



Hawaii
Children's Action Network
Building a unified voice for Hawaii's children

February 6, 2017

To: Senator Jill Tokuda, Chair
Senator Donovan Dela Cruz, Vice Chair
Committee on Ways and Means

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

Re: **SB 648 – Relating to Taxation**
Hawaii State Capitol, Room 211, February 7, 2017, 9:30 AM

LATE

On behalf of Hawaii Children's Action Network (HCAN), we are writing to support SB 648 – Relating to Taxation.

In Hawaii, approximately 43% of households are renters, the 4th highest percentage among the states. Almost 75% of Hawai'i residents that live at or near the poverty line spend more than half of their incomes on rent. Additionally, Hawaii's low-income families face the second highest tax burden in the nation. So by providing a Low-Income Household Renters Tax Credit, a small amount of the housing rental and tax burdens are lifted.

The state's Low-Income Household Renters Credit was created almost 40 years ago to help make up for the high tax rates that burden our low- and moderate-income renters. Yet, it has not been updated in nearly three decades to even account for inflation.

This bill provides key updates to the Renters Credit to recover ground lost to inflation by increasing both the maximum value of the credit and the income eligibility limits. The maximum value of the Renters Credit should be raised to \$150 per exemption, and the eligibility threshold should be lifted back to just above the median, up to \$60,000 in annual income for joint filers.

For these reasons, HCAN respectfully requests that the committee pass this bill.

HCAN is committed to building a unified voice advocating for Hawaii's children by improving their safety, health, and education. 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 2017 Hawai'i Children's Policy Agenda, which can be accessed at <http://www.hawaii-can.org/2017policyagenda>.



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

TESTIMONY FOR SENATE BILL 648, RELATING TO TAXATION

Senate Committee on Ways and Means
Hon. Jill N. Tokuda, Chair
Hon. Donovan M. Dela Cruz, Vice Chair

Tuesday, February 7, 2017, 9:30 AM
State Capitol, Conference Room 211

LATE

Honorable Chair Tokuda and committee members:

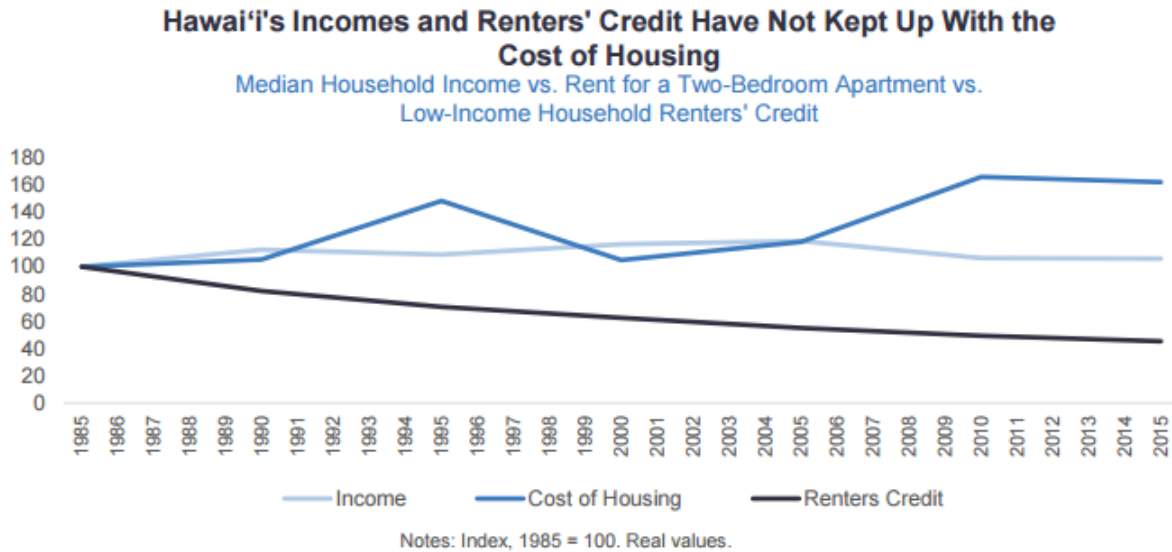
I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 350 members. On behalf of our members, we offer this testimony in strong support of Senate Bill 648, relating to taxation.

Hawai'i is exorbitantly expensive. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2016* report found that a full-time worker would need to earn \$34.22/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,100 in 2015, with average rent for a 900-square-foot exceeding \$2,200 in 2016. In the past three years alone, Honolulu rent has increased 23.5 percent. While 47 percent of Hawai'i residents are renters (a number that does not include individuals and families renting outside of the regulated rental market), they earn an average wage of \$14.49/hour, scarcely enough to meet their basic needs. One out of every four households in Hawai'i report that they are "doubling up" or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs.

To help ease Hawai'i's highest-in-the-nation cost of living, lawmakers must pass measures enhancing tax fairness and economic justice. Enacting an earned income tax credit for working families—as 28 states and Washington D.C. have already done—would benefit 127,018 children and 309,800 residents, according to the Hawai'i Appleseed Center for Law and Economic Justice. Establishing a state EITC would reduce taxes on our most economically vulnerable neighbors, boost health and educational outcomes, and bring \$24 million dollars into our state each year.

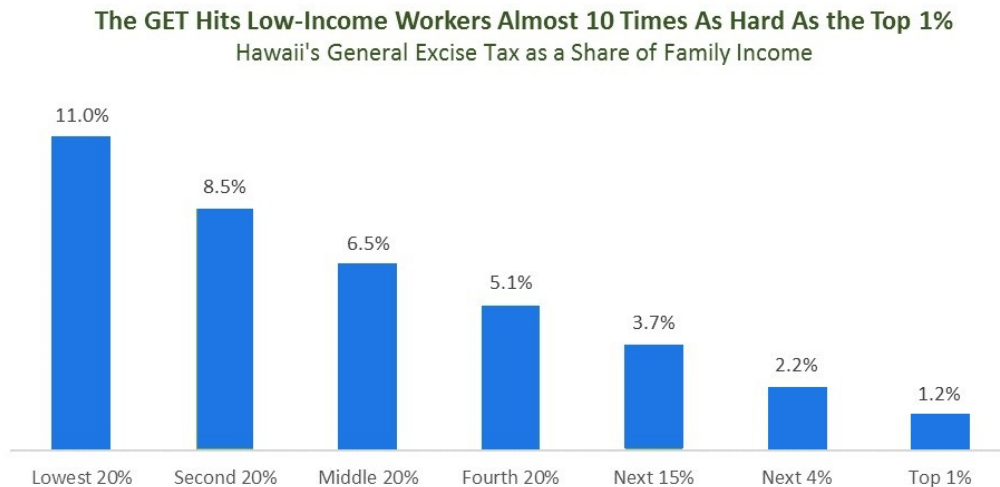
Similarly, the low-income renters' credit is in dire need of adjustment. In 1981, the LIHRC was set at \$50. Later, in 1989, the income eligibility cutoff was established at \$30,000, just above

the median household income of the time. Yet, neither of these amounts have changed since the 1980s, leaving the amount of the credit lagging far behind inflation and increases in the cost of housing for the 43 percent of Hawai'i households who are renters, as the following chart shows.



We must update the renters' credit to recover ground lost to inflation by increasing the maximum value of the credit to \$150 and income eligibility limits to \$60,000 in annual income for joint filers, once again a cut above our state's median income level.

Finally, the islands are subject to a general excise tax that regressively impacts the poor. Today, our state's lowest-income households pay over 13 percent of their income in taxes, while our highest earners pay 8 percent or less. The GET, specifically, hits low-income families nearly 1000 percent harder than high earners.



Hawai'i is in the minority of states that push low-income people deeper into poverty with an unequal tax structure. To rectify this problem, we urge you to reinstate the income tax our highest-income residents paid between 2009 and 2015, which would generate more than enough revenue to subsidize tax relief for indigent residents. Per the Institute for Taxation and Economic Policy, reinstating these tax rates would raise over \$75 million per year, about 90 percent of which would be paid by the top 1 percent of Hawai'i earners. Higher tax rates would apply only to taxable income earned above the highest tax bracket levels in effect from 2009 to 2015, and only after a taxpayer has subtracted exemptions and deductions, which can amount to tens or hundreds of thousands of dollars.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance



Eric W. Gill, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Godfrey Maeshiro, Senior Vice-President

Monday, February 7, 2017

Senate Committee on Ways and Means
Hawaii State Legislature
State Capitol
415 South Beretania Street



Re: SB 648

Aloha Chair Tokuda, Vice Chair Dela Cruz and committee members,

UNITE HERE Local 5 – a local labor organization representing 11,000 hotel, health care and food service workers throughout Hawaii would like to register our support for SB 648.

SB 648 would provide much needed economic relief to Hawai'i's families in greatest need.

Our union is an organization whose mission, role and existence is founded on the solidarity and concerted activity of our members. Our most fundamental task is to build unity and common purpose, and to do so we must also have the courage to speak out on issues that affect all our working families.

It is a shame that Hawai'i's residents in poverty pay more in state taxes than all but three other states, yet our cost of living is the highest in the nation. Hawai'i can do better. One of the most profitable industries to have taken root in our islands continues to see record number of visitors and profit levels, yet we are losing hundreds and hundreds of good local jobs. Hawai'i can do better, and we can start by ensuring that we don't tax those families who are barely getting by as it stands.

We ask for your support in passing SB 648.

Thank you.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Tuesday, February 7, 2017 at 9:30 A.M.
Conference Room 211, State Capitol**

LATE

RE: SENATE BILL 648 RELATING TO TAXATION

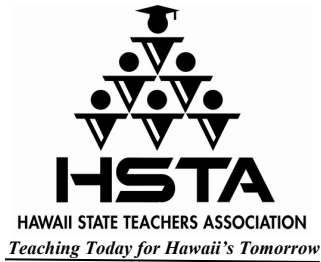
Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes Part III** of SB 648, which restores the income tax rates for high income brackets that were repealed on 12/31/15 and removes the sunset for the refundable food/excise tax credit. The Chamber takes no position on the other substantive parts of the bill.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

We thought that Act 60 was temporary and should not be extended. This bill adversely affects small businesses and would severely limit their ability to reinvest in their business, create jobs, and keep their small business running. Business owners already face many restrictions and regulations and this bill is just another challenge for small business owners in Hawaii to survive.

We respectfully request that this part of the bill be removed. Thank you for the opportunity to testify.



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Justin Hughey
Vice President
Amy Perruso
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS

RE: SB 648 – RELATING TO TAXATION.

TUESDAY, FEBRUARY 7, 2017

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

LATE

Chair Tokuda and Members of the Committee:

The Hawaii State Teachers Association **strongly supports SB 648**, relating to taxation.

Hawai'i is expensive. Our cost of housing and renting is the highest in the nation, our food prices are exorbitant, and our income taxes disproportionately favor the rich. Because people in poverty spend most of their income on items that are subject to our state's general excise tax, the GET hits low-income families ten times harder than the top 1 percent of earners.

Teachers, too, are hurt by Hawai'i's high cost of living. Teachers earn the lowest salaries in the nation adjusted for COL. Overall local wages are also the lowest in the country when adjusted for COL, leaving thousands of people living paycheck to paycheck.

Lawmakers must provide impoverished families with financial relief. We urge your committee to update the low-income household renters' credit, which is currently set at \$50 and has not been changed since 1981. We also encourage you to establish an earned income tax credit for working families, which will increase financial stability for an estimated 127,018 children. Finally, we ask you to reinstate prior income tax rates on high earners, making our tax code more fair and equitable.

To prevent local families from being priced out of paradise, the Hawaii State Teachers Association asks your committee to **support** this bill.

From: evedion@gmail.com on behalf of [eve dion](#)
To: [WAM Testimony](#)
Subject: Strong Support for Tax Fairness SB648
Date: Monday, February 6, 2017 8:34:00 PM



From: Eve Dion
Anahola, HI

Dear Chair Tokuda, Vice Chair Dela Cruz, and Committee Members,

I am testifying in support of SB648. This Bill will help make a fairer tax system for all of Hawaii's residents.

Many of Hawai'i residents are struggling to make ends meet, faced with our high cost of living and low-wages. Our state should not be adding to these struggles by making those who can afford it the least, pay the greatest share of their income toward taxes.

The GET hits low and moderate income families especially hard since it taxes even the most basic necessities. We need to relieve some of the financial pressure that the GET places on these families by updating the Food Credit and Renters' Credit, and creating a Working Family Credit that will help struggling families escape poverty.

We can do this without losing revenue to support important state programs simply by reinstating the tax rates that were in place for our highest-income earners in 2015.

We cannot continue to tax people into poverty. It hurts Hawaii's family, economy, and future. Please pass SB 648. Thank you for your consideration of this important bill.

From: [Jan Mitchell](#)
To: [WAM Testimony](#)
Subject: Please Support SB 648 and Hawaii Tax Fairness
Date: Monday, February 6, 2017 9:17:38 PM

TO: Senate Committee on Ways and Means
HEARING: Tuesday, February 7, 2017 at 9:30 am
PLACE: Conference Room 211
FROM: Jan Mitchell
RE: Testimony Supporting SB 648
ATTENDING HEARING: No



Dear Chair Tokuda, Vice Chair Dela Cruz, and members of the Committee on Ways and Means:

Thank you for this opportunity to submit testimony on SB 648, which will help make a fairer tax system for all of Hawaii's residents.

So many of Hawai'i residents are struggling to make ends meet, faced with our high cost of living and low-wages. Our state should not be adding to these struggles by making those who can afford it the least, pay the greatest share of their income toward taxes.

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From: [Will Caron](#)
To: [WAM Testimony](#)
Subject: Please Support SB 648 and Hawaii Tax Fairness
Date: Monday, February 6, 2017 9:47:06 PM

TO: Senate Committee on Ways and Means
HEARING: Tuesday, February 7, 2017 at 9:30 am
PLACE: Conference Room 211
FROM: Will Caron
RE: Testimony Supporting SB 648
ATTENDING HEARING: No



Dear Chair Tokuda, Vice Chair Dela Cruz, and members of the Committee on Ways and Means:

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So many of Hawai'i residents are struggling to make ends meet, faced with our high cost of living and low-wages. Our state should not be adding to these struggles by making those who can afford it the least, pay the greatest share of their income toward taxes.

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