**DAVID Y. IGE**
GOVERNOR

**SHAN TSUTSUI**
LT. GOVERNOR

**MARIA E. ZIELINSKI**
DIRECTOR OF TAXATION

STATE OF HAWAII
**DEPARTMENT OF TAXATION**
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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To: The Honorable Dee Morikawa, Chair
and Members of the House Committee on Human Services

Date: Thursday, February 5, 2015
Time: 8:30 A.M.
Place: Conference Room 329, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 246, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 246 and offers the following comments for your consideration.

H.B. 246 increases the amounts of the income tax credit for low-income household renters and increases the amount of the refundable food/excise tax credit. The Department notes that it is able to administer these changes, but notes that section 4 of this measure makes the changes applicable to taxable years beginning after December 31, 2013. The Department requests that the effective date be changed to taxable years beginning after December 31, 2015 to prevent the retroactive application of the measure and to allow the Department to make the necessary form, instructions, and computer system changes.

Thank you for the opportunity to provide comments.

SUBJECT: INCOME, Increase renter credit; food/excise tax credit

BILL NUMBER: HB 246

INTRODUCED BY: Choy

EXECUTIVE SUMMARY: Increases the renter tax credit and the food/excise 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 $150.

Amends HRS section 235-55.85 to increase the food/excise tax credit based on the taxpayer's AGI:

| Adjusted gross income | Tax credit |
|---|---|
| Under $5,000 | $170 |
| $ 5,000 under $10,000 | 150 |
| 10,000 under 15,000 | 130 |
| 15,000 under 20,000 | 110 |
| 20,000 under 30,000 | 90 |
| 30,000 under 40,000 | 70 |
| 40,000 under 50,000 | 50 |
| 50,000 and over | 0 |

EFFECTIVE DATE: Tax years beginning after December 31, 2013

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 (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 AGI limit nor 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.

This measure proposes to increase the refundable food/excise tax credit. While it appears that this measure proposes tax relief to lower income taxpayers, consideration should be given to adjusting the income tax rates or the threshold amounts so those taxpayers that these credits are aimed to help will not need to claim these credits to get tax relief (or forfeit the credits if they fail to do so).

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 2/3/15

CATHOLIC CHARITIES HAWAI'I

**TESTIMONY IN SUPPORT OF HB 246: Relating to Taxation**

TO: Representative Dee Morikawa, Chair, Representative Bertrand Kobayashi, Vice Chair, Members of the Committee on Human Services

FROM: Trisha Kajimura, Social Policy Director, Catholic Charities Hawai'i

**Hearing: Thursday, February 5, 2015, 8:30 am Conference Room 329**

Thank you for the opportunity to testify in support of HB 246, which increases the income tax credit for low-income household renters and the food/excise tax credit for low-income households.

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 country [1] and food costs for a family of four at 68% more than the mainland [2], 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 value, 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 other words the need and justification for this tax credit has increased while the value of the existing credit has decreased.

Adjusting the amount of the credit to $150 per exemption and the eligibility cutoff to $60,000 would bring the low-income household renters credit current to 2015 and provide a more meaningful amount of tax relief to struggling renters. We request an amendment raising the income threshold for this tax-credit from the $30,000 in the bill to $60,000.

The food/excise tax credit, established in 2007, helps to restore some equity to lower-income consumers by providing a per-exemption refund based on an income scale. This bill will update the amounts of the food/excise credit and help to counter the regressivity of our general excise tax.

Thank you for your support. Please contact me at (808)527-4810 or trisha.kajimura@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.

CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822
Phone (808)527-4810 • trisha.kajimura@CatholicCharitiesHawaii.org

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Tuesday, February 03, 2015 3:23 PM
**To:** HUStestimony
**Cc:** cwatanabe@unitehere5.org
**Subject:** Submitted testimony for HB246 on Feb 5, 2015 08:30AM

**Categories:** Yellow Category

**HB246**
Submitted on: 2/3/2015
Testimony for HUS on Feb 5, 2015 08:30AM in Conference Room 329

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Cade Watanabe | UNITE HERE Local 5 | Support | No |

Comments: UNITE HERE Local 5 is a local labor organization representing 10,500 hotel, health care and food service workers employed throughout our State. We stand in strong support of HB 246 and ask for your Committee's support in advancing the measure with an amendment of increasing the income eligibility threshold to at least $60,000. Thank you.

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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AMERICANS FOR DEMOCRATIC ACTION
HAWAI'I

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February 3, 2015

Chair Representative Dee Morikawa and Human Services Committee Members

Re: HB 246 Relating to Taxation
Hearing on February 5, 2015

Dear Rep. Morikawa and Members of the Committee:

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

We support HB 246. Our residents pay more for shelter than those of any other state, and low-income residents pay a very high percentage of their income for rent. These renters do not get deductions for mortgage interest. The Low income Household Renters Credit was created in 1977 but has not been updated since 1981. It is time for an inflation adjustment. An automatic adjustment built into the formula would be an improvement to this bill to prevent another three decades of neglect to our low-income households.

In addition this bill would increase the Food/Excise Tax credit. Our families also pay more for food than those of in other states. While food costs have risen since 2007, this tax credit has not. Again the increase would be an improvement, but an automatic adjustment would be most preferred.

Thank you for your consideration.

Sincerely,

John Bickel
President

**TESTIMONY IN SUPPORT OF HB 246: RELATING TO TAXATION**

TO: Rep. Dee Morikawa, Chair; Rep. Bertrand Kobayashi, Vice Chair; and members of the House Committee on Human Services
FROM: Betty Lou Larson, Advocacy Committee, Partners in Care
**Hearing: Thursday, February 5, 2015, 8:30 am, Room 329**

Dear Chair Morikawa, Vice Chair Kobayashi, and members of the committee:

Thank you for the opportunity to provide testimony in **strong support** of House Bill 246 to increase the low income household renters credit and food/excise tax credit. I am Betty Lou Larson from the Advocacy Committee of Partners in Care. We support this policy to help prevent low-income people better make ends meet and remain securely housed.

It is no coincidence that Hawaii has both the highest cost of living and the highest rate of homelessness among the states. Our housing costs are twice the national average, and four out of five extremely low income households are paying more than *half* of their income toward housing. Increasing the refundable renters and food/excise tax credit is an important strategy to help prevent homelessness and keep families securely housed.

Our providers have found that for many families who are living paycheck to paycheck, even 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 just three months, putting them at severe risk of homelessness. Increasing these credits will help provide a buffer by alleviating the tax burden on our low-income families.

Despite rising costs, the food/excise tax credit has not been increased in almost a decade, while the renters credit has not been adjusted since the 1980s. Updating the renters credit will help families afford housing and also provide some relief for the regressive burden of the GET and property taxes levied on low-income households. We respectfully request that the Committee **amend this bill by allowing households earning up to $60,000 to claim the renters credit**. This increase would cover more families in need and account for the inflation that has occurred since the current $30,000 income threshold was last set in 1989.

These increases will make a meaningful difference for low-income households, helping them make ends meet, save for a rainy day, and avoid homelessness. While we are in dire need of additional housing inventory, an increase in the renters and food/excise tax credits is a fair and sensible way to help families afford housing.

Again, thank you for the opportunity for Partners in Care to testify in **strong support** of SB 392. Please contact me at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.

COMMITTEE ON HUMAN SERVICES
Rep. Dee Morikawa, Chair
Rep. Bertrand Kobayashi, Vice Chair

Feb 4, 2015

HB 246 RELATING TO TAXATION

Testifying in Strong Support

Good morning, Chair Morikawa, Vice Chair Kobayashi and Members of the Committee,

The Democratic Party of Hawaii **STRONGLY SUPPORTS** this bill.

HB246 would increase both the renter's tax credit and the refundable tax credit on food. The Democratic Party recognizes the current state tax code imposes and much steeper effective tax rate on low income people, while taxing wealthier people at a much lower rate. We have attached to this testimony a chart from the Institute on Taxation and Economic Policy which illustrates the over all regressivity of our tax code. We start our examination of this bill from our strong commitment to creating a progressive tax structure, which would tax wealthier people, who have much more "ability to pay," than middle and low income earners. That is our starting point. We hope you the chart will become so familiar to legislators that you will see it when you close your eyes.

The main reason our state tax code is so regressive is because of our reliance upon the GET for about 50% of all tax revenue. There are significant advantages to the GET, including its ability to EXPORT about 38% of the GET tax burden to non-residents. And it is unlikely we will be moving away from our dependence upon the GET for revenue. But if we are going to rely upon the GET, we are obliged to find ways to offset its inherent regressivity through conscious countermeasures aimed at reducing taxes on low and middle-income residents.

The two proposals in this bill, increasing the renter's tax credit and the refundable tax credit on food are two easy and well-justified steps towards this end. The renter's tax credit was set at $50 back in 1981 and has not been adjusted for the inflation since then. There are significant tax advantages granted to homeowners in order to incentivize their purchase of homes. This tax credit was established in recognition that renters also deserve some help.

It is LONG past due to turn our attention, after 34 years of conscious neglect, to the need to bring the renter's tax credit up to its former value. Adjusted for inflation, that would be $150 per qualified exemption and we strongly support this.

In addition, HB 246 will adjust the refundable tax credit on food. This tax credit was established as a deliberate corrective to allow the state to benefit from the “ruthless efficiency” of the GET, including a tax on essentials like food, while compensating low and middle income residents for their costs in paying the tax. It has also not been adjusted for inflation, though this neglect has only gone on since 2007. We urge you to correct this growing problem and live up to the obligation recognized when the tax credit was created in the first place.

We have attached to this testimony a resolution passed at the May 2014 Democratic State Convention which speaks directly to these two tax reforms. In resolution GOV 2014-02, the Party explicitly states:

*Resolved,* The Democratic Party of Hawaiʻi urges our legislators to make adjustments to our tax system including an update to tax credits affecting low and middle income residents, specifically including the low-income renter tax credit and the Food/Excise Tax credit

Accordingly, the State Central Committee of the Democratic Party has established support for bills increasing these tax credits as a top-tier priority for the 2015 legislative session.

We strongly urge your support for this measure.

Thank you for the opportunity to testify on this important matter.

The Legislation Committee of the Democratic Party of Hawaii

ATTACHMENTS:

1) Resolution GOV-2014-02, entitled “**Support for a Progressive Tax Structure, Reducing Taxes for Low-Income Residents”**

2) **Chart from the ITEP report, “Who Pays?” showing the overall regressivity of Hawaii's state and county tax policies.**

GOV 2014-02 **Support for a Progressive Tax Structure, Reducing Taxes for Low-Income Residents**

Whereas, The effective tax rate paid by low-income  Hawai‘i residents is about 13% of their income, while the effective tax rate paid by the wealthiest  Hawai‘i residents, after deductions and reduced rates for capital gains, averages about 8%; and

Whereas, The tax rates for low-income  Hawai‘i residents are among the highest in the country and our State income tax laws impose tax liabilities starting at a very low adjusted income; and

Whereas, This imbalance in tax rates, whereby low income residents pay a higher rate than wealthier residents, violates basic tax fairness, which should be reflect the ability to pay; and

Whereas, The tax credit for low-income renters has not been adjusted since 1981; and

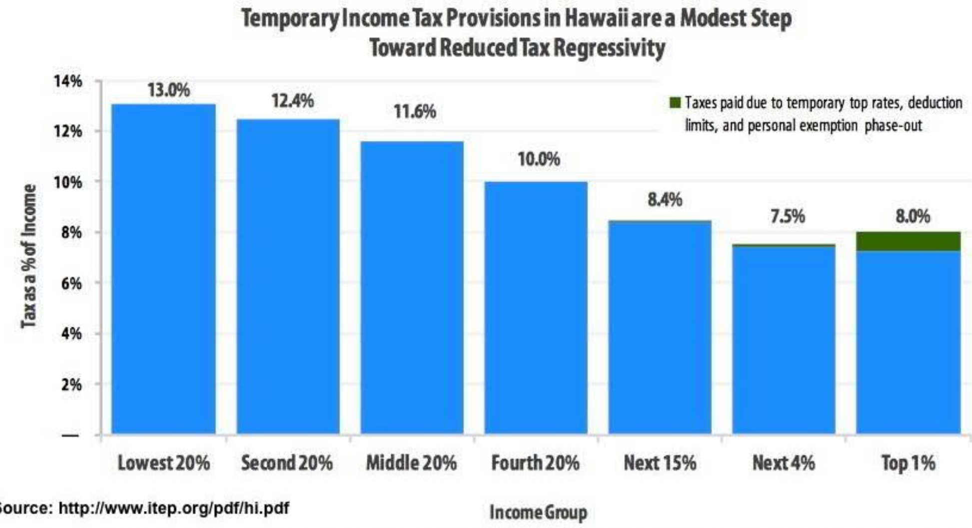
Whereas, The tax credit to offset the impact of the General Excise Tax (GET) on  Hawai‘i residents has not been adjusted since 2007, despite inflation; and

Whereas, Other changes to the tax structure can help reduce poverty and shield low-income families and individuals from taxes when they are already struggling to survive; now, therefore, be it

*Resolved*, The Democratic Party of  Hawai‘i declares its support for the principle of progressive taxation, and commits to re-balancing our tax structure to ensure lower income residents pay a lower tax rate than higher income residents; and be it

*Resolved,* The Democratic Party of  Hawai‘i urges our legislators to make adjustments to our tax system including an update to tax credits affecting low and middle income residents, specifically including the low-income renter tax credit and the Food/Excise Tax credit; and be it

*Ordered,* That copies of the resolution be transmitted to Governor of  Hawai‘i and the Democratic members of the  Hawai‘i State Legislature.




Source: http://www.itep.org/pdf/hi.pdf

To the right, you will see a green segment atop the tax rate paid by the 1%. That is a temporary tax hike, scheduled to expire at the end of 2015, unless the legislature acts to delete the "sunset" provision. So your legislator gets to CHOOSE, this coming session, if he/she wants to give the 1% a tax cut or not.

This chart should not be sloping downward if our tax structure were consistent with our professed support for a progressive tax system based upon "the ability to pay." It should be sloped upward, meaning that wealthier people would pay a higher effective tax rate than middle and low-income residents. But, after over 50 years of Democrats controlling tax policy in Hawaii, we have a regressive tax code. There are a number of proposals in legislation this year which would help correct the downward slope of this chart. Passing HB 246 is one way to help redress this injustice in the tax code.

ATTACHMENT #2

# PHOCUSED

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



TO: Representative Dee Morikawa, Chair - Human Services
Representative Bertrand Kobayashi, Vice Chair
Members, Committee on Human Services

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: House Committee on Human Services
**Thursday, February 05, 2015 at 8:30 a.m. in Conf. Room 329**

**Testimony in Support of HB246, Relating to Taxation**

Thank you for the opportunity to provide testimony in **suppor**t of **HB246**, which would increase the amounts of the income tax credit for low-income household renters and refundable food/excise tax credit. PHOCUSED is a coalition of health, housing, human services agencies and individual advocates committed to strengthening policies and programs to support the marginalized and underserved in Hawaii. PHOCUSED supports this measure **with amendments.**

PHOCUSED recognizes the strong need for low-income renters in Hawaii to receive some form of immediate relief for escalating rent prices. While constructing affordable-housing stock is the only way to provide long-term relief of Hawaii's working families many cannot wait for two, three, or even five years. Adjusting the amount of the tax credit for inflation is the first step in a comprehensive strategy to keep Hawaii's working families housed.

Unfortunately many of Hawaii's working families would miss out on this adjustment if the adjusted gross income cap is not also adjusted. Currently a family must make under $30,000 to qualify for this credit. We suggest that HB246 **be amended** to increase the cap to $60,000 to reflect a truer representation of Hawaii's working and renting families. In 1981, during the last adjustment period for the credit, the Annual Median Income (AMI) for Hawaii was $29,295; in 2014 the AMI was $67,402. Adjusting the income cap to $60,000 allows this credit to continue to benefit the people it was intended to back when it was originally created – Hawaii's low-income working families.

PHOCUSED thanks you for the opportunity to testify in 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.

American Savings Bank Tower (1001 Bishop St., Ste. 780) Honolulu, HI 96813 P: 808.521.7462
www.phocused-hawaii.org admin@phocused-hawaii.org

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**Ph: 808-587-7886**
**Toll Free: 1-866-400-1116**
**www.hawaiiancommunity.net**

February 4, 2015

HB246 Relating to Taxation
House Committee on Human Services
Room 329, State Capitol

**RE: SUPPORT WITH AMENDMENTS**

Aloha e Chair and Committee Members,

I am writing on behalf of Hawaiian Community Assets, a nonprofit 501c3 HUD-certified housing counseling agency, to testify in **support** of House Bill 246 which will increase the low income household renters credit to $150 per exemption and significantly increase the food/excise tax credit. In addition, we request that the legislation be **amended to increase the income eligibility threshold to $60,000** for the renters credit to account for inflation that has occurred since it was last adjusted.

According to the Corporation for Enterprise Development's 2014 Assets and Opportunities Scorecard, Hawaii ranks 49th in the nation among all states in housing cost burden for renters. The average Hawaii renter pays 55.6% of their income toward housing. This is due in part to the fact that rental income is subject to the General Excise Tax, and unit owners who must pay property taxes often include the costs in rent. At the same time, unlike homeowners who are able to claim mortgage interest deductions, tenants are unable to access similar relief. Combined with the fact that Hawaii has the highest cost of living in the United States, at more than 160% of the national average, our Hawaii renters are faced with major barriers as they try to build their asset wealth and achieve long-term financial stability.

Our State tax rate on low-income families makes the challenge of financial stability even worse. Our low-income families pay approximately 13% of their income toward state and local taxes, while those earning over $400,000 pay closer to 8%. The legislature helped alleviate this burden through the refundable low-income household renters credit created in 1977. However, this credit has not been adjusted since the 1980s and is outdated and unable to meet the needs of our low-income Hawaii renters.

This reality can be seen in the rising number of homeless individuals in our islands. According to the Hawaii Appleseed Center for Law and Economic Justice, Hawaii reported the highest homeless rate per capita in the nation with an increase of 11% between 2010 and 2011. Of these homeless individuals, 42% were reported to be children. As an organization that provides financial education and housing counseling to our homeless families, it is clear to see that a severe lack of affordable housing and market rate rentals at $1,392 for a 1-bedroom condo on Oahu will continue to drive our homeless rate up, unless our people are provided the type of relief which HB 246 offers.

The proposed adjustments in HB 246 will provide greater relief to more of our families burdened by high rental housing costs. 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.

Mahalo for the opportunity to provide my testimony in support of HB 246 with suggested amendments and encourage you to take action to provide critical relief to our renter families struggling to afford housing.

Sincerely

Jeff Gilbreath
Executive Director

**kobayashi2-Lynda**

| | |
|---|---|
| **From:** | mailinglist@capitol.hawaii.gov |
| **Sent:** | Wednesday, February 04, 2015 10:29 AM |
| **To:** | HUStestimony |
| **Cc:** | hlusk@chowproject.org |
| **Subject:** | *Submitted testimony for HB246 on Feb 5, 2015 08:30AM* |

**HB246**
Submitted on: 2/4/2015
Testimony for HUS on Feb 5, 2015 08:30AM in Conference Room 329

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Heather Lusk | 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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## kobayashi2-Lynda

**From:** mailinglist@capitol.hawaii.gov
**Sent:** Wednesday, February 04, 2015 9:17 AM
**To:** HUStestimony
**Cc:** ajc@aloha.net
**Subject:** Submitted testimony for HB246 on Feb 5, 2015 08:30AM

**HB246**
Submitted on: 2/4/2015
Testimony for HUS on Feb 5, 2015 08:30AM in Conference Room 329

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Alika Campbell | Individual | Comments Only | No |

Comments: I strongly support increasing the low income household renters credit. This credit has not been adjusted in years and raising it would be very helpful. I also encourage you to consider raising the income threshold for the credit. Lastly, increasing the food/excise tax credit is a good idea too.

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LATE

OFFICE OF HAWAIIAN AFFAIRS
Legislative Testimony

**HB246**
**RELATING TO TAXATION**
House Committee on Human Services

February 5, 2015 8:30 a.m. Conference Room 329

The Office of Hawaiian Affairs (OHA) Committee on Beneficiary Advocacy and Empowerment will recommend to the OHA Board of Trustees a position of **SUPPORT** for HB246. This measure would relieve the tax burden on low-income individuals, by increasing the low income renters tax credit from $50 to $150, and adjusting the refundable food/excise tax credit from $85 to $170. OHA supports this bill as it fits within our strategic priority of improving the economic self-sufficiency of Native Hawaiians.

The Institute on Taxation and Economic Policy (ITEP) has reported that Hawai'i is one of the ten states with the highest taxes on the poor. Accordingly, HB246 proposes a pragmatic way to alleviate the tax burden on those low-income individuals and families facing housing insecurity. The low income household renters credit (LIHR) was created in 1977 to mitigate the high cost of housing in Hawai'i. The credit currently provides a $50 tax credit per "qualified exemption," for households with an adjusted gross income of less than $30,000, that pay more than $1,000 a year in rent. Our kūpuna over the age of 65 are able to receive double the credit. The value of the LIHR credit has not been updated since 1981. Accordingly, this measure would adjust the credit for the first time in over three decades, setting it at $150 per qualified exemption for households with an adjusted gross income of less than $30,000.

The General Excise Tax (GET) applies to virtually all goods and services, including necessities such as food. Accordingly, both low- and high- income individuals are taxed at the same rate for essential purchases. The refundable food/excise tax credit was created to offset the inherently regressive impact of the GET on low- and moderate-income households, and provide targeted relief to low- and moderate- income individuals. While it has helped to provide critical and much-needed relief to such individuals, the credit has not been adjusted to reflect the inflation that has occurred since it was first created in 2007. This measure would further the policy of this important tax credit, by adjusting the credit for individuals making under $50,000, to account for inflation and the increased cost of living.

Adjusting the LIHR and food/excise tax credit will have a significant impact on our beneficiaries, many of whom have low incomes and struggle to afford food and rent. Research shows that Native Hawaiians participate in the labor force at higher rates than the state average, yet according to the latest U.S. Census Data, Native Hawaiian families have the lowest median income of all major ethnic groups in the state and Native Hawaiians make $9,105 less per-capita income than the state average. Further, Native Hawaiians live in poverty at disproportionately high rates. This measure would provide meaningful relief to Hawaiʻi's neediest families, enabling our low-income beneficiaries and similarly situated members of the larger community to remain self-sufficient and housing secure.

Accordingly, OHA urges the Committee to **PASS** HB246. Mahalo nui for the opportunity to testify on this measure.

LATE

HPCA

HAWAI'I PRIMARY CARE ASSOCIATION

**House Committee on Human Services**
The Hon. Dee Morikawa, Chair
The Hon. Bertrand Kobayashi, Vice Chair

# Testimony in Support of House Bill 246

**Relating to Taxation**

**Submitted by Robert Hirokawa, Chief Executive Officer**

**February 5, 2015, 8:30 am, Room 329**

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports House Bill 246, increasing 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.

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HAWAII STATE COMMISSION ON THE STATUS OF WOMEN



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**LATE**

February 4, 2015

To: Representative Dee Morikawa, Chair
Representative Bertrand Kobayashi, Vice Chair
Members of the House Committee on Human Services

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

Re: Testimony in Support, HB 246, Relating to Taxation

Thank you for this opportunity to testify in strong support of HB 246, 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. Additionally, HB 246 would significantly increase the food excise tax credit, which has not been adjusted for inflation since it was created in 2007. These policies, if passed, would have a direct effect on low income women and children.

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. Many of our families are reliant on state benefits just to "get by" 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 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 proposed changes to the food/excise tax credit would update it to restore some of this lost value.

The Commission urges this Committee to pass HB 246.
Thank you for this opportunity to testify.

**kobayashi2-Lynda**

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**From:** mailinglist@capitol.hawaii.gov
**Sent:** Wednesday, February 04, 2015 2:42 PM
**To:** HUStestimony
**Cc:** drodrigues2001@yahoo.com
**Subject:** Submitted testimony for HB246 on Feb 5, 2015 08:30AM

**Categories:** Yellow Category

LATE

**HB246**
Submitted on: 2/4/2015
Testimony for HUS on Feb 5, 2015 08:30AM in Conference Room 329

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Darlene Rodrigues | Individual | Support | No |

Comments: I write in STRONG SUPPORT of HB246. Mahalo!

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

Hawaii Women's Coalition

COMMITTEE ON HUMAN SERVICES
Rep. Dee Morikawa, Chair
Rep. Bertrand Kobayashi, Vice Chair

DATE: Thursday, February 05, 2015
TIME: 8:30 a.m.
PLACE: Conference Room 329

**STRONG SUPPORT FOR HB 246**

Aloha Chair Morikawa and members,

The Hawai`i Women's Coalition is in strong support of this important bill aimed at easing the high cost of living in Hawaii for our most vulnerable low-income citizens.

Consider. Hawai'i's cost of living is the **highest** in the nation at over 160% of the national average. Yet, when adjusted for the cost of living, our residents are earn the **lowest wages** in the country. Groceries contribute substantially towards the cost at almost 60% more than on the mainland.

Hawai'i's tax structure is regressive and exacerbates the high cost of living, with our **lowest-income residents facing the second heaviest tax burden in the country.** The poorest taxpayers pay, on average, over 13 cents of every dollar of income in taxes, while those earning more than $375,000 pay just 7 cents on every dollar of income.

The GET is a major contributor to the regressive impact of Hawai'i's tax system. Low-income people have to spend nearly all of their income just to survive. The GET applies to virtually all goods and services, including necessities such as groceries and **medical care**. Medical care for heaven's sake!

The 0.5% GET levied on wholesale transactions also creates a "pyramiding" effect which drives up retail prices. At the same time, even some working families in poverty owe personal income taxes—on top of the GET they have paid on all their purchases. The sum of these tax policies is an economic "perfect storm" for those at or below poverty in our supposedly progressive state.

This bill proposes adjustments to the Food/Excise Tax Credit in order to provide some small relief to those most in need. The food/excise tax credit was created to mitigate the high cost of living in Hawai'i and the inherently regressive impact of the GET on low and moderate-income households. The credit is refundable, so if a household's income tax liability is less than the credit, the household will receive a tax refund from the state.

The current credit has a maximum value of $85 per qualified exemption. Households with federal adjusted gross income of less than $50,000 are eligible for the credit, with the value of the credit decreasing as income increases. **This credit has not been adjusted to keep up with inflation since it was created in 2007**.

The proposed changes to the food/excise tax credit would update it to restore some of this lost value. They would increase the maximum value of the credit amount to $100 per qualified exemption and adjust the income thresholds so that households with an adjusted gross income of less than $57,000 would be eligible for the credit. The proposed changes would also adjust credit values and income thresholds automatically for inflation to ensure that it does not lose ground going forward.

This is an important step moving our Hawaii Ohana forward into a post-wall-street-meltdown world. Please! Pass this bill.

Mahalo for the opportunity to testify,

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

LATE

HAWAI'I APPLESEED CENTER
LAW
AND
ECONOMIC
JUSTICE



Testimony of Hawai'i Appleseed Center for Law and Economic Justice
House Bill 246 Relating to Taxation
House Committee on Human Services
Scheduled for Hearing Thursday, February 5, 2015 8:30 AM, Room 329

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*Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit law firm created to advocate on behalf of low income individuals and families in Hawai'i on policy and legal issues. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.*

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Thank you for the opportunity to testify in **strong support** of House Bill 246, which would increase the low-income household renters credit and food/excise tax credit. These important credits, intended to provide meaningful tax relief to low and moderate-income households, have lost significant ground since the values were last set and are long overdue for an increase.

Low and even moderate-income households struggle to make ends meet in Hawai'i. We have the highest cost of living in the country, with housing costs at twice the national average and groceries exceeding the national average by almost 60 percent. Over half of our renters are cost-burdened, meaning they pay more than 30 percent of their income toward rent. Seventy-eight percent of extremely low-income renters are paying more than *half* of their income in rent, leaving them with precious little to make ends meet.

These hardships are made even worse by Hawai'i's regressive tax structure. The lowest income households pay more than 13 cents per dollar of income toward taxes, while the wealthiest spend just 7 cents of every dollar. In fact, Hawai'i's low-income residents face the **second highest tax burden in the country**. This is in large part due to the General Excise Tax, which hits low-income households the hardest because they must spend nearly all of their income just to get by. Renters also receive unfavorable tax treatment because they do not benefit from the mortgage interest or property tax deductions. Yet they still pay these expenses in practice: while property owners are legally responsible for paying the GET and property taxes, they effectively pass these costs along in the rent.

These credits were intended to ameliorate this unfair tax structure by providing a refund for those who can least afford to pay. But we have allowed the credits to lose ground and left our low and moderate-income households behind. For example, the renters credit of **$50 was last set in 1981**, and its real value has dramatically declined. Its buying power is just $19.30 in 2014 dollars, and the income eligibility threshold of $30,000 is worth $15,713 today—below the poverty guidelines for a family of two. Because of this, we respectfully propose an **amendment to allow households earning up to $60,000 to claim the renters credit**, which would account for the inflation that has occurred since it was last set in 1989.

We have an opportunity to make a real difference in the lives of low and moderate-income households, and also to make our tax system fairer and more equitable. It's time to update these credits to address the serious financial struggle of these families simply survive in Hawai'i. Again, thank you for the opportunity to testify in **strong support** on HB 246.

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Hawai'i Appleseed Center for Law and Economic Justice
119 Merchant Street, Suite 605A ◆ Honolulu, Hawai`i, 96813 ◆ (808) 587-7605

LATE

The Twenty-Eighth Legislature
Regular Session of 2015

HOUSE OF REPRESENTATIVES
Committee on Human Services
Rep. Dee Morikawa, Chair
Rep. Bertrand Kobayashi, Vice Chair
State Capitol, Conference Room 329
Thursday, February 5, 2015; 8:30 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 246**
**RELATING TO TAXATION**

The ILWU Local 142 supports H.B. 246, which increases the amounts of the income tax credit for low-income household renters and the refundable food/excise tax credit.

One proposal would triple the low-income household renter tax credit to $150 for taxpayers with adjusted gross incomes of less than $30,000. This appears reasonable since the tax credit has been virtually unchanged for years. However, we suggest that the minimum adjusted gross income be increased in recognition of the relatively stagnant wages that have failed to keep up with Hawaii's cost of living and the steadily increasing rent amounts throughout the state.

The other proposal would increase the food/excise tax credit to $170 for annual incomes of under $5,000, gradually diminishing to $0 for incomes more than $50,000. The refundable tax credit would clearly benefit taxpayers who are struggling with low incomes. However, to be realistic and fair, the income thresholds should be adjusted. Instead of starting with adjusted gross incomes less than $5,000, the first threshold should probably be no less than $13,550, which is the Federal Poverty Level (FPL) for a single person, or $16,120, which is the current minimum wage for full-time employment.

The ILWU urges passage of H.B. 246. Thank you for the opportunity to testify on this measure.

**kobayashi2-Lynda**

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**HB246**
Submitted on: 2/5/2015
Testimony for HUS on Feb 5, 2015 08:30AM in Conference Room 329

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Joy Marshall | Individual | Support | No |

Comments: With amendments as presented by the Commission on Women

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**HB246**
Submitted on: 2/5/2015
Testimony for HUS on Feb 5, 2015 08:30AM in Conference Room 329

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Kenny Wusstig | Individual | Support | No |

Comments:

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