

Honolulu, Hawaii

FEB 28 , 2020

RE: H.B. No. 2541
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committees on Labor & Public Employment and Finance, to which was referred H.B. No. 2541 entitled:

"A BILL FOR AN ACT RELATING TO HELPING WORKING FAMILIES,"

beg leave to report as follows:

The purpose of this measure is to help working families in Hawaii by:

- (1) Making the State earned income tax credit refundable and permanent for taxable years beginning after December 31, 2019;
- (2) Amending the refundable food/excise tax credit to \$150 multiplied by the number of qualified exemptions to which the taxpayer is entitled, by basing the amount of the tax credit on a taxpayer's Hawaii earned income of less than \$30,000; and
- (3) Increasing the minimum wage rate to:
 - (A) \$11.00 per hour beginning on January 1, 2021;
 - (B) \$12.00 per hour beginning on January 1, 2022;
 - (C) \$12.50 per hour beginning on January 1, 2023; and



(D) \$13.00 per hour beginning on January 1, 2024.

Your Committees received testimony in support of this measure from the Department of Taxation; Department of Labor and Industrial Relations; Hawaii State Commission on the Status of Women; United Public Workers, AFSCME, Local 646, AFL-CIO; International Longshore and Warehouse Union Local 142; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; Hawaii Children's Action Network Speaks!; Bank of Hawaii; Aloha United Way; Chamber of Commerce Hawaii; Hawaii Appleseed Center for Law & Economic Justice; IMUAlliance; Hawaii State Teachers Association; Hawaii Alliance for Community-Based Economic Development; Pride at Work - Hawaii; LGBT Caucus of the Democratic Party of Hawaii; Democratic Party of Hawaii Education Caucus; Progressive Democrats of Hawaii; Environmental Caucus of the Democratic Party of Hawaii; Democratic Party of Hawaii Labor Caucus; Hawaii Women's Coalition; Pono Hawaii Initiative; Americans for Democratic Action; Planned Parenthood Votes Northwest and Hawaii; Faith Action for Community Equity; Midwives Alliance of Hawaii; Maui United Way; Catholic Charities Hawaii; Hawaii Regional Council of Carpenters; Hawaiian Airlines; Hawaii Public Health Institute; Hawaii Alliance for Progressive Action; Kona Alano Club; Breastfeeding Hawaii; and numerous individuals. Your Committees received testimony in opposition to this measure from Molokai Chamber of Commerce; National Federation of Independent Business; Hawaiian Chip Company, LLC; Filipina Advocacy Network; Retail Merchants of Hawaii; and numerous individuals. Your Committees received comments on this measure from the Department of Human Services; Common Cause Hawaii; Hawaii Food Industry Association; Community Alliance on Prisons; Hawaii Restaurant Association; Kapaa Business Association; Tax Foundation of Hawaii; Hawaii Health & Harm Reduction Center; Young Progressives Demanding Action; Democratic Party of Hawaii; Living Wage Hawaii; We Are One, Inc.; League of Women Voters; Sol Art Studios; American Association of University Women of Hawaii; UNITED HERE Local 5; Alzheimer's Association, Aloha Chapter; Maui Chamber of Commerce; Landscape Industry Council of Hawaii; Colleen's Cleaning; Kauai Design; Pele Lani Farm LLC; Aloha Theatre Inn; Kokolulu Farm and Cancer Retreats in Hawaii; and numerous individuals.

Your Committees recognize that effectively addressing Hawaii's high cost of living requires a multi-faceted approach to address all of the contributing factors of the high cost of



living, including taxes, wages, healthcare expenses, housing costs, and childcare costs – the latter two factors being the largest contributors to Hawaii's high cost of living. No one solution can effectively address all of the causes of Hawaii's high cost of living. Consequently, your Committees believe that multiple solutions must be pursued in parallel to address this difficult issue. The joint legislative package between the House of Representatives and Senate introduced during the 2020 Regular Session and supported by the Governor addresses these multiple drivers of the current high cost of living in the State. Your Committees note that this measure is one part of a four part joint legislative package between the House of Representatives and Senate to address the high cost of living in our State.

Your Committees have worked to balance the need to increase Hawaii's minimum wage with the need to preserve Hawaii's existing and essential benefits that are afforded to employees. This measure specifically provides over \$70,000,000 in needed tax relief to working individuals and working families in addition to raising the minimum wage incrementally. Your Committees recognize that while many people make more than minimum wage, they still find themselves unable to cope with Hawaii's high cost of living. The tax relief in this measure is aimed at helping these individuals and families.

Your Committees also recognize the unique and generous benefits structure of Hawaii's employment landscape. Hawaii is the only state that mandates all private sector employers to pay for nearly all of employees' health insurance premiums, depending on the number of hours worked, through Hawaii's Prepaid Health Care Act. This unique law, the first in the nation to set minimum standards of health care coverage for workers, has led to one of the highest rates of insurance coverage in the United States and must be fundamentally preserved and supported.

Your Committees note that the Hawaii Prepaid Health Care Act is dependent on employees working twenty or more hours each week to qualify for health care coverage. Consequently, your Committees are sensitive that any proposed legislative increases to the minimum wage do not inadvertently reduce the number of hours employees presently work and thereby jeopardize the provision of health care coverage of employees and the current subsidization of insurance premiums by employers. Your Committees believe that raising the minimum wage above what employers can



afford could result in the loss of employer-paid healthcare, resulting in a higher cost of living for Hawaii's working families and individuals. This adverse outcome is what your Committees want to prevent.

Your Committees note that health insurance premiums for private employees are largely borne by their employers. According to the Department of Business, Economic Development, and Tourism, based on a weighted average in 2018, private employers paid \$5,720 per year, or \$476.67 per month, for single health insurance coverage, and \$7,303 per year, or \$608.58 per month, for family health insurance coverage, for their employees.

Given the hours worked qualification for this benefit, your Committees are particularly sensitive to ensure that any increase to the minimum wage does not compromise or adversely affect health insurance coverage for employees or continued subsidizing of this significant cost by employers.

In addition to Hawaii's private sector health care mandates, employers in Hawaii are also mandated to cover employees' Temporary Disability Insurance, which affords partial wage replacement for injured and disabled workers. The cost for this benefit is also largely borne by employers. Hawaii is one of only five states to mandate this important worker benefit.

Your Committees also note that of fourteen states with a higher minimum wage than Hawaii, five of the states (California, Maryland, New Jersey, New York, and Oregon) provide exceptions to their minimum wage laws, including exceptions for small businesses, different geographical regions, and nonurban areas. Existing law in Hawaii does not accommodate any of these circumstances.

Your Committees recognize that the combination of boosting the State earned income tax credit, food/excise tax credit, and minimum wage rate will provide much-needed assistance to Hawaii's working families and individuals and support communities across the State.

Upon careful consideration, your Committees have amended this measure by:



- (1) Providing that for nonrefundable State earned income tax credits claimed for either of the two consecutive taxable years beginning after December 31, 2017, and exceed the taxpayer's income tax liability for the original claim year, the excess of the tax credits over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted, and providing that no credit carried forward shall be used as a credit for a taxable year beginning after December 31, 2022;
- (2) Making the refundable food/excise tax credit applicable to:
 - (A) Individual taxpayers with Hawaii earned income of at least \$1 but less than \$30,000 and a federal adjusted gross income of less than \$30,000; and
 - (B) Taxpayers filing as head of household, married filing separate, or married filing jointly with Hawaii earned income of at least \$1 but less than \$50,000 and federal adjusted gross income of less than \$50,000;
- (3) Clarifying the definition of "Hawaii earned income" to mean:
 - (A) Wages, salaries, tips and other employee compensation; and
 - (B) The amount of a taxpayer's net earnings from self-employment,

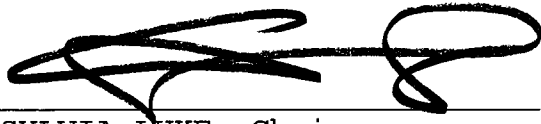
that are subject to the taxes imposed by the State Income Tax Law, rather than to wages, salaries, tips, other employee compensation, and earnings earned in the State; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Labor & Public Employment and Finance that are attached to this report, your Committees are in accord with the

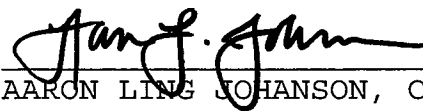


intent and purpose of H.B. No. 2541, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2541, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Labor & Public
Employment and Finance,



SYLVIA LUKE, Chair



AARON LING JOHANSON, Chair



