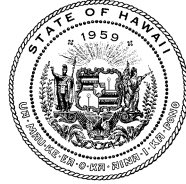


DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



RONA M. SUZUKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
Phone: (808) 587-1540 / Fax: (808) 587-1560  
Email: Tax.Directors.Office@hawaii.gov

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

From: Rona M. Suzuki, Director  
Department of Taxation

Re: **S.B. 2309, Relating to Taxation**

Date: Wednesday, January 29, 2020

Time: 10:10 A.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) supports the intent of S.B. 2309. S.B. 2309 amends the earned income tax credit to make it permanent and refundable. The bill becomes effective January 1, 2021 and applies to taxable years beginning after December 31, 2020.

S.B. 2309 does not address existing nonrefundable credits carried forward from the 2018 and 2019 tax years. To clarify the treatment of these credits carried forward, the Department recommends inserting a new subsection (g) to read as follows:

(g) If nonrefundable credits claimed under this section for either of the two consecutive taxable years beginning after December 31, 2017 exceeds 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; provided that no credit carried forward under this subsection shall be used as a credit for a taxable year beginning after December 31, 2022.

This new subsection will allow the nonrefundable credits generated from the 2018 and 2019 tax years until the 2022 tax year.

The Department will be able to administer the provisions of this bill with its current effective date.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
GOVERNOR



**LATE**

PANKAJ BHANOT  
DIRECTOR

CATHY BETTS  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

January 28, 2020

TO: The Honorable Senator Donovan M. Dela Cruz, Chair  
Senate Committee on Ways and Means

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 2309 – RELATING TO TAXATION**

Hearing: January 29, 2020, 10:10 a.m.  
Conference Room 211, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports the intent of the bill though defers to the Departments of Taxation and Budget & Finance, as to implementation and fiscal implications.

**PURPOSE:** The purpose of the bill makes the state earned income tax credit refundable and permanent. Applies to taxable years beginning after 12/31/2020.

Earned income tax credits benefit low to moderate income working families with children. Current DHS administrative rules disregard federal earned income tax credits for financial assistance programs. To implement a state refundable earned income tax credit program, similarly, DHS will need to amend its administrative rules to disregard state earned income tax credits so that families will experience the maximum positive increase to their families' income. Improving family incomes will add to the overall economic stability of Hawaii's families.

Also, the Legislature may want to consider funding outreach efforts so that more eligible families submit tax returns and receive the existing federal EITC, as well as funding appropriate tax preparation services to reduce overpayments because of errors.

Thank you for the opportunity to testify on this measure.



AMERICANS FOR DEMOCRATIC ACTION

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OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President	Melodie Aduja	Chuck Huxel	Stephen O'Harrow	P.O. Box 23404
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Doug Pyle, Secretary	Stephanie Fitzpatrick	Dave Nagaji		

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January 25 , 2020

TO: Chair Dela Cruz and Committee on WAM

RE: SB2309 Relating to Taxation

Support for hearing on January 29

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 the intent of the language in SB 2309 as it would make the Earned Income Tax Credit (EITC) refundable. We are pleased that there is an EITC. However, we have the following concerns; because the EITC is not refundable it fails to give a significant amount of money to the beneficiaries. ADA Hawaii would support all clarifying language that would enhance this bill to ensure that the low-income persons and families entitled to these benefits receive their full and fair share.

Sincerely,  
John Bickel  
President





## of Hawaii

January 25, 2020

Hawaii State Senate Committee on Ways and Means

Hearing Date/Time: January 29, 2020 10:10AM

Place: Hawaii State Capitol, Room 211

Re: Testimony in SUPPORT of SB2309

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee,

Members of AAUW of Hawaii are grateful for this opportunity to testify in support of SB2309, which would make the state earned income tax credit refundable and permanent.

Refundable and permanent EITC would benefit the working-class families by allowing them to keep more of what they earn. The EITC would reduce the number of households headed by single mothers receiving cash welfare according to The Center on Budget and Policy Priorities and the EITC is especially important to women who typically earn less than men. Help the working-class families, single mothers and their children by passing this bill.

The American Association of University Women (AAUW) of Hawaii is a state-wide organization made up of six branches (Hilo, Honolulu, Kauai, Kona, Maui, and Windward Oahu) and includes just over 650 active members with over 3800 supporters statewide. As advocates for gender equity, AAUW of Hawaii promotes the economic, social, and physical well-being of all persons.

Mahalo.

A handwritten signature in blue ink, appearing to read "Younghee Overly".

Younghee Overly

Public Policy Chair, AAUW of Hawaii

publicpolicy-hi@aauw.net

To: Hawaii State Senate Committee on Ways and Means  
Hearing Date/Time: Wed., Jan. 29, 2020, 10:10 a.m.  
Place: Hawaii State Capitol, Rm. 211  
Re: Testimony of Planned Parenthood Votes Northwest and Hawaii in strong support of S.B. 2309

Dear Chair Dela Cruz and Members of the Committee,

Planned Parenthood Votes Northwest and Hawaii (“PPVNH”) writes in strong support of S.B. 2309 to make the Hawaii Earned Income Tax Credit (EITC) refundable and permanent.

The EITC is designed to help low-income and working-class families with children keep more of what they earn. Making the Hawaii EITC refundable would assist a greater number of families in need. A refundable tax credit means that a taxpayer can get a tax refund when the amount of their credit is more than the amount of income tax that they owe.

The federal EITC is refundable, as are 23 of the other 28 state EITCs. But many of the working-poor families who are eligible for Hawaii's EITC are not benefitting from it because ours is not refundable.

By being nonrefundable, Hawaii's EITC provides less benefit to the lowest-income households who need it the most. The Department of Taxation's report on the state EITC's first year (2018) confirms this. While households earning between \$15,000 to \$45,000 per year received an average of over \$300 in the state EITC, those under \$15,000 received an average state EITC of only \$51.

The type of households in Hawaii that are most likely to live in poverty are those with children under 18 and headed by single mothers—more than one in three are poor, according to the Institute for Women's Policy Research.

Hawaii places the second-heaviest state and local tax burden on low-income households in the nation, according to the Institute on Taxation and Economic Policy.

In testimony before Congress, Mark Zandi, the chief economist for Moody's Analytics, reported that the EITC was among the most effective means of fiscal stimulus, providing \$1.24 in community benefit for every \$1.00 spent. Our state EITC's lack of refundability significantly limits the economic stimulus and job creation roles that the EITC can play.

Our state EITC is scheduled to sunset after December 31, 2022. It should be made permanent to ensure that the working families in Hawaii that need the support of the EITC will continue to receive it.

Research shows that the EITC is especially beneficial to women and children:

Mothers and children in EITC households have lower stress and better mental and physical health.

Pregnant women who get the EITC are more likely to get early and regular prenatal care. This contributes to mothers having fewer low-birthweight babies, which, in turn, reduces the need for costly health care and decreases the number of children with short- and long-term disabilities. The larger the EITC benefit, the greater the positive effect: A \$1,000 increase in benefits EITC decreased reduced the rate of costly low-birthweight babies by 2-3%.

The EITC effectively encourages work, especially for women, whose increased earnings not only help immediately but also boost their future retirement benefits through higher Social Security contributions. The Congressional Budget Office estimated a 17% lifetime boost in earnings for less educated women due to the EITC.

According to the National Women's Law Center, "The EITC is particularly important to women, who typically earn less than men and are more likely to bear the expenses of raising children on their own."

The Center on Budget and Policy Priorities finds "the EITC reduces the number of female-headed households receiving cash welfare assistance ... The EITC may also improve the health of infants and mothers."

An analysis by the Federal Reserve Bank of New York concludes that the "EITC is successful in helping single women climb the wage ladder."

The Congressional Budget Office states that the "EITC leads to an increase in the share of less-educated women that will be eligible for Social Security retirement benefits and leads to an increase in their monthly benefit amount. Thus, the existence of the EITC contributes to the financial security of affected women as they age and retire."

Thank you for your support for this important measure.

Sincerely,  
Laurie Field  
Hawaii State Director

**SB-2309**

Submitted on: 1/27/2020 2:24:06 PM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Golojuch Jr	Testifying for LGBT Caucus of the Democratic Party of Hawaii	Support	No

Comments:

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Committee Members,

The LGBT Caucus of the Democratic Party of Hawai'i stands in full support of the passage of Senate Bill 2309.

We support the bill for the following reasons:

- The federal EITC is refundable, as are 23 of the other 28 state EITCs. But many of the working-poor families who are eligible for Hawaii's EITC are not benefitting from it because ours is not refundable.
- By being non-refundable, Hawai'i's current EITC provides less benefit to the lowest-income households who need it the most. The Department of Taxation's report on the state EITC's first year (2018) confirms this. While households earning between \$15,000 to \$45,000 per year received an average of over \$300 in the state EITC, those under \$15,000 received an average state EITC of only \$51.
- Hawaii places the second-heaviest state and local tax burden on low-income households in the nation, according to the Institute on Taxation and Economic Policy. Our lowest-income families pay 15% of their income in state and local taxes, while those at the top pay only about 5%. The main reason for this is our regressive General Excise Tax (GET). Making our EITC refundable will return significant portions of what they pay in the GET to low-income working families.

Mahalo for the opportunity to testify,

Michael Golojuch, Jr.

Chair

LGBT Caucus of the Democratic Party of Hawai'i



**Board Members**

*President*

Jason Okuhama  
Managing Partner,  
Commercial & Business Lending

*Secretary*

Marcus Kawatachi  
Deputy Director,  
Hawai'i Civil Rights Commission

Trina Orimoto

Clinical & Research  
Psychologist

Miwa Tamanaha

Co-Director,  
Kua'aina Ulu 'Auamo

Date: January 27, 2020

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

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Strong Support for SB2309

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB2309, which would help many economically struggling families in Hawai'i by making the State Earned Income Tax Credit (EITC) from a refundable and permanent.

**HACBED Staff**

Brent N. Kakesako

*Executive Director*

Keoki Noji

*Chief Operating Officer*

Merri Keli'ikuli

*Bookkeeper & Office Manager*

Sean Tangco

*Program Specialist*

Chelsie Onaga

*AmeriCorps VISTA*

Eden Jablon

*AmeriCorps VISTA*

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. HACBED also facilitated the Family & Individual Self-Sufficiency Program (FISSP) from 2008-2016, which administered the Internal Revenues Services' Volunteer Income Tax Assistance (VITA) program as a part of its larger asset building and financial education initiatives for needy families. The Department of Business, Economic Development and Tourism's latest Self-Sufficiency Income Standard Family Economic Self-Sufficiency Income Standard (2016) depicts the obstacles that Hawai'i families are facing. The Standard measures the amount of money that

individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 31.7% of families with two adults and two children;
- 50.8% of single-adult families with children.

Through FISSP surveys, families have indicated that they used the EITC money to manage daily expenses, eliminate debt, open and maintain savings accounts, purchase a home, cover education costs, or start a business.

The passage of SB2309 would go a long way to supplement the needs of these families by shifting the state earned income tax credit (EITC) to be refundable and permanent, which supports families who are actively contributing to our workforce, is proven to alleviate child poverty and related child health, education, and earning issues, and has a multiplier effect on our economy as these workers are most likely to spend resources from the refundable credit within their local community.

Mahalo for this opportunity to testify,

Brent N. Kakesako

Executive Director





Aloha United Way

Aloha United Way  
200 N. Vineyard Blvd., Suite 700  
Honolulu, Hawaii 96817

January 27, 2020

Senator Donovan M. Dela Cruz, Chair, Committee on Ways and Means  
Senator Gilbert S. C. Keith-Agaran, Vice Chair, Committee on Ways and Means

**SB 2309: STRONG SUPPORT**

Hearing: January 29, 2020; Hearing Time 10:10; Conference Room 211

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Committee Members:

Aloha United Way strongly supports SB 2309 which makes the State Earned Income Tax Credit (EITC) permanent and refundable.

Act 107, Session Laws of Hawaii 2017 established a nonrefundable EITC and set a sunset date of December 31, 2022 for the credit.

Currently, Hawaii imposes the second highest tax burden on low-income households in the nation. EITC is one of the most efficient and effective way of providing assistance to low-income working households that are disproportionately impacted by the regressive nature of the State's General Excise Tax. Making this credit permanent and refundable will directly reduce this unbalanced impact of state and local taxes on our most vulnerable families.

Thank you for the opportunity to submit testimony. We urge your favorable consideration of SB 2309.

Sincerely,

Norm Baker  
Interim President & CEO

# COMMUNITY ALLIANCE ON PRISONS

P.O. Box 37158, Honolulu, HI 96837-0158

Phone/E-Mail: (808) 927-1214 / [kat.caphi@gmail.com](mailto:kat.caphi@gmail.com)



## COMMITTEE ON WAYS AND MEANS

Senator Donovan Dela Cruz, Chair

Senator Gil Keith-Agaran, Vice Chair

Wednesday, January 29, 2020

10:10 AM – Room 211

## STRONG SUPPORT FOR SB 2309 – EARNED INCOME TAX CREDIT

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

My name is Kat Brady and I am the Coordinator of Community Alliance on Prisons, a community initiative promoting smart justice policies in Hawai'i for more than two decades. This testimony is respectfully offered on behalf of the families of **ASHLEY GREY, DAISY KASITATI, JOEY O'MALLEY, JESSICA FORTSON AND ALL THE PEOPLE WHO HAVE DIED UNDER THE "CARE AND CUSTODY" OF THE STATE** including the ten people who have died in the last 5 months, as well as the approximately 5,200 Hawai'i individuals living behind bars or under the "care and custody" of the Department of Public Safety on any given day. We are always mindful that more than 1,200 of Hawai'i's imprisoned people are serving their sentences abroad thousands of miles away from their loved ones, their homes and, for the disproportionate number of incarcerated Kanaka Maoli, far, far from their ancestral lands.

SB 2309 makes the state earned income tax credit refundable and permanent; applies to taxable years beginning after 12/31/2020.

Community Alliance on Prisons supports making the earned income tax refundable and permanent as the most effective anti-poverty tool in the nation. In 2017, Hawai'i created a state EITC worth 20% of the federal EITC to help our low-wage and working-class families keep more of their earnings. Our state EITC is scheduled to sunset after December 31, 2022. It should be made permanent to ensure that the working families in Hawai'i nei who need the support of the EITC will continue to receive it.

- Making the Hawai'i EITC refundable would assist a greater number of families in need.
- A refundable tax credit means that a taxpayer can get a tax refund when the amount of their credit is more than the amount of income tax that they owe.
- Mothers and children in EITC households have lower stress and better mental and physical health.
- Pregnant women who get the EITC are more likely to get early and regular prenatal care.
- The EITC effectively encourages work, especially for women.

A rising tide lifts all boats! Please pass this bill so important to some of our most vulnerable community members. Mahalo for this opportunity to testify.



49 South Hotel Street, Room 314 | Honolulu, HI 96813  
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

COMMITTEE ON WAYS AND MEANS  
Wednesday, January 29, 10:10 am, Room No. 211

SB2309, 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 strongly support SB2309, which makes the state EITC permanent and refundable so low income taxpayers can receive cash payments if their state income tax liability is less than the calculated amount of the state EITC.**

Due to Hawaii's regressive General Excise Tax, and the fact that even the poorest earner must pay income tax in Hawaii, the lowest income working families here pay more in total taxes than in all but one other state. The 2017 legislature, to its credit, created Hawai'i's EITC, which can provide much-needed relief to working families with very low incomes.

However, this benefit will expire January 1, 2023. There is no reason for this sunset date: as this date approaches, Hawaii's EITC could stop one of the benefits demonstrated for EITC, i.e. motivating women to join the work force, which benefits the state as well as themselves and their families.

SB2309 provides an opportunity to provide relief to the very poorest working households, those who owe in taxes less than the amount which the EITC would waive for them. SB2309 would give to these struggling families the difference between their state income tax bill and their state EITC. The amounts of money are small, but at the income levels we are talking about the "refunded" EITC would relieve some of the intense economic pressure these families are under.

The fact that these families are supported by a working family member makes an even stronger case for supporting them. One can imagine the immediate uses for this - clothing, appliance repair, school supplies, a bus pass..... it would make a real difference.

As a side benefit, this spending would help businesses as consumer spending would increase.

Please pass SB2309 and give the full EITC benefit to our poorest working families and one they can count on continuing to receive.

Thank you for the opportunity to submit testimony.



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT OF SB 2309: RELATING TO TAXATION

TO: Senator Donovan M. Dela Cruz, Chair, Senator Gilbert S.C. Keith-Agaran, Vice Chair; and Members, Committee on Ways and Means

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaii

**Hearing: Wednesday, January 29, 2020; 10:10 AM; CR 211**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members, Committee on Ways and Means.

Thank you for the opportunity to provide testimony **in strong support** of SB 2309, making the state earned income tax credit (EITC) refundable and permanent. I am Rob Van Tassell, with Catholic Charities Hawaii.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii for over 70 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawaii. Tax relief is a priority issue for us in 2020.

Hawaii's high cost of living is driving many families to leave the state. Outmigration of our young working families can have a serious impact on the state's economic future. The EITC helps lower income and working class families, especially with children, to keep more of their paycheck. With the high cost of food and housing, every bit of relief helps struggling families to remain in Hawaii. Making the Hawaii EITC refundable would help an even larger number of households. Right now, many of the working poor are not receiving any tax relief since it is not refundable. A refundable EITC is especially important for women and children. In Hawaii, households most likely to live in poverty are single parent households headed by women with minor children. More than one in three of these households are poor, according to the Institute for Women's Policy Research.

Catholic Charities Hawaii supports making the state EITC permanent. It is scheduled to sunset on December 21, 2022. Making it permanent will ensure that working families continue to receive it. The stress level of families in Hawaii is high. This bill can help to provide some financial relief that also helps to reduce stress which impacts on the physical and mental health of families.

We urge your support for SB 2309 to help address the high cost of living in our state. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) if you have any questions.





# HAWAII APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting SB 2309 – Relating to Taxation  
Senate Committee on Ways and Means  
Wednesday, January 29, 2020, at 10:10 AM in conference room 211

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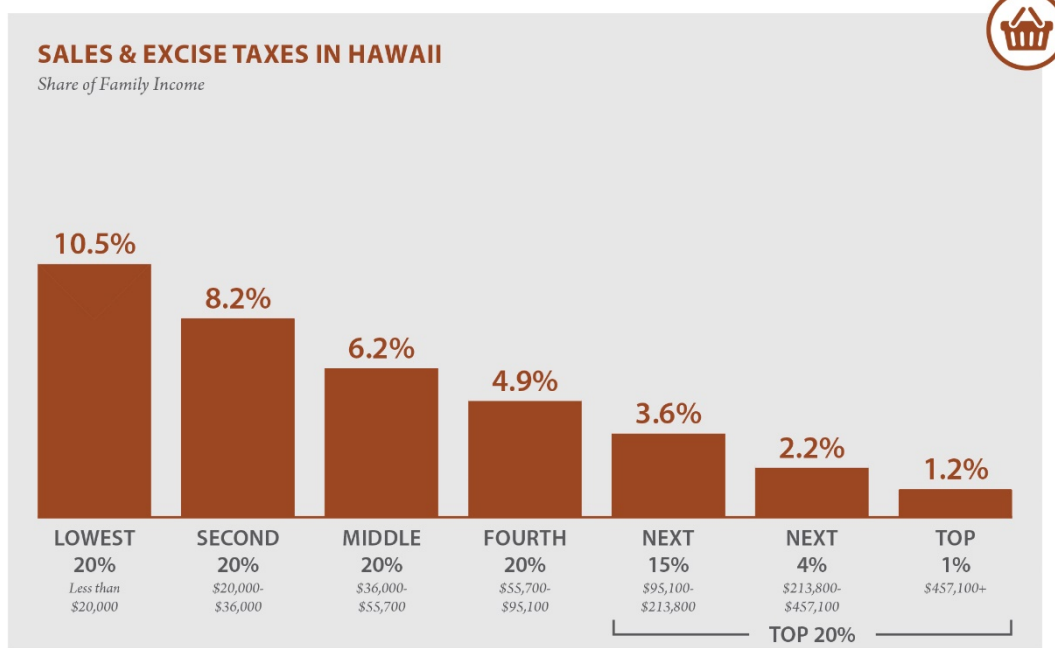
Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to provide testimony in **SUPPORT** of **SB 2309**, which would make our state's Earned Income Tax Credit (EITC) both refundable and permanent. Making our EITC refundable would help provide tax refunds to those who need them the most.

Mahalo for creating the Hawai'i EITC in 2017. It is helping thousands of our hard-working neighbors keep more of what they earn. However, it's not as effective as it could be because it is not refundable. That means tax filers can't get back more through the credit than what they owe in state income tax.

Hawai'i's ranks second nationally in how heavily we tax our low-income households. Our lowest-income households pay 15 percent of their income in state and local taxes, while those at the top pay only about 9 percent.<sup>1</sup>

The main reason for the regressivity of our local tax system is the General Excise Tax (GET), applied to almost all goods and services, which hits low-income and working-class families almost nine times harder than those at the top.



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*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.*

In fact, most low-income households pay far more in the GET than they do in state income taxes. So by being non-refundable, Hawai‘i’s current EITC provides less benefit to the lowest-income households who need it the most.

The Department of Taxation’s report on the state EITC’s first year (2018) confirms this. While households earning between \$15,000 to \$45,000 per year received an average of over \$300 in the state EITC, those under \$15,000 received an average state EITC of only \$51.<sup>ii</sup>

**Table 1**  
**Claims for the Earned Income Tax Credit, by Income Range**  
**Tax Year 2018**

Federal Adjusted Gross Income Range	Number of Credits Claimed	Amount of Credit (\$)	Average Amount per Claim (\$)
Less than \$15,000	13,397	\$684,391	\$51
\$15,000 to 30,000	20,260	7,707,318	380
\$30,000 to \$45,000	19,225	6,502,191	338
\$45,000 and above	2,774	388,250	140
<b>Total</b>	<b>55,656</b>	<b>\$15,282,150</b>	<b>\$275</b>

Moody’s Analytics has estimated that every \$1 in EITC spending boosts the local economy by \$1.24,<sup>iii</sup> so our state EITC's lack of refundability limits the economic stimulus and job creation roles that the EITC can play.

In addition, our state EITC is scheduled to sunset after December 31, 2022. It should be made permanent to ensure that the low and moderate-income working families in Hawaii that need the support of the EITC will continue to receive it.

The federal EITC is refundable, as are 23 of the other 28 state EITCs.<sup>iv</sup> Please pass SB 2309 to have Hawai‘i join them.

We appreciate your consideration of this testimony.

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<sup>i</sup> <https://itep.org/whopays/hawaii/>

<sup>ii</sup> [http://files.hawaii.gov/tax/stats/stats/act107\\_2017/act107\\_earnedincome\\_txcredit\\_2018.pdf](http://files.hawaii.gov/tax/stats/stats/act107_2017/act107_earnedincome_txcredit_2018.pdf)

<sup>iii</sup> <https://www.economy.com/mark-zandi/documents/2012-02-07-JEC-Payroll-Tax.pdf>

<sup>iv</sup> <http://www.taxcreditsforworkersandfamilies.org/state-tax-credits/>



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

*Hawaii Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.*

To: Senator Dela Cruz, Chair  
Senator Keith-Agaran,, Vice Chair  
Senate Committee on Ways and Means

Re: **SB 2309-relating to taxation**  
Hawaii State Capitol, Room 211  
10:10AM, 1/29/2020

Chair Dela Cruz, Vice Chair Keith-Agaran, and committee members,

**On behalf of Hawaii Children's Action Network Speaks!, we write in support of SB 2309**, which would make the state Earned Income Tax Credit (EITC) permanent and refundable.

Currently, Hawaii places the second highest tax burden in the nation on our low-income families. The lowest-income households here pay over 13% of their income in taxes, while those at the top pay 8% or less. Families in Hawaii are not only faced with high taxes, but also with the high cost of housing and child care, lack of paid family leave and the lowest average wage in the nation, rendering them unable to afford their basic needs. Twelve percent (12%) of keiki in Hawaii are currently living in poverty. Making the Earned Income Tax Credit refundable can put money back in the pockets of working families in Hawaii.

The EITC is designed to help all low-income and working-class families, but it has proven to be especially beneficial to women and children. According to the National Women's Law Center, "The EITC is particularly important to women, who typically earn less than men and are more likely to bear the expenses of raising children on their own". Consequently, the type of households in Hawaii that are most likely to live in poverty are those headed by single mothers with children under the age of 18. Of these households, more than one in three are poor, according to the Institute for Women's Policy Research.

Tax credits are an important step to help improve the economic security of low-income individuals and families in Hawaii but alone, are often not enough to make a significant difference to those who are most in need. Currently, two-thirds of working families who are eligible for Hawaii's EITC are not benefitting from it because it is not refundable.

Making the EITC refundable has proven to be incredibly successful at lifting low-income individuals and families out of poverty all over the country. It is time for Hawaii to make a common-sense change that will act as a powerful weapon in our fight against poverty. We appreciate the opportunity to provide testimony in support of SB 2309 and respectfully request the committee to support this measure.

Thank you,

Kathleen Algire  
Director, Public Policy and Research

**SB-2309**

Submitted on: 1/28/2020 6:37:27 AM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jeff Gilbreath	Testifying for Hawaiian Community Assets and Hawaii Community Lending	Support	No

Comments:

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

I am writing on behalf of Hawaiian Community Assets and Hawaii Community Lending to voice our strong support of SB 2309, which would make our state's earned income tax credit (EITC) refundable and permanent.

At a time when 1 in 2 of our households are ALICE (asset limited, income constrained, and employed) - living one paycheck away from complete financial ruin and homelessness - it is critical that we update our State tax system to promote asset building and address volatile and stagnant incomes.

By being non-refundable, Hawai'i's current EITC provides less benefit to the lowest-income households who need it the most. The Department of Taxation's report on the state EITC's first year (2018) confirms this. While households earning between \$15,000 to \$45,000 per year received an average of over \$300 in the state EITC, those under \$15,000 received an average state EITC of only \$51.

In addition, our state EITC is scheduled to sunset after December 31, 2022. It should be made permanent to ensure that the working families in Hawaii that need the support of the EITC will continue to receive it.

Please help our low-income, ALICE workers and working families keep more of what they earn - pass SB 2309.



# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Make EITC Refundable

BILL NUMBER: SB 2309

INTRODUCED BY: KIDANI, BAKER, S. CHANG, DELA CRUZ, IHARA, INOUE, KANUHA, KEITH-AGARAN, J.KEOHOKALO, KIM, MORIWAKI, K. RHOADS, RUDERMAN, L. THIELEN, K. Kahele, Nishihara, Riviere, Shimabukuro, Wakai

EXECUTIVE SUMMARY: Makes the state earned income tax credit refundable and permanent. To do that increases the risk to the State of fraudulent claims.

SYNOPSIS: Amends section 235-55.75, HRS, to make the earned income tax credit (EITC) refundable.

EFFECTIVE DATE: 1/1/2021.

STAFF COMMENTS: In Act 107, SLH 2017, the earned income tax credit (EITC), was adopted. Its supporters maintained it's the best solution to lift families out of poverty since sliced bread. At the Department of Taxation's urging, however, the EITC was made nonrefundable. Advocates clearly didn't like that, and are pressing to make the credit refundable.

Well, what's the difference? Let's start with a nonrefundable credit, which is current law. Suppose you either have lots of credits or not very much income, so you have more credits than tax liability. If you have made tax payments throughout the year, through wage withholding perhaps, you still can get all your payments back. But once the tax liability hits zero, there's no more. The state does not cut you a check, but you get a credit carryover which can be used against next year's tax liability.

In contrast, a refundable credit is just as good as cash. Not only can this type of credit reduce the amount of tax owed, but if the tax liability is less than the credit the State will cut the taxpayer a check for the difference.

Why is the Department concerned about issuing refundable credits? There are several reasons.

First, issuing a refund is administratively expensive. In most businesses, the internal process necessary to send money to someone goes through several checks and balances to make sure that no mistakes are made. In our state government, we need to do those processes twice. At the Department of Taxation, staff can ask for a refund to be issued but no one can issue a check. Instead, a document called a "refund voucher" is sent to a different department altogether, the Department of Accounting and General Services (DAGS). Once DAGS gets the refund voucher, it goes through its own processes, checking to see if the recipient doesn't owe another agency for example, and then issues the check.

Second, a refund can become a target for bad actors. We earlier pointed to reports from the U.S. Treasury Inspector General for Tax Administration estimating that more than 20% of all federal EITC payouts were improper. Other studies estimated that about half of these so-called improper payments were paid out because someone made a mistake. Perhaps the taxpayer was confused by the tax form, which is admittedly complex. The other half were paid out because of bad actors. Maybe a taxpayer claimed credits for kids they don't have. Maybe an unethical tax preparation service filled in data claiming credits for people who exist but aren't part of the taxpayer's family. Once the cash goes out, however, it's tough to get back. In Hawaii, our credit is 20% of the federal credit so a smaller check would go out, and because the number is smaller the Department of Taxation might not be motivated to chase down the improper payments given the number and severity of other items on their plate.

Indeed, the Department recently estimated that changing the Hawaii EITC to a refundable one would cost the State \$32 million more than a nonrefundable credit. It's not clear how they came up with that number. But that amount of money definitely could cool a few sweltering classrooms, or perhaps fix a few plumbing facilities at the airport. In this situation, what are our priorities? Where is the need greatest?

Digested 1/27/2020

**SB-2309**

Submitted on: 1/28/2020 7:36:31 AM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Patricia Bilyk	Testifying for Breastfeeding Hawaii	Support	No

Comments:

**TESTIMONY IN SUPPORT OF SB 2309**

TO: Senate Ways and Means Committee  
Chair: Donovan M. Dela Cruz  
Vice Chair: Gilbert S.C. Keith-Agaran

FROM: Jasmine Umeno  
Executive Assistant

DATE: January 28, 2020

Dear Chair Del Cruz, Vice Chair Keith-Agaran, and Members of the Committee,

Hawai'i Health & Harm Reduction Center (HHHRC) is writing **in support of SB 2309**, which would make our state's earned income tax credit (EITC) refundable and permanent, joining 23 other states across the nation. HHHRC works with many individuals who are impacted by poverty, housing instability, and other social determinants of health. Making Hawai'i's EITC refundable and permanent would help our state move towards a more progressive tax system that does not disproportionately burden our lowest-income citizens, and would help improve health outcomes and quality of life throughout our community.

In a state where low-income residents pay more state and local taxes as a share of their income than higher-income residents, a refundable credit against state income taxes would contribute toward keeping the tax system fair.<sup>1</sup> Currently, Hawai'i places the second-heaviest state and local tax burden on low-income households in the nation, according to the Institute on Taxation and Economic Policy. Our lowest-income families pay 15% of their income in state and local taxes, while those at the top pay only about 5%. By making our EITC refundable, significant portions of what low-income working families pay in our state's regressive General Excise Tax will be returned to them, and allow these families to meet

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<sup>1</sup> Davis, C., Davis, K., Gardner, M., Heimovitz, H., Johnson, S., McIntyre, R.S., Phillips, R., Sapozhnikova, A., Wiehe, M. (2015). *Who pays? A distributional analysis of the tax system in all 50 states*. 5th Edition. Washington, DC: The Institute on Taxation & Economic Policy.

their basic needs with their own earned income.<sup>2</sup> A refundable tax credit means that a taxpayer can get a tax refund when the amount of their credit is more than the amount of income tax that they owe.

By being non-refundable, Hawai'i's current EITC provides less benefit to the lowest-income households who need it the most. Our state EITC's current lack of refundability significantly limits the economic stimulus and job creation roles that the EITC can play. Our state EITC is scheduled to sunset after December 31, 2022. It should be made permanent to ensure that the working families in Hawaii that need the support of the EITC will continue to receive it.

Further, extensive research shows that the EITC is especially beneficial to women and children. Mothers and children in EITC households have lower stress and better mental and physical health. Pregnant women who get the EITC are more likely to get early and regular prenatal care. The type of households in Hawaii that are most likely to live in poverty are those with children under 18 and headed by single mothers—more than one in three are poor, according to the Institute for Women's Policy Research.

Mahalo for the opportunity to provide testimony today. Please pass SB 2309 to shrink Hawai'i's wealth gap, improve health outcomes for low-income families, and help working-class families keep more of what they earn.

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2 Pobutsky, A. & Stern, I.R. (2016). How a State Earned Income Tax Credit Would Benefit Hawai'i's Low-Income Families and Children. Honolulu, HI: University of Hawai'i, Center on the Family.

The Thirtieth Legislature  
Regular Session of 2020

**LATE**

THE SENATE  
Committee on Ways and Means  
Senator Donovan Dela Cruz, Chair  
Senator Gilbert Keith-Agaran Vice Chair  
State Capitol, Conference Room 211  
Wednesday, January 29, 2020; 10:10 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2309  
RELATING TO TAXATION**

The ILWU Local 142 supports S.B. 2309, which makes the state earned income tax credit (EITC) refundable and permanent and applies to taxable years beginning after 12/31/2020.

Unfortunately, the state of Hawaii has the highest cost of living of all fifty states. Many working families live paycheck to paycheck and are struggling to make ends meet. Countless workers and their families are sadly one paycheck away of homelessness or claiming bankruptcy.

Fortunately, making the EITC refundable and permanent is a step in the right direction of helping working families struggling with Hawaii's high cost of living.

The ILWU Local 142 strongly urges the passage of S.B. 2309. Thank you for the opportunity to testify.



Pono Hawai'i Initiative

**LATE**

Josh Frost - President • Patrick Shea - Treasurer • Kristin Hamada  
Nelson Ho • Summer Starr

Tuesday, January 28, 2020

Relating to Taxation  
Testifying in Support

Aloha Chair and members of the committee,

The Pono Hawai'i Initiative (PHI) **supports SB2309 Relating to Taxation**, which will make the Earned Income Tax Credit (EITC) refundable and permanent. This measure will help low-income and working families.

Unfortunately, Hawaii's regressive General Excise Tax (GET) hits low-wage working parents the hardest resulting in them paying far more in GET than in state income tax. By making the EITC refundable and permanent we will enable families to keep more of their earnings that would have otherwise been lost to the GET. This is especially helpful and necessary for those single parent or income homes where every penny counts.

EITC has also been shown to be one of the most effective means to fiscal stimulus, providing \$1.24 in community benefits for every \$1.00 spent. If the EITC is non-refundable it is stifled in its ability to help the economy and job creation.

Helping Hawaii's families who are most at risk for poverty should be a top priority. Reducing financial stress on these families will help to lower overall stress, and lead to better physical and mental health and will help them to create a better future for themselves and their families.

For all these reasons, we urge you to **vote in favor of SB2309**.

Mahalo for the opportunity,  
Gary Hooser  
Executive Director  
Pono Hawai'i Initiative



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

**RANDY PERREIRA**, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

**LATE**

The Thirtieth Legislature, State of Hawaii  
The Senate  
Committee on Ways and Means

Testimony by  
Hawaii Government Employees Association

January 29, 2020


S.B. 2309 – RELATING TO TAXATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 2309 which makes the state earned income tax credit refundable and permanent.

Although the Legislature previously passed an Earned Income Tax Credit (EITC), it was a non-refundable and temporary credit, meaning the tax credit savings could not exceed the amount of tax that was owed, and the enabling legislation would sunset in 2022. By converting the EITC to a permanent refundable tax credit, an individual would now be able to receive a tax refund when the amount of the credit is more than the individual's income tax liability, in perpetuity. These two changes to the EITC will ease the financial burden for working families in Hawai'i.

Thank you for the opportunity to testify in support of S.B. 2309.

Respectfully submitted,

*for*   
Randy Perreira  
Executive Director



**SB-2309**

Submitted on: 1/27/2020 1:21:28 PM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Randy Ching	Individual	Support	No

Comments:

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

I support SB2309, which would make our state EITC refundable and permanent.

Please pass SB2309. Mahalo for the opportunity to testify.

Randy Ching (concerned citizen)

Honolulu (makikirandy@yahoo.com)

**SB-2309**

Submitted on: 1/27/2020 1:36:05 PM

Testimony for WAM on 1/29/2020 10:10:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jonathan Boyne	Individual	Support	No

**Comments:**

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

*Aloha! My name is Jonathan Boyne and I'm a lifelong Honolulu resident. Mahalo for the opportunity to provide testimony today. Please pass SB 2309 to help our low-income and working-class families keep more of what they earn.*

*I support SB 2309, which would make our state's earned income tax credit (EITC) refundable and permanent because:*

- The Earned Income Tax Credit (EITC) has been praised by both Democrats and Republicans as the most effective anti-poverty tool in the nation. In 2017, Hawaii created a state EITC worth 20% of the federal EITC to help our low-wage and working-class families keep more of their earnings.
- Hawaii's low-income households pay the second-highest rate in state and local taxes in the nation, mostly due to our regressive General Excise Tax (GET). Our low-wage working parents pay far more in the GET than in state income tax. That's why making our EITC \*refundable\* is important, in order to allow EITC filers to get tax refunds when their credits total more than the amount of income tax that they owe.
- The EITC is designed to help low-income and working-class families with children keep more of what their hard-earned money. Making the Hawaii EITC refundable would assist a greater number of families in need. A refundable tax credit means that a taxpayer can get a tax refund when the amount of their credit is more than the amount of income tax that they owe.
- The federal EITC is refundable, as are 23 of the other 28 state EITCs. But many of the working-poor families who are eligible for Hawaii's EITC are not benefitting from it because ours is not refundable.
- By being non-refundable, Hawai'i's current EITC provides less benefit to the lowest-income households who need it the most. The Department of Taxation's report on the state EITC's first year (2018) confirms this. While households earning between \$15,000 to \$45,000 per year received an average of over \$300 in the state EITC, those under \$15,000 received an average state EITC of only \$51.
- Hawaii places the second-heaviest state and local tax burden on low-income households in the nation, according to the Institute on Taxation and Economic Policy. Our lowest-income families pay 15% of their income in state and local taxes, while those at the top pay only about 5%. The main reason for this is our regressive General Excise Tax (GET).

Making our EITC refundable will return significant portions of what they pay in the GET to low-income working families.

- In testimony before Congress, the chief economist for Moody's Analytics reported that the EITC was among the most effective means of fiscal stimulus, providing \$1.24 in community benefit for every \$1.00 spent. Our state EITC's lack of refundability significantly limits the economic stimulus and job creation roles that the EITC can play.
- Our state EITC is scheduled to sunset after December 31, 2022. It should be made permanent to ensure that the working families in Hawaii that need the support of the EITC will continue to receive it.
- The type of households in Hawaii that are most likely to live in poverty are those with children under 18 and headed by single mothers—more than one in three are poor, according to the Institute for Women's Policy Research.
- Extensive research shows that the EITC is especially beneficial to women and children. Mothers and children in EITC households have lower stress and better mental and physical health. Pregnant women who get the EITC are more likely to get early and regular prenatal care. The EITC effectively encourages work, especially for women.

Sincerely,

Jonathan Boyne

96822

**SB-2309**

Submitted on: 1/27/2020 2:57:33 PM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
donald erway	Individual	Support	No

Comments:

- The Earned Income Tax Credit (EITC) has been praised by both Democrats and Republicans as the most effective anti-poverty tool in the nation. In 2017, Hawaii created a state EITC worth 20% of the federal EITC to help our low-wage and working-class families keep more of their earnings.
- Hawaii’s low-income households pay the second-highest rate in state and local taxes in the nation, mostly due to our regressive General Excise Tax (GET). Our low-wage working parents pay far more in the GET than in state income tax. That’s why making our EITC \*refundable\* is important, in order to allow EITC filers to get tax refunds when their credits total more than the amount of income tax that they owe.
-

**SB-2309**

Submitted on: 1/27/2020 10:05:36 PM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jun Shin	Individual	Support	No

Comments:

**SB-2309**

Submitted on: 1/28/2020 5:23:39 AM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
R. Sommers	Individual	Support	No

Comments:

**SB-2309**

Submitted on: 1/28/2020 9:51:35 AM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Marilyn Mick	Individual	Support	No

Comments:

Dear Legislators, I strongly support this bill.

Hawaii's low-income households pay the second-highest rate in state and local taxes in the nation.. Our low-wage working parents pay far more in the GET than in state income tax. That's why making our EITC \*refundable\* is important, in order to allow EITC filers to get tax refunds when their credits total more than the amount of income tax that they owe.

In this mornings edition of Civil Beat a new series called "Report: Two-Thirds of Hawaii Residents Struggle Financially" states that "Hawaii residents face financial challenges deeper and more widespread than previously realized, as low wages, a high cost of living and limited options for economic mobility hinder the financial well-being of more than two-thirds of the state's 1.12 million adults."<https://www.civilbeat.org/2020/01/report-two-thirds-of-hawaii-residents-struggle-financially/>

Please pass this bill.

Mahalo, Marilyn Mick, Honolulu

**LATE**

**SB-2309**

Submitted on: 1/28/2020 6:00:22 PM

Testimony for WAM on 1/29/2020 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Marion McHenry	Individual	Support	No

Comments:

I feel that this is an important bill to help those struggling to make ends meet. I strongly support this bill.

Thank you,

Marion Mchenry

Kauai