

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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PHONE NO: (808) 587-1540
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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

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

Date: March 1, 2016

Time: 11:02 A.M.

Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

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

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

H.B. 2166 amends the low income renters' credit by increasing and progressing the credit amount per exemption 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 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

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

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.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase renter credit

BILL NUMBER: HB 2166

INTRODUCED BY: JORDAN, LUKE, NISHIMOTO, YAMASHITA, DeCoite, Keohokalole

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. For the renters' credit, lawmakers may want to consider making the credit a percentage of the rent paid instead of a flat amount that needs to be adjusted periodically, but generally isn't.

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	\$150
Over \$20,000, not over \$30,000	100
Over \$30,000, not over \$40,000	50
For married taxpayers, surviving spouse, head of household:	
Adjusted gross income	Tax credit per exemption
Not over \$30,000	\$150
Over \$30,000, not over \$45,000	100
Over \$45,000, not over \$60,000	50

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: 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 \$150. 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, those folks are 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.

Second, 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 do so.

Digested 2/27/2016



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 Fuji, Executive Director PHOCUSED

HEARING: **Tuesday, March 1st, 2016 at 11:02am in Conf. Rm. 308**

Testimony in Support of HB 2166 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.

COMMUNITY ALLIANCE ON PRISONS

P.O. Box 37158, Honolulu, HI 96837-0158

Phone/email: (808) 927-1214 / kat.caphi@gmail.com



COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

Rep. Scott Nishimoto, Vice Chair

Tuesday, March 1, 2016

11:02 a.m.

Room 308

STRONG SUPPORT FOR HB 2166 – Low Income Renter’s Credit

Aloha Chair Luke, Vice Chair Nishimoto and Members of the Committee!

My name is Kat Brady and I am the Coordinator of Community Alliance on Prisons, a community initiative promoting smart justice policies in Hawai‘i for almost two decades. This testimony is respectfully offered on behalf of the 6,000 Hawai‘i individuals living behind bars or under the “care and custody” of the Department of Public Safety. We are always mindful that approximately 1,400 of Hawai‘i’s imprisoned people are serving their sentences abroad thousands of miles away from their loved ones, their homes and, for the disproportionate number of incarcerated Native Hawaiians, far from their ancestral lands.

HB 2166 expands the low income-household renter's 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.

Community Alliance on Prisons supports this measure that will help our people and families struggling to make ends meet, including those exiting incarceration.

Almost half of Hawai‘i households are renters and almost three-quarters are spending half of their income on rent. This means that a disproportionate number of Hawai‘i’s people are on the brink of poverty and homelessness. A family must earn \$31.61 an hour in order to afford a fair market value 2-bedroom apartment. We all know that most jobs do not pay \$31.61 an hour; and we remember the huge fight to raise our minimum wage to a mere \$10 an hour in 2017!

Community Alliance on Prisons implores the committee to pass this important legislation to help our people climb out of the death spiral of poverty. Hawai‘i must make sound public policy for the people of this land.

Mahalo for this opportunity to testify.



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 FINANCE

Rep. Sylvia Luke, Chair

Rep. Scott Y. Nishimoto, Vice Chair

Tuesday, February 25, 2016

11:02 am, Room 308

HB2166 RELATING TO INCOME TAX CREDITS, IN STRONG SUPPORT

Good afternoon, Chair Luke, Vice Chair Nishimoto 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.

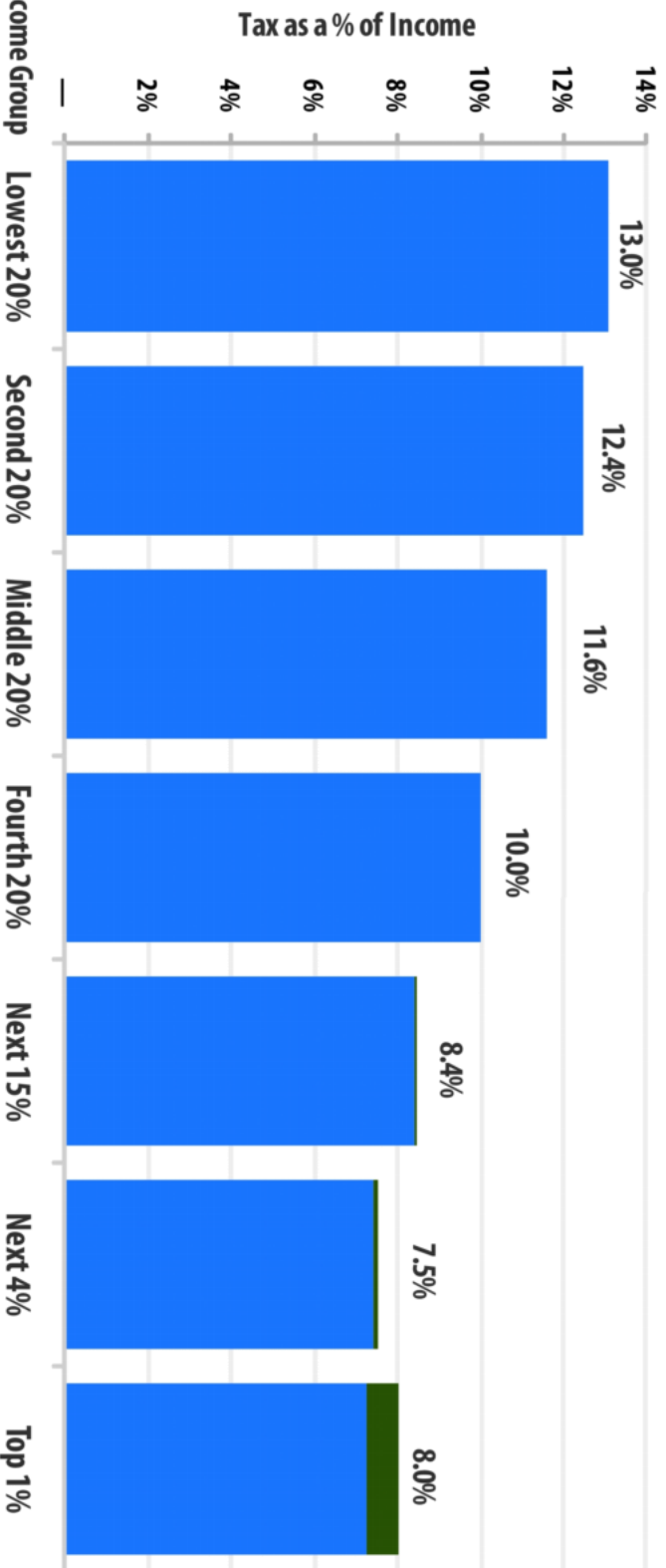
If you look at the chart, you can see that green area atop the columns on the right? That money was given away last year, making the chart and the tax structure in Hawaii, controlled by Democrat, even more unfair. But this year, the legislature has an opportunity to redress the inequity and make our 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.



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Honolulu
Hawai'i 96823

Feb. 28, 2016

TO: Honorable Sylvia Luke, Chair; Honorable Scott Nishimoto, Vice Chair; and Members of the House Finance Committee

RE: HB 2166 Relating to Income Tax Credits

HEARNG DATE: March 1.

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 top 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



CATHOLIC CHARITIES HAWAII

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

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

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

Hearing: **Tuesday, 3/1/16; 11:02 am; Conference Room 308**

Thank you for the opportunity to testify **in support of HB 2166**, which expands the income tax credit for low-income household renters and provides for adjustments based on the Consumer Price Index.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. This bill speaks directly to our advocacy priority of reducing poverty in Hawai'i.

Hawai'i'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 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 Hawai'i 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 Hawai'i supports adjusting the maximum credit to \$150 per exemption. Raising the income thresholds is also critical 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 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) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have 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>.



TESTIMONY BY ROBERT N.E. PIPER
TO
THE HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCE
ON
HB 2166: RELATING TO INCOME TAX CREDITS

Conference Room 308, State Capitol
11:02 a.m.
March 1, 2016

Chairperson Luke, Vice-Chairperson Nishimoto, and Members of the House Finance Committee:

Aloha mai kakou. 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.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law & Economic Justice
Support **HB 2166, Relating to Income Tax Credits**
House Committee on Finance
Scheduled for Hearing Tuesday, Mar. 1, 2016, 11:02 AM, Conf. Rm. 308

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 Luke, Vice Chair Nishimoto, and Members of the House Finance Committee:

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 increases the credit amount to \$150-per-qualified-exemption, and increases the qualifying income threshold to allow households making less than \$60,000 per year to qualify for the credit. These changes would bring the credit values 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 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.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

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.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 29, 2016 2:03 PM
To: FINTestimony
Cc: annsfreed@gmail.com
Subject: Submitted testimony for HB2166 on Mar 1, 2016 11:02AM

HB2166

Submitted on: 2/29/2016

Testimony for FIN on Mar 1, 2016 11:02AM in Conference Room 308

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

Comments: The Hawaii Women's Coalition is in strong support of this measure to provide tax relief to the working poor of Hawaii, thus preventing homelessness and giving the working women and men of Hawaii the ability to provide for the basic necessities for their families. Women, particularly women who are heads of households, are disproportionately affected by this inequity. Please! The low income household renters credit has not been updated in decades. We are long overdue. Mahalo, Ann S. Freed Co-Chair Hawaii Women's Coalition

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 29, 2016 9:48 AM
To: FINTestimony
Cc: hlusk@chowproject.org
Subject: *Submitted testimony for HB2166 on Mar 1, 2016 11:02AM*

HB2166

Submitted on: 2/29/2016

Testimony for FIN on Mar 1, 2016 11:02AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Heather Lusk	The CHOW Project	Support	No

Comments:

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HOUSE COMMITTEE ON FINANCE

TUESDAY, MAR 1, 2016, 11:02 A.M., CONFERENCE ROOM 308
HB 2166 RELATING TO INCOME TAX CREDITS

TESTIMONY
Beppie Shapiro

Chair Luke, Vice-Chair Nishimoto, and Committee Members:

The League of Women Voters of Hawaii supports HB2166 which would adjust the calculation of income and credit amounts under the Low Income Household Renter (LIHR) law to adjust for past and future inflation, index credits to filing status, and gradually phase out credits as a renter's income rises.

Hawai'i's current homeless crisis is due in large part to the lack of affordable housing. To pay the average rent on a 2 bedroom apartment on Oahu without spending more than 30% of his/her income on rent, a full time worker would have to make over \$30/hour. Almost 75% of low income renters spend more than half their income on housing.

The LIHR tax credit makes rentals more affordable for low income renters by returning money to them when they file taxes. BUT: The amount of this credit however has not been adjusted since 1981; the income threshold for eligibility has not been adjusted since 1989. Inflation has drastically eaten away at the value of the LIHR credit since then. This bill would prevent the same problem from recurring in a few years by indexing future amounts to inflation. HB2166 is critically important to helping people with low incomes stay in housing.

In addition, HB2166 reforms the existing law in two ways:

- 1) It gradually phases out the credit as the renter's income increases, thus not penalizing people drastically for earning a little more money.
- 2) It considers filing status (i.e. generally, household size) when calculating the amount of the credit.

This is one of the most important bills for addressing our housing and homelessness crisis which is before the Legislature this session. Please support HB2166.

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 29, 2016 12:02 PM
To: FINTestimony
Cc: hokuokekai50@msn.com
Subject: *Submitted testimony for HB2166 on Mar 1, 2016 11:02AM*

HB2166

Submitted on: 2/29/2016

Testimony for FIN on Mar 1, 2016 11:02AM in Conference Room 308

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

Comments:

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Cc: gfarstrup@msn.com
Subject: *Submitted testimony for HB2166 on Mar 1, 2016 11:02AM*

HB2166

Submitted on: 2/29/2016

Testimony for FIN on Mar 1, 2016 11:02AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Greg and Pat Farstrup	Individual	Support	No

Comments:

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March 1, 2016

To: Rep. Sylvia Luke, Chair
Rep. Scott Nishimoto, Vice Chair
House Committee on Finance

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

Re: **HB 2166 – Relating to Income Tax Credits – Support
Agenda #2 -- Hawaii State Capitol, Conference Room 308
March 1, 2016 – 11:02 AM**

On behalf of Hawaii Children's Action Network (HCAN), formerly Good Beginnings Alliance, we are writing in support of HB 2166 – 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 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.

LATE



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**TESTIMONY FOR HOUSE BILL 2166, RELATING TO INCOME TAX
CREDITS**

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

**Tuesday, March 1, 2016, 11:02 AM
State Capitol, Conference Room 308**

Honorable Chair Luke 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, 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 Hawai'i 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.

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 **in support** of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance