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**STATE OF HAWAII
DEPARTMENT OF TAXATION**

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To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Wednesday, February 6, 2019
Time: 2:00 P.M.
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 1190, Relating to Taxation

The Department of Taxation (Department) offers the following comments on H.B. 1190 for the Committee's consideration.

H.B. 1190 amends individual income tax brackets and rates. The bill applies to taxable years beginning after December 31, 2018.

H.B. 1190 eliminates individual income taxes for taxpayers with taxable income of:

- \$3,300 or less for single filers,
- \$4,800 or less for head of household filers, and
- \$6,600 or less for joint filers.

H.B. 1190 reduces individual income taxes for taxpayers with taxable income of:

- \$3,301 to \$14,400 for single filers,
- \$4,801 to \$21,600 for head of household filers, and
- \$6,601 to \$28,800 for joint filers.

H.B. 1190 does not change individual income taxes for taxpayers with taxable income of:

- Over \$14,400 for single filers,
- Over \$21,600 for head of household filers, and
- Over \$28,800 for joint filers.

The Department respectfully requests that the changes to the individual income tax brackets and rates be made applicable to taxable years beginning after December 31, 2019 to allow the Department time to make required forms and computer systems changes.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX

BILL NUMBER: HB 1190

INTRODUCED BY: JOHANSON, BELATTI, ELI, KITAGAWA, C. LEE, LOWEN, MATAYOSHI, MIZUNO, MORIKAWA, NAKASHIMA, PERRUSO, WILDBERGER

EXECUTIVE SUMMARY: Changes income tax rates and eliminates state income tax for those at or below the poverty level for taxable years beginning after December 31, 2018.

SYNOPSIS: Amends section 235-51, HRS, to eliminate tax liability in the lowest tax brackets. The following table illustrates the changed brackets.

**MFJ -- EXISTING LAW FOR TXBL YR BG AFT
12/31/2017**

From	To	Rate	Tax for This Bracket	Next Bracket Starts
-	4,800	1.40%	67.20	67
4,800	9,600	3.20%	153.60	221
9,600	19,200	5.50%	528.00	749
19,200	28,800	6.40%	614.40	1,363
28,800	38,400	6.80%	652.80	2,016
38,400	48,000	7.20%	691.20	2,707
48,000	72,000	7.60%	1,824.00	4,531
72,000	96,000	7.90%	1,896.00	6,427
96,000	300,000	8.25%	16,830.00	23,257
300,000	350,000	9.00%	4,500.00	27,757
350,000	400,000	10.00%	5,000.00	32,757
400,000	-	11.00%		

**MFJ -- PROPOSED FOR TXBL YR BG AFT
12/31/2018**

From	To	Rate	Tax for This Bracket	Next Bracket Starts
-	6,600	0.00%	-	-
6,600	9,600	3.20%	96.00	96
9,600	28,800	6.60%	1,267.20	1,363
28,800	38,400	6.80%	652.80	2,016

38,400	48,000	7.20%	691.20	2,707
48,000	72,000	7.60%	1,824.00	4,531
72,000	96,000	7.90%	1,896.00	6,427
96,000	300,000	8.25%	16,830.00	23,257
300,000	350,000	9.00%	4,500.00	27,757
350,000	400,000	10.00%	5,000.00	32,757
400,000		11.00%		

EFFECTIVE DATE: This Act, upon its approval, shall apply to taxable years beginning after December 231, 2018.

STAFF COMMENTS: As shown by the highlighted rows in the table above, the bill changes the tax brackets to start later but to catch up by the time the taxable income hits \$28,800 for married filing jointly. For taxpayers with taxable income in excess of that amount, liability is unchanged.

Digested 2/4/2019



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COMMITTEE ON FINANCE

WEDNESDAY, 2/6/19, 2 PM, Room 308
HB1190, RELATING TO TAXATION

TESTIMONY

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

Chair LUKE, Vice-Chair CULLEN, and Committee Members:

The League of Women Voters of Hawaii **strongly supports the intent of HB1900 that eliminates the income tax for people at or below the poverty level and lowers tax liability for people with very low incomes.**

Currently, the federal poverty level for a single person in Hawaii is \$14,380 annual or \$1,198 per month. The average rental rate for a studio apartment in Hawaii is \$1,821. These numbers alone demonstrate that to impose income tax on someone at this income level is cruel and unfair. Not surprisingly, Hawaii is one of a small minority of states which taxes people with incomes below the poverty line.

HB1900 begins to remediate this situation. It is long overdue. Please support it.

Thank you for the opportunity to submit testimony.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting HB 1190 – Relating to Taxation
House Committee on Finance
Wednesday, February 6, 2019, 2:00 PM, conference room 308

Dear Chair Luke, Vice Chair Cullen, and members of the Committee:

Thank you for the opportunity to provide testimony in **SUPPORT** of **HB 1190**, which would provide much-needed tax relief to Hawai'i taxpayers who are living in poverty.

High housing costs, low wages, and increasing energy and food costs mean a family's dollar has to stretch further each year just to meet basic needs. Faced with the highest cost of living in the nation, nearly half of our state's residents live paycheck-to-paycheck.

State and local taxes take a 15 percent bite out of the earnings Hawai'i households in the bottom fifth of the income spectrum. Meanwhile, those in the top 5 percent pay a state and local tax rate of only about 9 percent. This regressivity leads to Hawai'i's ranking as the second-worst state in the nation for low-income residents

A good first step to help the low-income families in our state who are burdened with heavy taxes would be to eliminate or provide a meaningful reduction in state income tax liability for workers in the lowest tax brackets.

Please pass HB 1190 to make Hawai'i's income tax structure more progressive. We appreciate your consideration of this testimony.

The Hawai'i Appleseed Center for Law and Economic Justice is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.



AMERICANS FOR DEMOCRATIC ACTION

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Dylan Armstrong, Secretary	Gloria Borland	Jenny Nomura		

Feb. 5 , 2018

TO: Honorable Chair Luke and FIN Committee Members

RE: HB 1190 RELATING TO TAXATION

Support for hearing on Feb. 6

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 SB 885 to eliminate state income tax for those at or below the poverty level beginning December 31, 2018. Richard Wilkinson and Kate Pickett wrote a book entitled The Spirit Level. In it they argue that greater equality makes societies stronger. The book is full of graphs. Each graph shows how a greater inequality causes social problems such as mental health, physical health, obesity, educational performance, teenage births, violence, social mobility, and sustainability. The more you can do to use the tax code to reduce income inequality, the more progress we will make on a host of other issues and will probably save money in the long run. Support this bill.

Thank you for your favorable consideration.

Sincerely,

John Bickel President



HB-1190

Submitted on: 2/4/2019 10:30:03 PM

Testimony for FIN on 2/6/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Golojuch Jr	LGBT Caucus of the Democratic Party of Hawaii	Support	Yes

Comments:

HB-1190

Submitted on: 2/5/2019 9:33:11 AM

Testimony for FIN on 2/6/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Raelyn Reyno Yeomans	Individual	Support	No

Comments:

Support!