



# PARTNERS IN CARE

## Oahu Continuum of Care

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

### TESTIMONY IN SUPPORT OF SB 556: RELATING TO TAXATION

**TO:** Senator Jill Tokuda, Chair; Sen. Ronald Kouchi, Vice Chair; and members of the Senate Committee on Ways and Means  
**FROM:** Betty Lou Larson, Advocacy Committee, Partners in Care  
**Hearing:** **Friday, February 6, 2015, 9:00 am, Room 211**

Dear Chair Tokuda, Vice Chair Kouchi, and members of the committee:

Thank you for the opportunity to provide testimony in **strong support** of SB 556 to create a state earned income tax credit with a value set at 10% of the federal credit. I am Betty Lou Larson from the Advocacy Committee of Partners in Care. We support this policy to promote the financial security of low-income families at risk of homelessness and to help those transitioning out of homelessness to get back on their feet.

Hawai'i has the highest cost of living in the United States, at nearly 160% of the national average. We also have the 5<sup>th</sup> highest rate of poverty among the states, with 18.4% of our residents living below the U.S. Census Supplemental Poverty Measure. Given the high cost of living and high poverty rate, it's no surprise that we have the **highest rate of homelessness** among the states. Our regressive tax system makes it even harder for low-income families to get by and stay securely housed. The bottom 20 percent of households pay more than 13 percent of their income toward state and local taxes, while those earning over \$375,000 pay just 7 percent. Hawaii is considered the second worst state in the country when it comes to taxing its low-income families.

A state earned income tax credit will help make our tax system fairer so that working families can make ends meet. The federal EITC has been a highly effective anti-poverty measure that puts money back in the pockets of low-income workers, especially family breadwinners: in 2011, it lifted 15,000 of Hawai'i's children above the poverty guidelines. We can build on this success by creating a state EITC.

The EITC is a way to help prevent homelessness because it lets workers keep more of what they earn and supplements their income. It encourages employment because only filers with earned income can claim it, and it is particularly targeted at families with children. It helps families to pay their bills and purchase necessities, and households are also encouraged to save some of their EITC to build assets. Even families experiencing homelessness would benefit from the proposed state EITC: the 2010 Homeless Services Utilization Report found that more than half of Hawai'i's homeless families have at least one adult working.

We respectfully urge the Committee to pass SB 556 to create a state EITC, which will provide critical relief to our families struggling to make ends meet and prevent homelessness. Again, thank you for the opportunity for Partners in Care to testify in **strong support** of SB 556. Please contact me at (808) 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) if you have any questions.

**SB556**

Submitted on: 2/5/2015

Testimony for WAM on Feb 6, 2015 09:00AM in Conference Room 211

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

Comments: The Hawaii Women's Coalition has also fought for years to get a state EITC. As in previous testimony we have noted to deleterious effect of Hawaii's tax system on women, whether they be working women, stay-at-home moms, single parents or caregivers. Please help our struggling families. Pass this bill.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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COMMITTEE ON WAYS AND MEANS

Senator Jill N. Tokuda, Chair Senator Ronald D. Kouchi, Vice Chair

Friday, February 06, 2015

SB 556, RELATING TO TAXATION

Testifying in Support

Good afternoon, Chair Tokuda, Vice Chair Kouchi and Members of the Committee,

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

SB 556 would create a state level refundable state earned income tax credit which would help low income residents build up assets, pay their expenses and incentivize work by allowing them to keep a larger portion of their earnings.

The platform of the Democratic Party of Hawaii unequivocally states:

**"We re-affirm our commitment to a progressive tax structure and will work to re-establish a system based upon 'ability to pay'."**

As shown in the recent report from the Institute on Taxation and Economic Policy, titled, "Who Pays?," Hawaii's state and local taxes fall most heavily on low and middle income earners, with high income earners paying the smallest proportion of their income in local taxes. We support legislation like SB 556 as a means for re-balancing the tax structure and a step towards increased tax justice.

Therefore, the State Central Committee of the Democratic Party has established support for bills like SB 556 as a top-tier priority for the 2015 legislative session.

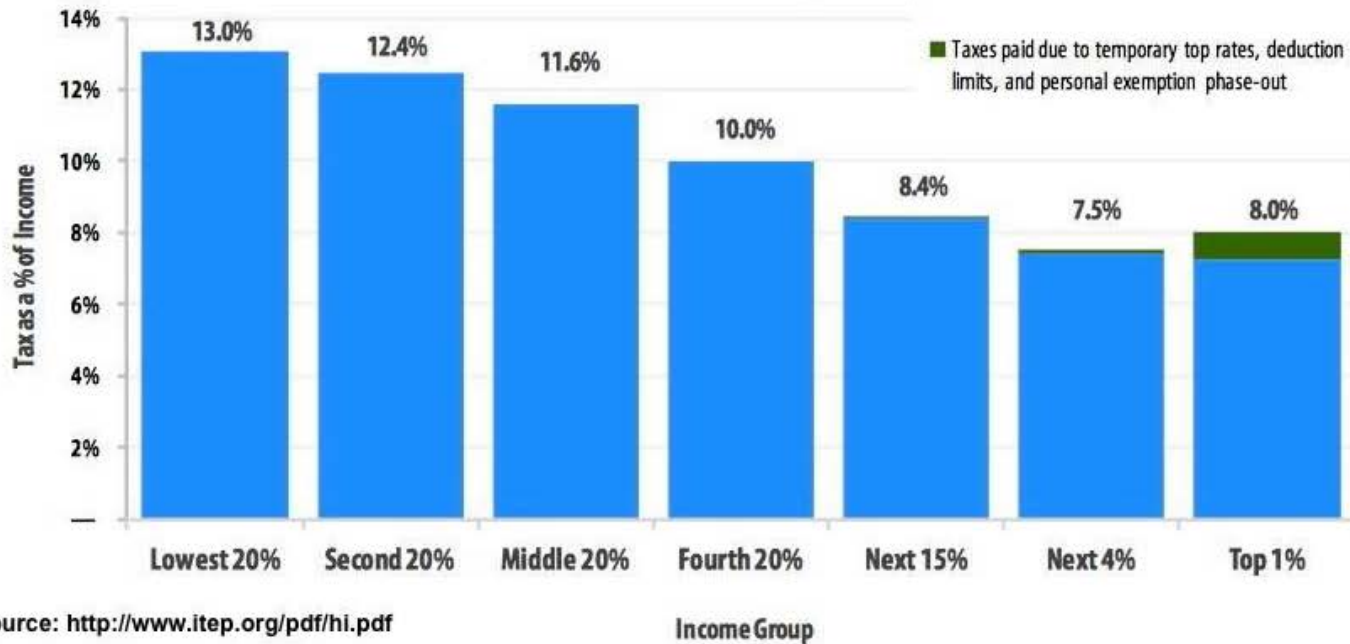
We strongly urge your support for this measure.

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

The Legislation Committee of the Democratic Party of Hawaii

ATTACHED is a chart from the Institute on Taxation and Economic Policy which graphically illustrates the regressive structure of Hawaii current tax code. We believe SB 556 would help correct this situation and commend this chart to you.

### Temporary Income Tax Provisions in Hawaii are a Modest Step Toward Reduced Tax Regressivity



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.

**SB556**

Submitted on: 2/6/2015

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kenny Wusstig	Individual	Support	No

Comments:

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