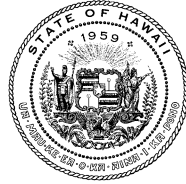


DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

LATE

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. 3124, Relating to Taxation**

Date: Tuesday, February 11, 2020

Time: 10:30 A.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) provides the following comments on S.B. 3124.

This measure amends income tax brackets and rates for taxable year beginning after December 31, 2020, as noted in the attachment to this testimony. Income tax for taxpayers, regardless of filing status, with an income of less than \$12,000 are eliminated. In addition, tax rates for higher income brackets, over \$48,000 for single and married filing joint and \$54,000 for Head of Household, are increased.

The Department estimates the changes proposed by this measure could result in a revenue loss of \$1.5 million beginning in Fiscal Year 2022. The estimate is based on return data for tax year 2017, adjusted for the growth rate of Hawaii total personal income.

The Department notes that the calculation for income tax in the purpose clause of S.B. 3124 does not take into consideration standard deduction (or itemized deduction) and personal exemption that will result in lower tax liability than what is stated.

The Department respectfully requests that the effective date in Section 4 be amended to apply to taxable years beginning after December 31, 2020 as stated in the statutory changes to the income tax brackets in Section 2 of the measure.

Thank you for the opportunity to provide comments.

Attachment to testimony for SB 3124:

Tax rate schedule proposed changes

CURRENT TAX RATE SCHEDULES					PROPOSED SCHEDULES BY S.B. 3124					
Single Taxpayers and Married Filing Separate Returns										
Taxable Income is:		The tax is:			Taxable Income is:		The tax is:			
Over	Not Over				Over	Not Over				
	\$2,400	1.40%	of taxable inc	over						
\$2,400	\$4,800	\$34	plus	3.20%	\$2,400				of excess	
\$4,800	\$9,600	\$110	plus	5.50%	\$4,800	\$12,000	0%	of taxable inc	over	
\$9,600	\$14,400	\$374	plus	6.40%	\$9,600	\$12,000	\$0	plus	7.40%	\$12,000
\$14,400	\$19,200	\$682	plus	6.80%	\$14,400	\$14,400	\$178	plus	7.80%	\$14,400
\$19,200	\$24,000	\$1,008	plus	7.20%	\$19,200	\$19,200	\$552	plus	8.20%	\$19,200
\$24,000	\$36,000	\$1,354	plus	7.60%	\$24,000	\$24,000	\$946	plus	8.60%	\$24,000
\$36,000	\$48,000	\$2,266	plus	7.90%	\$36,000	\$36,000	\$1,978	plus	8.90%	\$36,000
\$48,000	\$150,000	\$3,214	plus	8.25%	\$48,000	\$48,000	\$3,046	plus	9.25%	\$48,000
\$150,000	\$175,000	\$11,629	plus	9.00%	\$150,000	\$150,000	\$12,481	plus	10.00%	\$150,000
\$175,000	\$200,000	\$13,879	plus	10.00%	\$175,000	\$175,000	\$14,981	plus	11.00%	\$175,000
\$200,000		\$16,379	plus	11.00%	\$200,000					

CURRENT TAX RATE SCHEDULES					PROPOSED SCHEDULES BY S.B. 3124					
Married Filing Joint Returns and Qualifying Widow(er)s										
Taxable Income is:		The tax is:			Taxable Income is:		The tax is:			
Over	Not Over				Over	Not Over				
	\$4,800	1.40%	of taxable inc	over						
\$4,800	\$9,600	\$67	plus	3.20%	\$4,800	\$12,000	0%	of taxable inc	over	
\$9,600	\$19,200	\$221	plus	5.50%	\$9,600	\$12,000	\$0	plus	6.50%	\$12,000
\$19,200	\$28,800	\$749	plus	6.40%	\$19,200	\$19,200	\$468	plus	7.40%	\$19,200
\$28,800	\$38,400	\$1,363	plus	6.80%	\$28,800	\$28,800	\$1,178	plus	7.80%	\$28,800
\$38,400	\$48,000	\$2,016	plus	7.20%	\$38,400	\$38,400	\$1,927	plus	8.20%	\$38,400
\$48,000	\$72,000	\$2,707	plus	7.60%	\$48,000	\$48,000	\$2,714	plus	8.60%	\$48,000
\$72,000	\$96,000	\$4,531	plus	7.90%	\$72,000	\$72,000	\$4,778	plus	8.90%	\$72,000
\$96,000	\$300,000	\$6,427	plus	8.25%	\$96,000	\$96,000	\$6,914	plus	9.25%	\$96,000
\$300,000	\$350,000	\$23,257	plus	9.00%	\$300,000	\$300,000	\$25,784	plus	10.00%	\$300,000
\$350,000	\$400,000	\$27,757	plus	10.00%	\$350,000	\$350,000	\$30,784	plus	11.00%	\$350,000
\$400,000		\$32,757	plus	11.00%	\$400,000					

CURRENT TAX RATE SCHEDULES						PROPOSED SCHEDULES BY S.B. 3124					
Unmarried Heads of Household											
Taxable Income is:		The tax is:				Taxable Income is:		The tax is:			
Over	Not Over				of excess	Over	Not Over				of excess
	\$3,600	1.40%	of taxable inc		over						
\$3,600	\$7,200	\$50	plus	3.20%	\$3,600		\$12,000	0%	of taxable inc		over
\$7,200	\$14,400	\$166	plus	5.50%	\$7,200	\$12,000	\$14,400	\$0	plus	6.50%	\$12,000
\$14,400	\$21,600	\$562	plus	6.40%	\$14,400	\$14,400	\$21,600	\$156	plus	7.40%	\$14,400
\$21,600	\$28,800	\$1,022	plus	6.80%	\$21,600	\$21,600	\$28,800	\$689	plus	7.80%	\$21,600
\$28,800	\$36,000	\$1,512	plus	7.20%	\$28,800	\$28,800	\$36,000	\$1,250	plus	8.20%	\$28,800
\$36,000	\$54,000	\$2,030	plus	7.60%	\$36,000	\$36,000	\$54,000	\$1,841	plus	8.60%	\$36,000
\$54,000	\$72,000	\$3,398	plus	7.90%	\$54,000	\$54,000	\$72,000	\$3,389	plus	8.90%	\$54,000
\$72,000	\$225,000	\$4,820	plus	8.25%	\$72,000	\$72,000	\$225,000	\$4,991	plus	9.25%	\$72,000
\$225,000	\$262,500	\$17,443	plus	9.00%	\$225,000	\$225,000	\$262,500	\$19,143	plus	10.00%	\$225,000
\$262,500	\$300,000	\$20,818	plus	10.00%	\$262,500	\$262,500		\$22,893	plus	11.00%	\$262,500
\$300,000		\$24,568	plus	11.00%	\$300,000						

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RELATING TO TAXATION

BILL NUMBER: SB 3124

INTRODUCED BY: RIVIERE, Fevella, Gabbard, Ihara, Keith-Agaran, Kim, Moriwaki, Ruderman, Shimabukuro, Taniguchi, L. Thielen

EXECUTIVE SUMMARY: Amends the income tax rates by changing the tax brackets beginning after 12/31/2020.

SYNOPSIS: Amends section 235-51, HRS, to eliminate the income tax for taxable income below \$12,000, does not change the top rates, and increases the rates in the middle to catch up.

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
12/31/2020

From	To	Rate	Tax for This Bracket	Next Bracket Starts
-	12,000	0.00%	0	0
12,000	19,200	6.50%	468.00	468
19,200	28,800	7.40%	710.40	1,178
28,800	38,400	7.80%	748.80	1,927
38,400	48,000	8.20%	787.20	2,714
48,000	72,000	8.60%	2,064.00	4,778
72,000	96,000	8.90%	2,136.00	6,914
96,000	300,000	9.25%	18,870.00	25,784
300,000	350,000	10.00%	5,000.00	30,784
350,000		11.00%		

EFFECTIVE DATE: Taxable years beginning after December 31, 2019.

STAFF COMMENTS: This proposal changes the number of individual income tax brackets from 12 to 9 and, understandably, catches up in the middle. Here are our calculations of old tax and new tax for a family of four taking the standard deduction.

Income	Taxable Income	Old Tax	New Tax
10,000	1,024	14.34	-
20,000	11,024	299.32	-
30,000	21,024	865.34	602.58
40,000	31,024	1,514.43	1,351.67
50,000	41,024	2,204.73	2,141.97
60,000	51,024	2,936.82	2,974.06
70,000	61,024	3,696.82	3,834.06
80,000	71,024	4,456.82	4,694.06
90,000	81,024	5,243.90	5,581.14
100,000	91,024	6,033.90	6,471.14
110,000	101,024	6,841.48	7,378.72
120,000	111,024	7,666.48	8,303.72
130,000	121,024	8,491.48	9,228.72

140,000	131,024	9,316.48	10,153.72
150,000	141,024	10,141.48	11,078.72
160,000	151,024	10,966.48	12,003.72
170,000	161,024	11,791.48	12,928.72
180,000	171,024	12,616.48	13,853.72
190,000	181,024	13,441.48	14,778.72
200,000	191,024	14,266.48	15,703.72

Digested 2/6/2020

SB-3124

Submitted on: 2/10/2020 8:07:11 AM

Testimony for WAM on 2/11/2020 10:30:00 AM

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

Comments:

Aloha Chair, Vice Chair, and Committee members,

I am writing on behalf of Hawaiian Community Assets, Hawaii's largest HUD housing counseling agency, and Hawaii Community Lending, a Department of Treasury certified community development financial institution, to submit our testimony in strong support of SB 3124.

SB 3124 would eliminate state income tax for families making less than \$12,000 a year at a time when 47,066 of our households are living in poverty and are already faced with the struggle of high housing and energy costs, low wages, and dwindling public assistance.

Hawaii's ranks [second nationally](#) in how heavily we tax our low-income residents. Our lowest-income families pay 15 percent of their income in state and local taxes, while those at the top pay only about nine percent.

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](#).

In current law, Hawaii state income tax starts apply at in at \$4,800 for joint filers, \$3,600 for heads of household, and \$2,400 for single filers. In other words, our state taxes many families further into poverty:

Please take action to eliminate state income tax for families making less than \$12,000 a year and assist our families living in poverty get a foothold to move toward economic self-sufficiency.

Mahalo,

Jeff Gilbreath
Director of Lending and Development



HAWAII

AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President	Melodie Aduja	Chuck Huxel	Stephen O'Harrow	P.O. Box 23404
Alan Burdick, Vice President	Juliet Begley	Jan Lubin	Lyn Pyle	Honolulu
Marsha Schweitzer, Treasurer	Ken Farm	Jenny Nomura		Hawai'i 96823
Doug Pyle, Secretary	Stephanie Fitzpatrick	Dave Nagaji		

February 9 , 2020

TO: Chair Dela Cruz and Members of the WAM Committee

RE: SB 3124 Relating to Taxation

Comments for hearing on February 11

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 amending our tax brackets to make our system more progressive. Currently our lowest-income fifth of families pay about fifteen percent of their income in state and local taxes according to Appleaseed. Those at the top pay about nine percent. Our income tax starts to apply at \$4,800 for joint filers, \$3,600 for heads of household, and \$2,400 for single filers. In other words, our state taxes many families further into poverty. Yet poverty starts at about \$15,000 for single people. The first tax bracket should start there as well. We would also be happy to see higher brackets for really high income earners.

John Bickel
President



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
TUESDAY, 2/11/20, 10:30 am, Room No. 211

SB3124 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 supports this bill, which relieves those who have extremely low incomes of any income tax; and moderately increasing income taxes on taxpayers in the highest brackets.

It is a truism that our society suffers from unprecedented and deplorable inequality. Those of us who live in or pass through Honolulu see this starkly illustrated in the contrast between new high rise condo buildings offering views and luxurious amenities, and the homeless living in tents and under tarps.

Hawaii is one of only two states which require its poorest residents to pay income taxes. When I looked at the tax brackets for the lowest income taxpayers after not seeing them for a few years, I was astounded that we ask (for example) married taxpayers filing jointly with taxable incomes of less than \$9,600 (including, shockingly, even those with incomes less than \$4,800) to pay income taxes. Even acknowledging that some higher income taxpayers could fall into these brackets because of deductions and exemptions, these brackets primarily burden extremely impoverished people.

A 2018 report, "Who Pays: A Distributional Analysis of Tax Systems in all 50 States, 6th edition) found that Hawai'i's poorest 20 percent earn an average annual gross income of \$10,200, while the richest 1 percent bring in an average of \$948,200. That means that, before taxes, the richest make 96 times more money than the poorest. However, the richest 1 percent don't pay 96 times more in taxes. Instead, they pay only 57 times more. As a result, after taxes, the gap between the richest and poorest has grown from being 96 times more to 103 times more.

SB3124 offers a very important step toward addressing this inequality by removing any income tax liability for tax filers with extremely low incomes (e.g. for those filing joint returns, income of \$12,000 or less), and modestly increasing income taxes on those whose incomes are in the highest brackets. The increased income to the state will surely make up the difference in taxes raised by the lowest income tax filers, according to the Institute for Taxation and Economic Policy. The additional income available from the



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increase in taxes in the top brackets will easily compensate for this change (Institute for Taxation and Economic Policy).



PATIENTS WITHOUT TIME



— helping cannabis patients in Hawaii since 2014.

February 9, 2020

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

Please **SUPPORT** this bill, **SB 3124**, which would alleviate state income tax for families making less than \$12,000 a year, because they are struggling to live far below poverty level, in Hawaii, and need money for housing and food.

Please **PASS** this bill, **SB 3124** to help our state's low-income families.

Mahalo, for the opportunity to provide testimony,

Brian Murphy, Director

PATIENTS WITHOUT TIME



PWTmaui.org

For more info email: info@PWTmaui.org



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

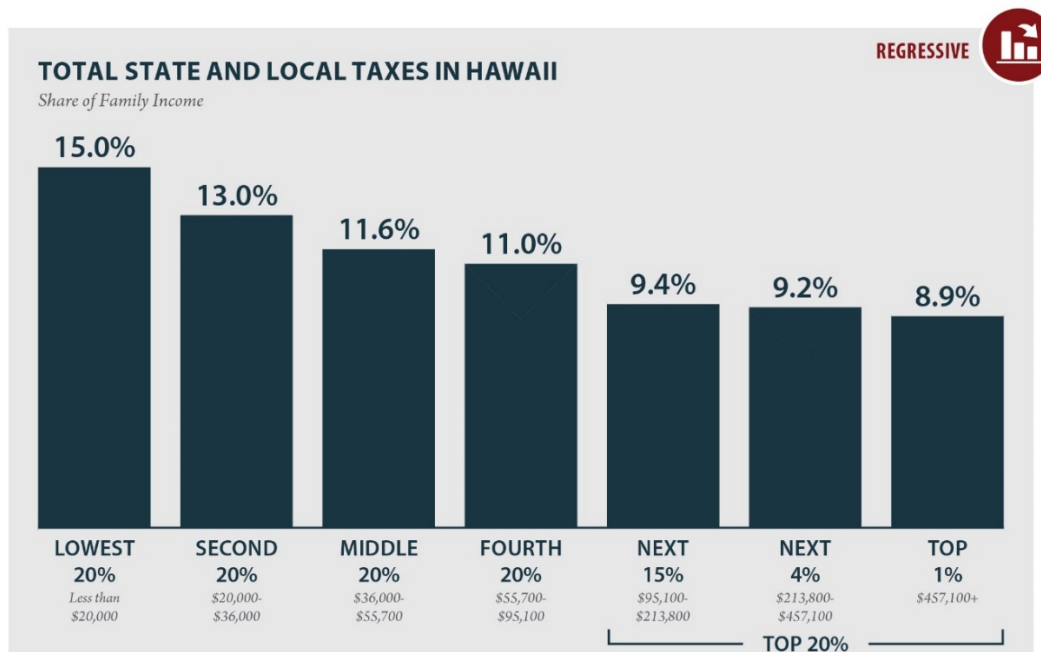
Testimony of the Hawai‘i Appleseed Center for Law and Economic Justice
In Support of SB 3124 – Relating to Taxation
Senate Committee on Ways and Means
Tuesday, February 11, 2020, 10:30 AM, conference room 211

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

Thank you for the opportunity to provide testimony in **SUPPORT with amendments of SB 3124**, to provide much-needed tax relief to our state’s struggling low-income families. It would eliminate income taxes for households earning up to \$12,000 per year and provide some tax relief for working-class families a little further up the income scale.

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, two-thirds of our state’s residents struggle financially.ⁱ

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 at the top pay only about 9 percent. This regressivity leads to Hawai‘i’s ranking as the second-worst state in the nation for low-income residents.ⁱⁱ



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.

This bill is a good step to help the low-income families in our state who are burdened with heavy taxes, by eliminating state income tax liability for workers in the lowest tax brackets.

In addition, we respectfully suggest **amending this bill to start tax liability at different income levels for different types of households**, as in current law. This would account for the fact that it is much more difficult for a family of four, for example, to survive on \$40,000 per year, than it is for a single person.

The poverty guidelines for Hawai'i are \$14,680 for a household of one, \$19,830 for two, and \$30,130 for four.ⁱⁱⁱ So it would make sense to eliminate income tax liability up to similar levels, such as at **\$15,000 per year for single filers, \$20,000 for heads of households (single parents), and \$30,000 for married joint filers.**

We appreciate your consideration of this testimony. Please pass SB 3124 to make Hawai'i's income tax structure more progressive.

ⁱ <https://www.civilbeat.org/2020/01/report-two-thirds-of-hawaii-residents-struggle-financially/>

ⁱⁱ <https://itep.org/whopays/>

ⁱⁱⁱ <https://aspe.hhs.gov/poverty-guidelines>



TESTIMONY IN SUPPORT OF SB 3124

TO: COMMITTEE ON WAYS AND MEANS
Chair: Donovan M. Dela Cruz
Vice Chair: Gilbert S.C. Keith-Agaran

FROM: Jasmine Umeno
Executive Assistant

DATE: February 10, 2020

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

Hawai'i Health & Harm Reduction Center (HHHRC) is writing **in support of SB 3124**, which would eliminate income tax for all households with annual income up to \$12,000.

Hawai'i is among the most expensive states to live in the United States, and our taxation system disproportionately hits low-income earners. In the nation, our state ranks second when it comes to how heavily low-income residents are taxed. Our lowest-income families pay 15 percent of their income in state and local taxes, while those at the top pay only about nine percent. Hawai'i's General Excise Tax (GET), which is applied to almost all goods and services, hits low-income and working-class families almost nine times harder than high-wage earners – a higher proportion of their income is spent and circulated in the economy than the incomes of those at the top, which means more of their income is subject to GET taxation.

Hawai'i's working families are in urgent need of an updated tax system that will allow them to keep more of their earned income. SB 3124 would move towards protecting low-income residents of Hawai'i from having their income taxed disproportionately higher than incomes of higher earners.

HHHRC works with many individuals who are impacted by poverty, housing instability, and other social determinants of health, and our organization sees firsthand the negative effects of Hawai'i's high cost of living. Eliminating income tax for our state's low-income residents will go far to improving our regressive taxation system for working people. Thank you for the opportunity to provide testimony today in support of SB 3124.

SB-3124

Submitted on: 2/8/2020 9:38:10 AM

Testimony for WAM on 2/11/2020 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jun Shin	Individual	Support	No

Comments:

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

Hello! My name is Jun Shin and I'm from Kaheka. I support SB 3124, which would eliminate state income tax for families making less than \$12,000 a year, because residents who are living paycheck to paycheck are already feeling the burdens of keeping our state functioning by pay 15 percent of their income in state and local taxes, while those at the top pay only about nine percent. We need to give working families a break. Mahalo for the chance to provide testimony. Please **pass SB 3124** to help our state's low-income families.

SB-3124

Submitted on: 2/8/2020 11:21:13 AM

Testimony for WAM on 2/11/2020 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael deYcaza	Individual	Support	No

Comments:

It's shameful how the State of Hawaii has put the tax burden on those least able to pay.

SB-3124

Submitted on: 2/9/2020 6:53:27 PM

Testimony for WAM on 2/11/2020 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Justin Salisbury	Individual	Support	No

Comments:

SB-3124

Submitted on: 2/9/2020 7:58:07 PM

Testimony for WAM on 2/11/2020 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Whispering Wind	Individual	Support	No

Comments:

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

Please SUPPORT this bill, SB 3124, which would get rid of state income tax for families making less than \$12,000 a year, because they are struggling far below poverty level, and need money for housing and food.

Mahalo, for the chance to provide testimony.

Please PASS this bill, SB 3124 to help our state's low-income families.

Mahalo,

Mary Whispering Wind

SB-3124

Submitted on: 2/9/2020 8:00:14 PM

Testimony for WAM on 2/11/2020 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Murphy	Individual	Support	No

Comments:

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

Please SUPPORT this bill, SB 3124, which would get rid of state income tax for families making less than \$12,000 a year, because they are struggling far below poverty level, and need money for housing and food.

Mahalo, for the chance to provide testimony.

Please PASS this bill, SB 3124 to help our state's low-income families.

Mahalo!