

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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To: The Honorable Mark M. Nakashima, Chair;  
The Honorable Scot Z. Matayoshi, Vice Chair;  
and Members of the House Committee on Judiciary & Hawaiian Affairs

From: Isaac W. Choy, Director  
Department of Taxation

Date: Tuesday, February 8, 2022  
Time: 2:00 P.M.  
Place: Via Video Conference, State Capitol

**Re: H.B. 1209, H.D. 1, Relating to Taxation**

The Department of Taxation (Department) has concerns and offers the following comments regarding H.B. 1209, H.D. 1, for your consideration. H.B. 1209, H.D. 1, proposes to suspend and refund all personal and corporate income tax received or withheld by the State after the State enacts a law imposing real property tax. Thus, the bill repeals the personal and corporate income taxes if a State imposed real property tax is enacted.

H.B. 1209, H.D. 1, is contingent on the State gaining authority to impose real property tax that would be provided via the constitutional amendment proposed by H.B. 1208, H.D. 1. H.B. 1209, H.D. 1, has an effective date of July 1, 2050, and becomes effective only upon the ratification of an amendment to Article VIII, Section 3, of the Hawaii State Constitution.

First, the Department notes that this bill may be premature. It may be wise to wait until the proposed constitutional amendment is authorized by the legislature and ratified by the voters before committing the State to suspension of its personal and corporate income taxes.

Second, the Department notes that this bill proposes to repeal the State's second greatest source of general fund tax revenue. As such, the bill must be more specific and explicit in its intent and proposed effect. The bill as written does not contain sufficient detail for it to be administered.

For example, the suspension of income tax will certainly lead to a large revenue loss, however, the event triggering the suspension, the adoption of "a state law specifying real property tax amounts to be levied" says nothing about the amount of revenue to be generated by the State property tax before such suspension takes effect.

Finally, the preamble of the bill cites the growing amounts of Hawaii real property purchased by non-residents and unequivocally states such growth is “due to the low property tax rates.” If the growing non-resident purchase of real property is indeed “due to the low property tax rates,” then increasing those rates may lead to less purchases of real property by non-residents and therefore lower property tax revenue. As currently written, the effective repeal of the personal and corporate income taxes would still be effective, regardless of the amount of revenue the State imposed real property tax generates. This could lead to a dramatic shortfall in general fund revenue.

Thank you for the opportunity to provide comments.



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

*Hawai'i 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.*

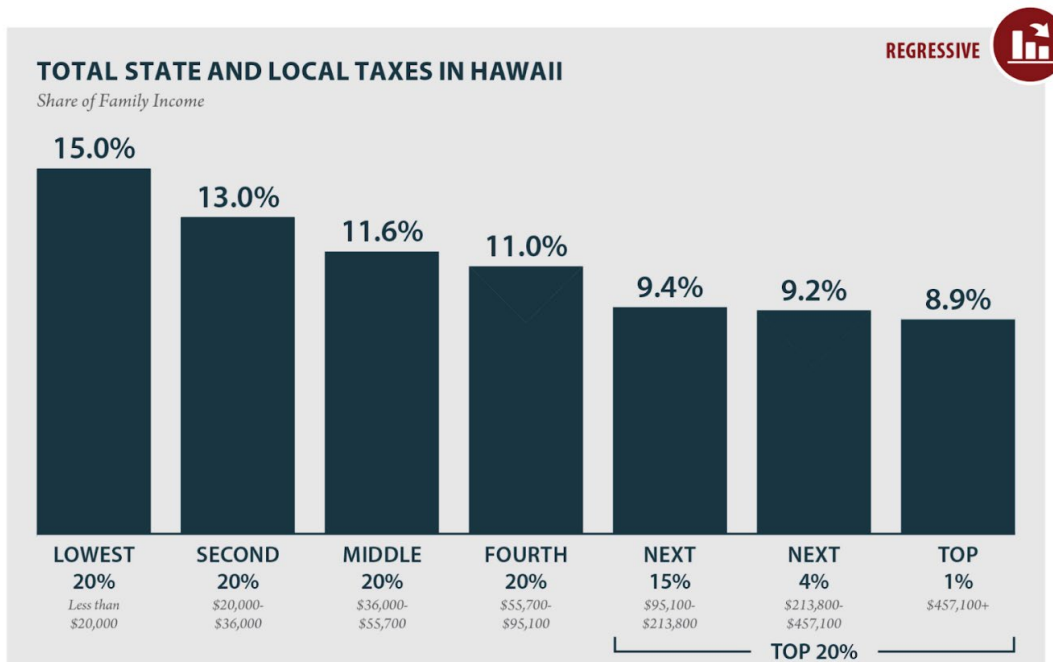
To: House Committee on Judiciary & Hawaiian Affairs

Re: **HB 1209 HD1 - Relating to Taxation**  
 Hawai'i State Capitol, Via Videoconference, Conference Room 325  
 February 8, 2022, 2:00 PM

Dear Chair Nakashima, Vice Chair Matayoshi, and committee members,

**On behalf of Hawai'i Children's Action Network Speaks!, I am writing in OPPOSITION to HB 1209 HD1, relating to taxation.** This bill would, by 1/1/2026, require the department of taxation to suspend and refund certain income tax amounts received or withheld upon the enactment of a state law specifying real property tax amounts. This would take effect upon the ratification of a constitutional amendment authorizing the State to have additional real property taxing authority.

Hawai'i's tax system is upside down. Families who earn less than \$20,000 per year pay 15 percent of their income in state and local taxes, while those who make over \$450,000 pay only about 9 percent. In fact, our state saddles our low-income families with the second-heaviest state and local tax burden in the nation.<sup>1</sup>



The main reason that low-income families pay more than those at the top is the General Excise Tax (GET), which is applied to nearly all goods and services in Hawai'i. It hits our low-income and working-class families harder because they spend almost all of their earnings on items and services that are taxed by the GET.

<sup>1</sup> Institute on Taxation and Economic Policy, <https://itep.org/whopays/hawaii/>

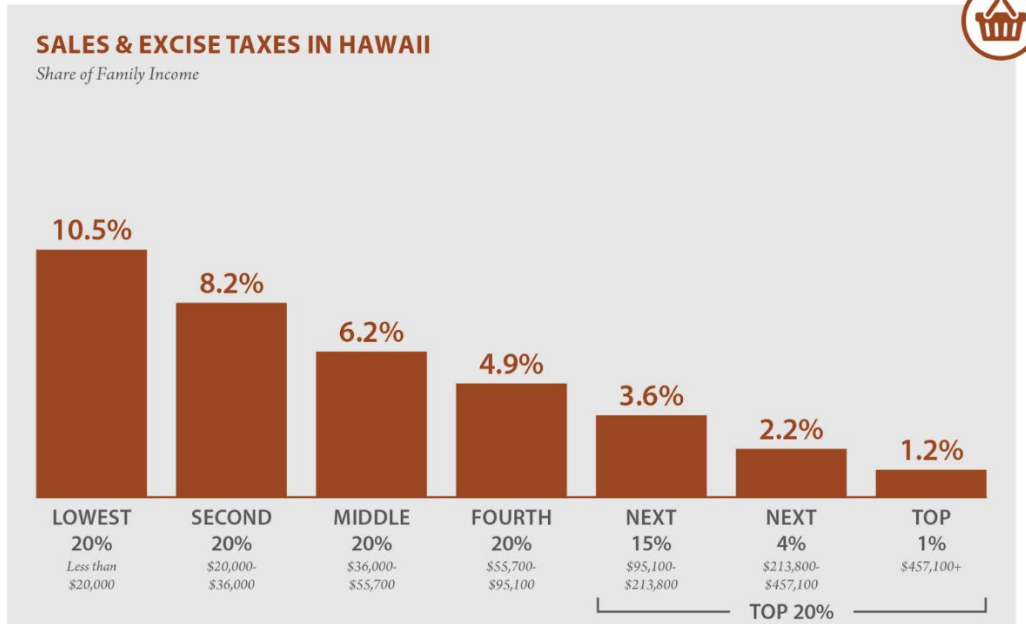


# Hawaii

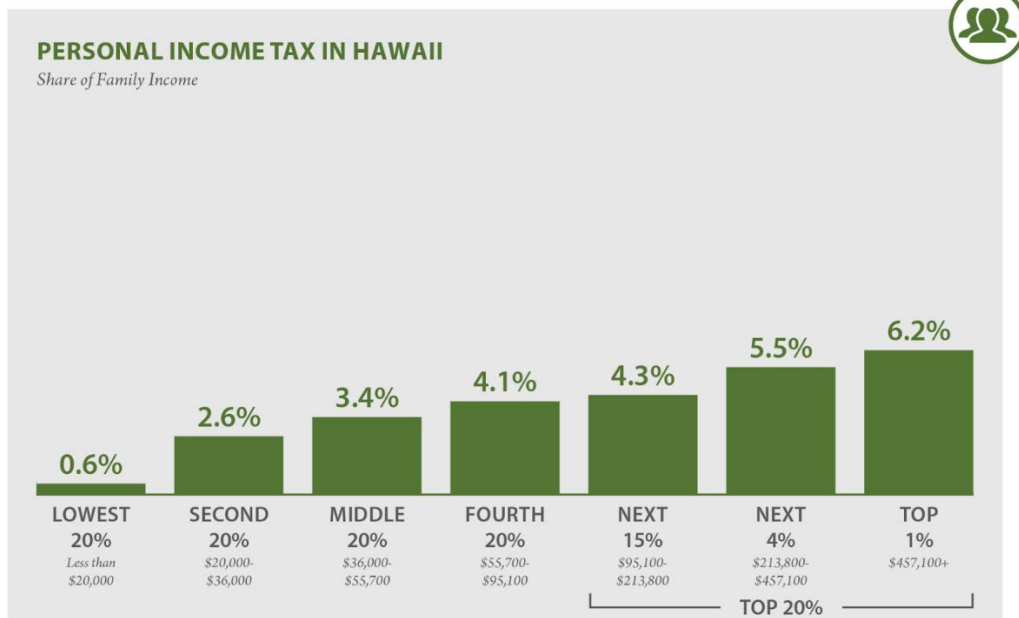
## Children's Action Network Speaks!

Building a unified voice for Hawaii's children

That means that Hawai'i families who earn less than \$20,000 per year pay almost nine times as much of their income (10.5 percent) in the GET than those who make over \$450,000 (1.2 percent).<sup>2</sup>



In contrast, **Hawai'i's personal income tax helps fix our upside down tax system.** Hawai'i families who earn less than \$20,000 per year pay ten times LESS of their income (0.6 percent) than those in the top 1 percent (6.2 percent).<sup>3</sup>



<sup>2</sup> Institute on Taxation and Economic Policy, <https://itep.org/whopays/hawaii/>

<sup>3</sup> Ibid.



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

In addition, tax credits for working families – such as the Earned Income Tax Credit, the Low Income Renters Credit, and the Food/Excise Tax Credit – go even further to help Hawai'i residents keep more of their hard-earned money.

However, the past two years' experience with the expanded federal Child Tax Credit and stimulus payments has revealed that **when families aren't required to file income taxes, they can miss out on the tax refunds and other payments that they need to make ends meet.** It is estimated that more than 15,000 low-income Hawai'i families were at risk of missing out on these payments.<sup>4</sup>

Meanwhile, Hawai'i's corporate income tax is one of the most effective tools that the State has to have non-residents to pay into our system. According to the Hawai'i Department of Taxation, **nearly 60 percent of Hawai'i's corporate income tax is paid by non-residents.**<sup>5</sup>

And corporate taxes differ from individual income taxes in an important way: the corporate tax is applied only to profits, so companies facing losses don't pay corporate income tax.

Hawai'i's current top corporate income tax rate of 6.4 percent is below the median of the states. We are ranked 34th among states in per capita corporate tax collections, at \$103 per person, while the 1st state, New Hampshire, collects \$582 per person.<sup>6</sup>

Finally, the federal Tax Cuts and Jobs Act cut the federal corporate income tax rate by 14 percentage points, from 35 percent to 21 percent, so corporations are getting a huge tax break at the federal level, and therefore can afford to pay a little more at the state level.<sup>7</sup>

Mahalo for the opportunity to provide this testimony. Please don't repeal the most progressive parts of Hawai'i's tax system. Please defer this bill.

Thank you,

Nicole Woo  
Director of Research and Economic Policy

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<sup>4</sup> Center on Budget and Policy Priorities, <https://www.cbpp.org/research/federal-tax/state-and-local-child-tax-credit-outreach-needed-to-help-lift-hardest-to-reach>

<sup>5</sup> Hawaii Department of Taxation, [https://files.hawaii.gov/tax/stats/trc/docs2022/sup\\_210317/Who\\_Pays\\_and\\_Revenue\\_Sustainability.pdf](https://files.hawaii.gov/tax/stats/trc/docs2022/sup_210317/Who_Pays_and_Revenue_Sustainability.pdf)

<sup>6</sup> Tax Foundation, <https://taxfoundation.org/state-corporate-income-tax-collections-per-capita-2020/>

<sup>7</sup> Tax Policy Center, <https://www.taxpolicycenter.org/briefing-book/how-did-tax-cuts-and-jobs-act-change-business-taxes>

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** REAL PROPERTY, INCOME, Refund income tax if state real property tax is enacted

**BILL NUMBER:** HB 1209 HD 1

**INTRODUCED BY:** House Committee on Economic Development

**EXECUTIVE SUMMARY:** By 1/1/2026, requires the department of taxation to suspend and refund certain income tax amounts received or withheld upon the enactment of a state law specifying real property tax amounts. Takes effect upon the ratification of a constitution amendment authorizing the State to have additional real property taxing authority.

**SYNOPSIS:** Enacts a non-codified law requiring the Department of Taxation to suspend and refund personal and corporate income tax if the State starts taxing real property.

**EFFECTIVE DATE:** July 1, 2050; provided Section 2 effective upon the ratification of a constitutional amendment of article VIII, section 3, authorizing the State to additionally have real property taxing authority.

**STAFF COMMENTS:** The constitutional amendment accompanying this bill would give the State the authority to impose real property tax. There are no limits. Any real property may be taxed, and the amount of the tax would be unlimited.

The new tax could be less than the current property tax, or it could be many times the current property tax. In other words, once the amendment passes, the genie is out of the bottle. It may not even be under control of the members now in the legislature, because future legislators (note that this year is an election year) may have different ideas from current members.

This bill, which would basically wipe out the net income tax and refund all net income tax collections to taxpayers, could be a bait and switch tactic. If the constitutional amendment is approved by voters, the law change made by this bill could be repealed in the very next session.

We observe that the two major taxes collected by the Department of Taxation are now the general excise tax and the individual income tax. According to the DOTAX's annual report for FY2020, the GET brought in \$3.44 billion; the individual income tax brought in \$2.36 billion; and all other taxes combined brought in \$1.65 billion. To replace the individual and corporate income taxes, the state would have to impose a whopping amount of property tax just to stay even. If the idea is to bring in \$2.5 billion, for example, the net valuation (value less exemptions) of all real property in the State total is just \$348 billion so the new state property tax would need to bring in \$7.20 per \$1000 of assessed valuation for all property assessed. That would be a nasty surprise to those who now pay \$3 to \$15 per \$1000 of assessed valuation depending on the property class.

Re: HB 1209

Page 2

We need to ask ourselves if we want to or need to give the genie that much power. If we do, then we only have ourselves to blame for what happens when the genie does come out. If we don't, then we should either kill the constitutional amendment or write strict limits into it.

Digested: 2/4/2022



Committee on Judiciary and Hawaiian Affairs  
Chair Nakashima, Vice Chair Matayoshi

Tuesday, February 8 2022, 2 PM Videoconference  
HB1209 HD1 — RELATING TO TAXATION

TESTIMONY

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

Chair Nakashima, Vice Chair Matayoshi, and Committee Members:

**The League of Women Voters of Hawaii opposes HB1209 HD1** which requires the department of taxation to suspend and refund certain income tax amounts received or withheld upon the enactment of a state law specifying real property tax amounts by 1/1/2026, if a constitutional amendment is adopted that gives the State the authority to collect property taxes.

The League of Women Voters supports progressive taxation policy. While Hawaii's tax system is seriously regressive, this is largely due to the Excise Tax, not the income tax.

The purpose of this bill is to allow the State to collect property taxes from non-residents who own property in Hawaii. Currently only the Counties can impose property taxes.

We strongly support an increase of property taxes provided that the tax increase applies only to higher-value properties. We take no position as to whether the State or the Counties should impose such taxes.

But a properly structured progressive income tax is in our view the best way to ensure that taxes, which are necessary to operate State government and support its many functions, are collected from almost all the individuals and all corporations in the state, in proportion to their income – whether or not they own property.

Thank you for the opportunity to submit testimony.

League of Women Voters of Hawaii  
P.O. Box 235026 ♦ Honolulu, HI 96823  
Voicemail 808.377.6727 ♦ [my.lwv.org/hawaii](http://my.lwv.org/hawaii) ♦ [voters@lwvhi.org](mailto:voters@lwvhi.org)





# HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

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Testimony in OPPOSITON to HB1209 – Relating to Taxation  
House Committee on Judiciary and Hawaiian Affairs  
Tuesday, February 8th 2pm

Aloha Chair Nakashima, Vice Chair Matayoshi and Members of the Committee,

The Hawaii Appleseed Center for Law and Economic Justice thanks the committee for the opportunity to submit testimony in **OPPOSITION** to HB1209, which instructs the department of taxation to suspend and refund personal and corporate income tax amounts received or withheld under chapter 235, provided the state enacts a law to levy a real property tax.

This bill would effectively undue the most progressive parts of our state tax code. While the state's general excise tax is regressive, our income tax regime is not. Hawaii's income tax ensures that those with the highest incomes are contributing their fair share.

Hawaii households earning \$20,000 or less pay 0.6% of their income on state income tax, compared to the top 1% of earners who pay 6.2%.<sup>1</sup> This progressive structure helps to counteract the regressive effects of the state's general excise tax, where households earning \$20,000 annually or less pay 10.5% of their income on excise tax compared to just 1.2% for those earning upwards of \$450,000.<sup>2</sup>

Furthermore, Hawaii's corporate tax gets non-residents to pay into our system. According to the Hawaii state department of taxation, 60% of Hawaii's corporate tax is paid by non-residents.<sup>3</sup> This portion equaled roughly \$40 million in revenue for the state in FY18.

Despite this being a reliable source of revenue, Hawaii's current top corporate tax rate is relatively low at 6.4%. Hawaii ranks 34<sup>th</sup> in the nation for per capita corporate tax collections, placing it below the median of states.<sup>4</sup> Additionally, corporations have already received a significant tax break through the 2017 Tax Cuts and Jobs act, which lowered the federal corporate tax rate from 35% to 21%.<sup>5</sup>

Maintaining a progressive income tax and corporate tax builds fairness into our tax system by ensuring those with the highest incomes and corporations that turn a profit

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<sup>1</sup> Institute on Taxation and Economic Policy, <https://itep.org/whopays/hawaii/>

<sup>2</sup> Ibid

<sup>3</sup> Hawaii Department of Taxation, [https://files.hawaii.gov/tax/stats/trc/docs2022/sup\\_210317/Who\\_Pays\\_and\\_Revenue\\_Sustainability.pdf](https://files.hawaii.gov/tax/stats/trc/docs2022/sup_210317/Who_Pays_and_Revenue_Sustainability.pdf)

<sup>4</sup> Tax Foundation, <https://taxfoundation.org/state-corporate-income-tax-collections-per-capita-2020/>

<sup>5</sup> Tax Policy Center, <https://www.taxpolicycenter.org/briefing-book/how-did-tax-cuts-and-jobs-act-change-business-taxes>



# HAWAI' APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

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pay their fair share. Any efforts to repeal or suspend these taxes would undue the most progressive parts of our state's code. Additionally, these taxes represent significant revenue sources that help the state pay for education, health, infrastructure and other critical needs.



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE HOUSE COMMITTEE ON  
JUDICIARY AND HAWAIIAN AFFAIRS  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 325  
TUESDAY, FEBRUARY 8, 2022 AT 2:00 P.M.**

To The Honorable Mark M. Nakashima, Chair  
The Honorable Scot Z. Matayoshi, Vice Chair  
Members of the committee on Judiciary and Hawaiian Affairs

**OPPOSE HB1209 HD1 - REQUIRES THE DEPARTMENT OF TAXATION TO SUSPEND AND  
REFUND CERTAIN INCOME TAX AMOUNTS RECEIVED OR WITHHELD UPON THE  
ENACTMENT OF A STATE LAW SPECIFYING REAL PROPERTY TAX AMOUNTS.**

The Maui Chamber of Commerce opposes bill HB1209 HD1 which requires the department of taxation to suspend and refund certain income tax amounts received or withheld upon the enactment of a state law specifying real property tax amounts.

While we would support the intent of this bill, we have to oppose it because we oppose HB 128 HD1. If HB1208 does not pass then HB1209 becomes moot.

The Chamber opposes giving the state authority to tax real property. Real property taxation is the only unrestricted method of taxation that the counties have to raise revenue. If the state also gives itself that power, then there will always be tension between the state and the county as to how much taxes property owners can afford. There will be limited accountability to the state legislature, in the case of Maui, Kauai and Hawaii counties, should the legislature increase property taxes to unreasonable rates.

The County of Maui is currently addressing the disparity between workforce taxpayers and non-resident property owner taxpayers. The Chamber is asking that the counties be given the chance to implement policies of this nature before the state steps in and adds more confusion to the already burdensome taxation policy of the state.

For these reasons, the Chamber requests that HB1209 HD1 be deferred.

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

**HB-1209-HD-1**

Submitted on: 2/4/2022 8:21:00 PM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Gerard Silva	Individual	Oppose	No

Comments:

The State is already acting like a Dictator witch we do not need America is run By the people Not the Government. This Government Will End!!

Will Caron  
Pālolo Valley  
[willcaronforhawaii@gmail.com](mailto:willcaronforhawaii@gmail.com)

February 5, 2022  
TO: House Committee on Judiciary and Hawaiian Affairs  
RE: Testimony in Opposition to HB1209

Aloha Committee Members,

I strongly oppose HB1209. The income tax is the only part of Hawai'i's tax code that is progressive, taking a larger share of income from the rich and a smaller share of income from those struggling to get by in the most expensive state in the nation.

Overall, Hawai'i's tax system [is regressive](#). In fact, our state saddles our low-income families with the second-heaviest state and local tax burden in the nation. Low income families making less than \$20,000 pay 15% of their incomes in state and local taxes. But most of that (10.5%) comes from the General Excise Tax (GET). By contrast, those making more than \$450,000 pay less than 9% of their abundant incomes in state and local taxes, and most of that burden (6.2%) is income tax.

Repealing the income tax would therefore give the rich (and corporations) a huge windfall, while doing almost nothing for working families.

There are a lot of better ways for us to improve the tax code. We could start by eliminating the lowest income tax bracket entirely and adding additional brackets at the high end to increase the progressive aspect of the income tax. But repealing it entirely would make our tax code even more regressive than it already is. Please defer this measure.

Mahalo

**HB-1209-HD-1**

Submitted on: 2/5/2022 2:54:20 PM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Marya Grambs	Individual	Oppose	No

Comments:

Aloha JHA Committee Members,

**I strongly oppose HB1209.** The income tax is beneficial to the lowest-income earners in our state. Repealing this tax would give the wealthy a benefit while not helping working families.

Please defer this measure.

Mahalo

**HB-1209-HD-1**

Submitted on: 2/5/2022 3:17:08 PM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Janet Montgomery	Individual	Oppose	No

Comments:

**Please defer this bill.**

**Hawai'i's over-all tax system benefits the rich and penalizes the poor. In fact, our state saddles our low-income families with the second-heaviest state and local tax burden in the nation. But Hawaii's income tax is the only part of our overall tax system that benefits working families. Please do not repeal the state income tax.**

**HB-1209-HD-1**

Submitted on: 2/5/2022 3:41:20 PM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Kathy Shimata	Individual	Oppose	No

Comments:

Aloha Committee Membes,

Please defer HB209.

There are a lot of better ways for us to improve the tax code. We could start by eliminating the lowest income tax bracket and adding additional new income tax brackets at the high-earner end to increase the progressive aspect of the income tax. But repealing it entirely would make our tax code even more regressive than it already is. Please defer this measure.

Mahalo.



**HB-1209-HD-1**

Submitted on: 2/5/2022 9:22:45 PM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Lorna Holmes	Individual	Oppose	No

Comments:

Property tax and income tax are unrelated. Getting rid of the only progressive tax we have is a bad idea, and it is not made better by the poor excuse that property taxes will increase. Please do not pass this unjustified measure.

**HB-1209-HD-1**

Submitted on: 2/6/2022 10:18:53 AM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Shannon Rudolph	Individual	Oppose	No

Comments:

Oppose

**HB-1209-HD-1**

Submitted on: 2/6/2022 7:56:04 PM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Christy MacPherson	Individual	Oppose	No

Comments:

Aloha members of the House Committee on Judiciary & Hawaiian Affairs,

I am **STRONGLY** opposed to HB 1209, HD1. It would be an inexcusable to not tax people's income since this is the most effective way to ensure that we are taxing our Hawai`i residents in an equitable and *progressive* manner.

Mahalo for your consideration.

TO: Members of the Committee on Judiciary & Hawaiian Affairs

FROM: Natalie Iwasa, CPA, CFE  
808-395-3233

HEARING: 2 p.m. Tuesday, February 8, 2022

SUBJECT: HB 1209, HD1, Income Tax Law and Real Property Taxation - **OPPOSED**

Aloha Chair Nakashima and Committee Members,

Thank you for allowing me the opportunity to provide testimony on HB1209, HD1, which would require suspension and refund of certain income tax amounts contingent upon the state, in addition to the counties, being allowed to tax real property.

**I oppose** this bill.

Simple systems are more efficient and less costly to run, yet the state continues to want to mix things up. Please do not add to the complexity of our tax system, and vote “**no**” on this bill.

**LATE**

**HB-1209-HD-1**

Submitted on: 2/8/2022 10:44:30 AM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Laura Ramirez	Individual	Oppose	No

Comments:

Aloha,

I strongly oppose HB1209, a bill that would repeal the only part of Hawai'i's tax code that is progressive. The income tax takes a larger share of income from the rich than it does from low-income families.

Low income families making less than \$20,000 pay 15% of their incomes in state and local taxes. But most of that comes from the General Excise Tax. Those making more than \$450,000 pay less than 9%, of which most is income tax. Repealing the income tax would therefore give the rich and corporations a huge windfall while doing almost nothing for working families.

There are a lot of better ways for us to improve the tax code. We could start by eliminating the lowest income tax bracket entirely and adding additional brackets at the high end to increase the progressive aspect of the income tax. But repealing it entirely would make our tax code even more regressive than it already is.

Please do not support HB 1209.

Mahalo,

Laura Ramirez and the Bettencourt family

**LATE**

**HB-1209-HD-1**

Submitted on: 2/8/2022 11:47:10 AM

Testimony for JHA on 2/8/2022 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
John Bickel	Individual	Oppose	No

Comments:

I do't mind an expansion of real estate taxes but it should not come at a cost of income and corporate taxes as they are progressive. They make some headway into undoing some of the regressivity of our sales tax heavy system.