thank you for hearing HB 2166, which updates the Low Income Household Renter's Tax Credit. **Mental Health America of Hawaii supports SB 2090.**

Mental Health America of Hawaii is a 501(c)3 organization founded in Hawaii over 70 years ago that serves the community by promoting mental health through advocacy, education and service.

Renters in Hawai'i face a staggering housing cost burden. Approximately 42 percent of our households rent, and a majority of them are cost-burdened, meaning they pay more than 30 percent of their income toward rent. Our rate of cost-burdened households is the highest in the nation. This is no surprise, as the fair market rent for a two-bedroom unit in Hawai'i is \$1,644 per month. A full-time worker would need to earn \$31.61 per hour—the highest in the nation—for this rent to be affordable. Yet the mean wage for a renter is just \$14.49—at this wage a family needs 2.2 full-time jobs to afford rent. The lowest-income households face a crushing cost burden: 72 percent are paying more than half of their income in rent. Even moderate income households struggle, with 65 percent of households earning 51–80 percent 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.

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, maintenance costs as well as property and GET tax deductions, which are available only to homeowners even though these costs are paid by tenants in their rent. 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.

After over three decades of neglect, HB2166 presents an opportunity to take a meaningful step forward in reducing the costs of housing for Hawai'i's struggling families and to begin to address the counterproductive and unfair regressivity of our state tax system. Thank you for the opportunity to testify.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 2166, HD1: RELATING TO INCOME TAX CREDITS

TO: Senator Breene Harimoto, Chair, Senator Brickwood Galuteria, Vice Chair, and Members, Committee on Housing

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

Hearing: **Tuesday, 3/22/16; 2:50 PM; Conference Room 225**

Thank you for the opportunity to testify in **strong support of HB 2166 HD1**, which expands the income tax credit for low-income household renters and provides for adjustments based on the Consumer Price Index. I am Betty Lou Larson, representing Catholic Charities Hawaii. This bill speaks directly to our advocacy priority of reducing poverty in Hawaii.

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.

Hawaii's high cost of living, including the highest cost of shelter in the country¹ and food costs for a family of four at 68% more than the mainland², makes living with a low-income very difficult. Not only are lower income renters 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. In fact, in just the past 10 years, rents have increased by over 65%. The need and justification for this tax credit has increased while the value of the existing credit has decreased.

Catholic Charities Hawaii supports adjusting the maximum credit to \$150 per exemption. We also support raising the income thresholds and a "phase out" of the credit to avoid families facing a steep Tax Cliff. Inflation and the cost of living as well as rents have significantly devalued the credit. We 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 (below) for any questions.

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>.



From: mailinglist@capitol.hawaii.gov
To: [HOU Testimony](#)
Cc: leilani.maxera@gmail.com
Subject: *Submitted testimony for HB2166 on Mar 22, 2016 14:50PM*
Date: Monday, March 21, 2016 11:06:38 AM

HB2166

Submitted on: 3/21/2016

Testimony for HOU on Mar 22, 2016 14:50PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Leilani Maxera	The CHOW Project	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.

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TESTIMONY BY ROBERT N.E. PIPER
TO
THE SENATE HOUSING COMMITTEE
ON
HB 2166: RELATING TO INCOME TAX CREDITS

Conference Room 225, State Capitol
2:50 p.m.
March 22, 2016

Chairperson Harimoto, Vice-Chairperson Galuteria and Members of the Senate Housing Committee:

Aloha mai kākou. My name is Robert N.E. Piper and I thank you for the opportunity and honor to submit this written testimony relating to HB 2166, which expands the low-income household renter's credit based on adjusted gross income, filing status, and the Consumer Price Index for all urban consumers.

I am the Executive Director of the Honolulu Community Action Program, Inc. ("HCAP"), a private non-profit human services agency serving Oahu since 1965 through its mission of POI: Providing Opportunities and Inspiration to enable low-income individuals or families to achieve self-reliance. HCAP offers a range of programs and services in six major areas: Early Childhood; Employment; Education; Economic Development; Emergency and Transitional Programs; and Community Development and Advocacy.

In light of our status as a 501(c)(3) organization, and our participation as a service provider under the Federal Community Services Block Grant, we submit this testimony solely to share our experiences with providing meaningful tax relief and other supports to low-income renter households.

HCAP has been providing its Federal Earned Income Tax Credit program since 2010 in partnership with the IRS and as part of the Hawaii Volunteer Tax Assistance & Financial Empowerment Coalition, resulting in total Federal refunds in the amount of \$5,053,730.

In addition, HCAP assists low-income renters through our Kumuhonua Transitional Living Center, providing services and finding resources to assist its residents to obtain permanent housing. HCAP also assists low-income renters with utility payments through the Low-Income Home Energy Assistance Program. In the past, HCAP assisted low-income renter households with direct rent assistance through the American Recovery and Reinvestment Act of 2009.

Written Testimony Only

Given the results we have seen from providing a variety of programs and services to low-income renter households, it is our experience that these types of supports provide much-needed assistance to working families struggling to get by on low wages.

On behalf of the people we serve, we thank you for your dedication and commitment to assisting the low-income community. Please feel free to contact me at (808) 521-4531, or via e-mail at rpiper@hcapweb.org, if you have any questions.



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

COMMITTEE ON HOUSING

Tuesday, March 22, 2016, Conference Room 225, 2:50 P.M.
HB 2166 HD1 RELATING TO INCOME TAX CREDITS

TESTIMONY

Ann Sack Shaver, Ph.D., President, League of Women Voters of Hawaii

Chair Harimoto, Vice-Chair Galuteria and Committee Members:

The League of Women Voters of Hawaii supports HB2166, a bill that expands the low-income renter's income tax credit, based on adjusted gross income, filing status and the Consumer Price Index for urban consumers.

Expanding and updating the Low-Income Household Renter's income tax credit will benefit not only the intended beneficiary group but also the entire community. It has been several decades since this credit was created. It is now time to make the credit commensurate with today's costs.

It is estimated that almost 45% of Hawaii's households rent their living spaces. Landlords, of course, pass their increased costs to their tenants, and tenants cannot deduct these expenses from their taxes. Since almost three quarters (72%) of people in Hawaii living at or near the poverty line spend more than half their income on rent, many in this vulnerable population eventually become homeless because they cannot afford their increasing rent.

Enacting this bill is a matter of economic justice for low- and moderate-income families and a realistic way to prevent homelessness among this at-risk population. It is an efficient way to help keep people in their rental housing. We urge you to pass this bill. Thank you for the opportunity to submit testimony.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law & Economic Justice
Support for **HB 2166, Relating to Income Tax Credits**
Senate Committee on Housing
Scheduled for Hearing Tuesday, Mar. 22, 2016, 2:50 PM, Conf. Rm. 225

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

Chair Harimoto, Vice Chair Galuteria, and Members of the Senate Committee on Housing:

Thank you very much for the opportunity to testify before the committee on **HB 2166, Relating to Income Tax Credits**. We **strongly support** this measure. The Low-Income Household Renter's credit was created 40 years ago to provide tax relief to low- and moderate-income households. This simple credit provides a refundable \$50-per-qualified-exemption tax credit to filers who made less than \$30,000 and paid more than \$1000 in rent. However the credit has not been updated for inflation since 1981 and today the \$50 credit is only worth about \$19.11 in inflation-adjusted dollars.

HB 2166 adjusts the credit amount, and the qualifying income threshold. These changes are needed to make up for ground lost to inflation during the past 35 years of neglect.

HB 2166 also takes important steps to bring credit into alignment with widely acknowledge tax policy best practices. First, it ensures that it does not again lose ground to inflation by making future increases automatic and keyed to changes in the Consumer Price Index. Second, it restructures the credit schedule to gradually decrease in value as household income increases. This helps to reduce the impact of so-called "tax cliffs" that are generally recognized as undesirable tax policy. Lastly, it changes the qualifying income thresholds for different classes of tax filers. This has the effect of redirecting a portion of the credit away from single filers in favor of families. While it is important that we support all of Hawai'i's residents, we also want to make sure that our support is well-targeted to those most in need. These changes will ensure that the credit does the best job that it can helping our state's low-income renters, and help to reduce the overall cost of the credit.

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. Approximately 42 percent of our households rent, and a majority of them are cost-burdened, meaning they pay more than 30 percent of their income toward rent (the standard definition of housing affordability). Our rate of cost-burdened households is the highest in the nation. This is no surprise, as the fair market rent for a two-bedroom unit in Hawai'i is \$1,644 per month. A full-time worker would need to earn \$31.61 per hour—the highest in the nation—for this rent to be affordable. Yet the



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

mean wage for a renter is just \$14.49—at this wage a family needs 2.2 full-time jobs to afford rent. The lowest-income households face a crushing cost burden: 72 percent are paying more than half of their income in rent. Even moderate income households struggle, with 65 percent of households earning 51–80 percent 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 these costs along by increasing rents. 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, maintenance costs as well as property and GET tax deductions, which are available only to homeowners even though these costs are paid by tenants in their rent. 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.

Under the current credit structure, a family of four trying to survive on less than \$30,000 per year would receive a mere \$200 in tax relief after having spent over \$19,000 in rent.¹ To ensure that this credit provides the meaningful tax relief it was created to we desperately need to bring it into the 21st century.

Once again, we thank you very much for the opportunity to express our **strong support** for efforts to modernize this important tax credit. After over three decades of neglect, HB 2166 presents an opportunity to take a meaningful step forward in reducing the costs of housing for Hawai‘i’s struggling families and to begin to address the counterproductive and unfair regressivity of our state tax system.

¹ Based on a fair market value of a 2-bedroom apartment in Hawai‘i, \$1,640/mo.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase renter credit

BILL NUMBER: HB 2166, HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Increases the renter tax credit. These credits are proposed to provide tax relief to low-income taxpayers. Lawmakers should consider adjusting the income tax rates so those taxpayers will not need to pay tax or file returns. This would also lead to less taxpayer confusion and fewer implementation costs.

BRIEF SUMMARY: Amends HRS section 235-55.7 to increase the amount of the renter credit from \$50 to an amount based on adjusted gross income:

For unmarried taxpayers:	
Adjusted gross income	Tax credit per exemption
Not over \$20,000	\$ _____
Over \$20,000, not over \$30,000	_____
Over \$30,000, not over \$40,000	_____
For married taxpayers, surviving spouse, head of household:	
Adjusted gross income	Tax credit per exemption
Not over \$30,000	\$ _____
Over \$30,000, not over \$45,000	_____
Over \$45,000, not over \$60,000	_____

For each taxable year beginning after 12/31/2016, each dollar amount in the table above is increased by any percentage increases in the Consumer Price Index. Presumably that would mean the credit amounts as well as the income threshold levels.

EFFECTIVE DATE: July 1, 2020; applies to tax years beginning after December 31, 2016.

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. Act 230, SLH 1981, increased the credit amount to \$50. Act 239, SLH 1989, increased the adjusted gross income (AGI) limit to \$30,000 to claim the credit. The proposed measure would increase the amount of the credit from \$50 to \$____. It does not increase the qualification amount – the taxpayer still will need to pay \$1,000 in rent during a taxable year to qualify for the credit.

There are two more issues with refundable credits targeted at low-income people generally.

First, a tax return is one of the most complicated documents for government agencies to process. The administrative costs associated with each one can quickly make heads spin. But when refundable credits are made available to folks who don't have much (or any) tax liability, one of two things may happen. One, those people may give up because a tax return is complicated to learn about and file correctly. Two, people may be motivated to file a return purely to get the refund check. When this happens, the department is visited by a number of folks who require special handling, homeless people for example. They might be able to provide a Social Security number, but they have no address and they don't have a bank account. Nevertheless, they are entitled to their refundable credit. Processing such people is even more expensive because higher level workers within the department need to get involved once the established procedures prove inadequate.

Next, as a policy matter, lawmakers might prefer that the recipient of the refund not use the money obtained on such things as cigarettes, alcohol, or illegal drugs. But the tax system contains no way of restricting the uses of a refund check; other departments do have systems in place (EBT, for example). The solution? Get such people out of the tax system entirely. They receive peace of mind because they don't have to worry about tax returns, and the department doesn't have to worry about processing those returns. If additional relief to such people is considered desirable, funnel it through the agencies that are better equipped to deliver it.

Digested 3/19/2016

From: mailinglist@capitol.hawaii.gov
To: [HOU Testimony](#)
Cc: patriciablair@msn.com
Subject: *Submitted testimony for HB2166 on Mar 22, 2016 14:50PM*
Date: Saturday, March 19, 2016 2:08:35 PM

HB2166

Submitted on: 3/19/2016

Testimony for HOU on Mar 22, 2016 14:50PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Patricia Blair	Individual	Support	No

Comments:

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HB2166

Submitted on: 3/19/2016

Testimony for HOU on Mar 22, 2016 14:50PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Margaret Graybill	Individual	Support	No

Comments: I strongly support the revised version of this bill. It makes the tax credit worth applying for with the adjustments for household income and dependents, as well as shared housing situations. It is also good to have the adjustments related to actual cost of living for Hawaiian residents. We must make Hawaii an affordable place for low-income working people! We are not a viable community without a workforce that can actually afford to live in our cities.

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HB2166

Submitted on: 3/21/2016

Testimony for HOU on Mar 22, 2016 14:50PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Adina Murakami	Individual	Support	No

Comments: March 21, 2016 To: Representative Karl Rhoads, Chair, Committee on Judiciary Representative Joy A. San Buenaventura, Vice-Chair, Committee on Judiciary Re: SB 1067 SD 2 Relating to Charitable Solicitation – SUPPORT Hearing: Thursday, March 22, 2016; HOU Committee; Room 225; 2:50 PM Honorable Chairs & Committee Members: Aloha United Way supports SB 1067 SD 1 which improves HRS Chapter 467B by making reporting requirements more consistent and appropriate to the size of the nonprofit. Nonprofit funding spent on reporting is not being spent on the nonprofits mission to improve the quality of life in our community. There is a delicate balance between collecting the information required to govern the operation of nonprofits and the costs associated with providing the reports. The changes envisioned in SB 1067 SD 1 make appropriate adjustments to the reporting requirements while preserving the Attorney General’s mandate to gather adequate information to monitor and evaluate the agency’s performance. As a student in the social work masters program at UH, I have had the unique opportunity to work with various nonprofits and believe the passing of this bill would benefit nonprofits regardless of size or scope of service. Thank you for the opportunity to submit testimony. We urge your favorable consideration of SB 1067 SD 1. Sincerely, Adina Murakami, BSW, CSAC MSW Candidate for Spring 2016, Myron B. Thompson School of Social Work, University of Hawai’i at Manoa

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