



LATE

HB2672 HD1
RELATING TO TAXATION
Senate Committee on Ways and Means

April 5, 2018

10:15 a.m.

Room 211

The Office of Hawaiian Affairs (OHA) **SUPPORTS** HB2672 HD1. This measure would relieve the tax burden on low income individuals and families, by updating the low income household renters tax credit (LIHR), and adjusting the income threshold for those who may claim the credit.

As the legislature recognizes, Hawai‘i is in the midst of an affordable housing crisis: recent research indicates a need for 65,000 more housing units by 2025, with half of this demand for units at or below 60% of the Area Median Income (AMI);¹ only 11 percent of State’s housing demand is for housing units above 140% AMI, or for units that do not meet the State’s current definition of “affordable housing.”² With 48% of households in the State already unable to afford basic household necessities including housing, food, transportation, health care, and child care,³ the lack of affordable housing and rising housing costs require bold and aggressive policies that provide meaningful relief for local residents, including in particular low-income families facing housing insecurity.

Native Hawaiian families are in particular need of relief targeted to low-income renters. Notably, Native Hawaiians are less likely to own a home and, therefore, disproportionately rely on the rental housing market.⁴ Native Hawaiian households are also much more likely to be “doubled up,” with multi-generational or unrelated individuals living together in single households,⁵ and Native Hawaiian households are more than three times more likely have a ‘hidden homeless’ family member than all state households.⁶ Recent research has further shown that state and Native Hawaiian housing rental housing demand is almost entirely for increasingly rare “affordable” units, rather

¹ See SMS, HAWAII HOUSING PLANNING STUDY, at 34 (2016), available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf.

² See *id.* at 34.

³ ALOHA UNITED WAY, ALICE: A STUDY OF FINANCIAL HARDSHIP IN HAWAII (2017).

⁴ The Native Hawaiian homeownership rate for non-DHHL properties is only 38.9%, 18.3 percentage points below the statewide rate of 57.2%. See Census Bureau. (2017). American Community Survey (ACS) 1-year Estimates: 2016; DHHL: Homestead Services Division. (01/24/17) Commission submittal.

⁵ 24.8% of Native Hawaiian households, compared to 9.6% of state households include more than two generations or unrelated individuals. SMS, *supra* note 1, at 70.

⁶ 14.1% of Native Hawaiian households, compared to 4.2% of state households have a hidden homeless family member. *Id.*

than for market-rate or other 'gap'-rate units.⁷ As such, support for housing relief is more critical to OHA's beneficiaries and many other Hawai'i residents now than ever before.

HB2672 HD1's proposed LIHR increase reflects a pragmatic approach to alleviating the tax burden on those low-income individuals and families facing housing insecurity, and will have a particular beneficial impact on Native Hawaiians. Originally created in 1977 to mitigate the high cost of housing in Hawai'i, the LIHR 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. Kūpuna over the age of 65 are able to receive double the credit. Notably, while the LIHR credit is intended to provide meaningful relief for those who may need it the most, the value of the LIHR credit has not been updated since 1981. This measure would adjust the credit for the first time in over three decades, setting it at an unspecified amount per qualified exemption for the lowest income households, and providing graduated credit amounts for those with an adjusted gross income of up to \$70,000. **Updating this targeted, asset-building credit to better reflect today's housing costs and income levels will better enable our low-income beneficiaries and other similarly-situated community members to remain financially self-sufficient and housing secure.**

Accordingly, OHA urges the Committee to **PASS** HB2672 HD1. Mahalo nui for the opportunity to testify on this measure.

⁷ See SMS, HAWAI'I HOUSING PLANNING STUDY, at 34 (2016), available at https://dbedt.hawaii.gov/hhfdc/files/2017/03/State_HHPS2016_Report_031317_final.pdf.



HAWAII

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April 4, 2018

TO: Honorable Chair Dela Cruz and Members of the Ways & Means Committee

RE: HB 2672 HD1 Relating to Taxation

Support for hearing on April 5

LATE

Americans for Democratic Action is an 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.

We support HB 2672 HD1 as it would expand the eligibility and credit amount of the low income-household renters' income tax credit. In order to fully catch up with inflation, we recommend that the maximum value of the renters' credit be raised to \$150 per exemption (with phase-out levels set at \$100 and \$50), and the eligibility threshold to just above the median, which is approximately \$75,000 in annual Hawaii income for joint filers. We also suggest tailoring the credit amounts to recognize different tax filing statuses, as well as automatically adjusting it with inflation, in order to avoid future erosion of the credit's value and reach

Thank you for your favorable consideration.

Sincerely,

John Bickel
President



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COMMITTEE ON WAYS AND MEANS
THURSDAY, APRIL 5, 10:15 PM, Room 211
HB2672 HD1, RELATING TO TAXATION

TESTIMONY

Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair DELA CRUZ, Vice-Chair KEITH-AGARAN, and Committee Members: **The League of Women Voters of Hawaii supports HB2672 HD1 which would define Adjusted Gross Income as defined by the IRS; and would expand the low income renters tax credit per an income dependent schedule. We suggest an amendment to automatically increase the specified dollar amounts annually by the percent change in the Consumer Price Index.**

The low-income renters' tax credit when last updated in 1981, was \$50; income eligibility was set in 1989 to include households up to a bit above the median state income at the time (\$30,000). To get these figures up to the intended values, after 40 years of inflation, HB2672 HD1 establishes a schedule of eligible incomes and credit amounts (to be defined) corresponding to different filer categories (single, head of household, joint).

COMMENT:

1) We suggest that to avoid another long period of inflation requiring another legislative fix, HB2672 be amended by tying the amount of tax credit to annual increases in the Consumer Price Index.

HB2672 HD1 will address the regressive tax laws in Hawaii which burden our less fortunate citizens much more heavily than taxes weigh on higher income people.

It is virtually certain that these tax credits will be spent immediately in Hawaii, thus adding to excise tax collections and helping Hawaii businesses.

Thank you for the opportunity to present testimony.

HB-2672-HD-1

Submitted on: 4/4/2018 1:39:18 PM

Testimony for WAM on 4/5/2018 10:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S. C. Keith-Agaran, Vice-Chair, and Members of the Committee on Ways and Means:

Good morning. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") on Legislative Priorities of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on **HB2672 HD1** relating to an Income Tax Credit; and Low-Income Household Renters.

The OCC Legislative Priorities Committee is in favor of **HB2672 HD1** and supports its passage.

HB2672 HD1 is in alignment with the Platform of the Democratic Party of Hawai'i ("DPH"), as it expands the low income-household renters' income tax credit based on adjusted gross income and filing status and amends definition of adjusted gross income to match federal definition.

Specifically, the DPH Platform states, "Housing is a basic human need and we believe that adequate, accessible, affordable, and safe housing should be available to all residents of Hawai'i. Affordable housing that is fair in proportion to individual income is the basis of prosperity for our citizens and stability in our economy. Recent and past real estate bubbles have fueled disproportionate rent increases, a key contributor to homelessness. Therefore, we support efforts to promote truly affordable housing for all citizens who rent. (Platform of DPH, P. 7, Lines 340-344 (2016)).

We support circuit breaker or other relief to ensure that senior citizens are not taxed out of their homes.

We believe in the concept of "Housing First" to develop affordable, stable housing and support services to break the cycle of homelessness for people with the fewest housing options.

We support dedicated social services and housing opportunities for Hawaii's homeless population, to get them off the streets and reintegrated into society, with specific devoted services for disenfranchised groups including but not limited to the Hawaiian community, aged-out foster kids, youth, returning veterans, the aged, and lesbian, gay, bisexual and transgender homeless. (Platform of DPH, P. 7, Lines 350-358 (2016)).

Given that **HB2672 HD1** expands the low income-household renters' income tax credit based on adjusted gross income and filing status and amends definition of adjusted gross income to match federal definition, it is the position of the OCC on Legislative Priorities to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC on Legislative Priorities

Email: legislativepriorities@gmail.com, Text/Tel: (808) 258-8889

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HB-2672-HD-1

Submitted on: 4/5/2018 7:49:57 AM

Testimony for WAM on 4/5/2018 10:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeff Gilbreath	Testifying for Hawaiian Community Assets	Support	No

Comments:

LATE

From: [Cathy Roberts](#)
To: [WAM Testimony](#)
Subject: HB 2672, HD1 -- Relating to Taxation
Date: Wednesday, April 4, 2018 6:07:08 PM

TO: Senate Committee on Ways and Means
HEARING: Thursday, April 5, 2018, 10:15 AM
PLACE: Conference Room 211
FROM: Cathy Roberts
RE: HB 2672, HD1 -- Relating to Taxation
ATTENDING HEARING: No

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee,

Please pass HB 2672, HD1, which would help many struggling families in Hawai‘i by improving the Low-Income Household Renters’ Credit.

Hawai‘i’s Low-Income Household Renters’ Credit was created to help make up for the high rents and tax rates that burden our low- and moderate-income neighbors. The amount of the credit and the income eligibility limits were set in the 1980s. Neither of those levels have budged since then, not even for inflation, so the credit’s value and reach have been dropping for over 30 years.

Our state has an affordable housing crisis. One way to help renter families afford their housing is to alleviate their tax burden. Simply bringing the Renters’ Credit up-to-date will benefit tens of thousands of households who need it the most.

Mahalo for the opportunity submit testimony in support of this important bill.