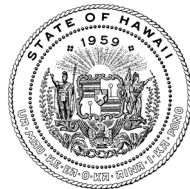


JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 954, H.D. 1

March 1, 2023
2:30 p.m.
Room 308 and Videoconference

RELATING TO TAXATION

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 954, H.D. 1, changes the amount of the State earned income tax credit to an unspecified percentage of the federal earned income tax credit.

Rather than taking a piecemeal approach, B&F strongly believes that the holistic, targeted approach in the Green Affordability Plan, House Bill No. 1049, is a more suitable and cost-effective option in providing needed financial relief to Hawai'i's residents.

Thank you for your consideration of our comments.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 954, H.D.1, Relating to Taxation

BEFORE THE:

House Committee on Finance

DATE: Wednesday, March 1, 2023

TIME: 2:30 p.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 954, H.D.1, for your consideration.

H.B. 954, H.D.1, amends section 235-55.75, Hawaii Revised Statutes (HRS), relating to the refundable earned income tax credit, by changing the amount of the credit from 20 percent of the federal earned income tax credit allowed and properly claimed to an unspecified percent.

The measure has a defective effective date of June 30, 3000. The Department requests that if the effective date of the measure is updated, it be amended to apply to taxable years beginning after December 31, 2022.

Thank you for the opportunity to provide comments on this measure.



Date: February 28, 2023

To: House Committee on Finance
Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
And members of the Committee

From: Early Childhood Action Strategy

Re: Support for HB954, which would increase Hawai'i's state Earned Income Tax Credit

Early Childhood Action Strategy (ECAS) is a statewide cross-sector collaborative designed to improve the system of care for Hawai'i's youngest children and their families. ECAS partners work to align priorities for children prenatal to age eight, streamline services, maximize resources, and improve programs to support our youngest keiki.

ECAS strongly supports passage of HB954, which would increase Hawai'i's state Earned Income Tax Credit. The Earned Income Tax Credit (EITC) is a lifeline to Hawai'i's working families in these hard economic times. It supports low- to middle-income taxpayers by giving them a tax cut, or a tax refund to the lowest-income people who owe little to nothing in taxes. In addition, the EITC provides a larger benefit to taxpayers with children in their household. The credit amounts phase out with higher incomes, making sure that low-income people benefit the most. In the process, the EITC helps its recipients afford the rising costs of housing, food, healthcare, and transportation.

In 2022, our legislature made Hawai'i's EITC permanent and refundable, guaranteeing that all recipients could claim the full amount of the credit.

During this session, we have the opportunity to improve on the EITC by making more investments in the program and the people it serves. Hawai'i's EITC is equivalent to 20% of the federal EITC, and HB 954 would raise this percentage to 30%.

Thank you for your consideration of HB 954.



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 Finance
Re: **HB 954, HD1 - Relating to Taxation**
Hawai'i State Capitol & Via Videoconference
March 1, 2023, 2:30 PM

Dear Chair Yamashita, Vice Chair Kitagawa, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am testifying in **in SUPPORT of HB 954, relating to taxation**. This bill changes the amount of the state earned income tax credit (EITC) to an unspecified percentage of the federal earned income tax credit allowed based on an individual's federal income tax return.

Mahalo for creating the state EITC. It has helped balance our tax system by providing a boost to low- to moderate-income families since 2018. Thanks also for recently making the EITC permanent and refundable – which allows those families who need to EITC the most to get the full amount of the credit that they qualify for.

This bill would build on that momentum and raise the EITC percentage from its current level of 20 percent of the federal EITC. Looking at the next seven highest cost-of-living states,¹ they all provide a higher percentage of the federal EITC than in Hawai'i (except Washington, which has a flat credit amount).²

HCAN Speaks! Board of Directors

Liza Ryan Gill
President

Nick Kacprowski, J.D.
Treasurer

Mandy Fernandes
Secretary

Teri Keliipuleole
Jasmine Slovak
Erica Yamauchi

Most Expensive States	Percent of Federal EITC
Hawai'i	20
California	85
D.C.	70 - 100
New York	30
New Jersey	40
Washington	\$300 per person
Massachusetts	30
Maryland	45 - 100

Mahalo for the opportunity to provide this testimony. Please pass this bill.

Thank you,

Nicole Woo
Director of Research and Economic Policy

¹ Bureau of Economic Analysis, <https://www.bea.gov/news/2022/real-personal-consumption-expenditures-state-and-real-personal-income-state-and>

² Institute on Taxation and Economic Policy, <https://itep.org/boosting-incomes-and-improving-tax-equity-with-state-earned-income-tax-credits-2022/>



TESTIMONY IN SUPPORT OF HB 954 HD1

TO: Chair Yamashita, Vice-Chair Kitagawa & Committee Members

FROM: 'Ilima DeCosta
Community Engagement Coordinator

DATE: March 1, 2023 (2:30pm)

Hawaii Health and Harm Reduction Center is in **SUPPORT** of HB 954, which would increase Hawai'i's EITC.

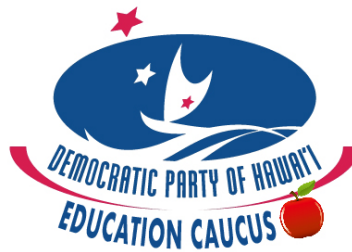
The Earned Income Tax Credit (EITC) is a lifeline to Hawai'i's working families, by providing low to middle-income taxpayers with a tax cut, or tax refund, including to those who owe little to nothing in taxes. The EITC is targeted to provide relief to taxpayers with keiki in their home and is phased out at higher incomes, ensuring that low-income people benefit most, and helping them to afford the rising costs of housing, food, healthcare, and transportation.

According to a 2019 report by the Center on Budget and Policy Priorities, *Policy Basics: The Earned Income Credit*, the federal and state EITCs in place have helped to lift millions of Americans out of poverty and financial insecurity. A 2021 Hawai'i State Department of Taxation report indicates that over 80,000 Hawai'i residents received the state EITC in the 2021 tax year, for a total of \$21.61 million credits. In 2021, the Hawai'i state legislature made Hawai'i's EITC permanent and refundable, guaranteeing that eligible recipients could claim the full amount of the credit.

Hawai'i's EITC is currently the equivalent of 20% of the federal EITC. HB 954 would raise this percentage to provide more relief for low-income families. For example, a review of the DC Fiscal Policy Institute website indicates that Vermont's EITC credit is 38% of the federal credit and the District of Columbia recently decided to increase its EITC to 100% of the federal credit.

HHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawai'i and the Pacific. We work with many individuals who are impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those relating to substance use and underlying mental health conditions. Many of our clients and participants have been deeply impacted by trauma, including histories of physical, sexual, and psychological abuse.

Thank you for the opportunity to testify in support of this bill.



HOUSE BILL 954, HD1, RELATING TO TAXATION.

MARCH 1, 2023 · HOUSE FINANCE COMMITTEE ·
CHAIR REP. KYLE YAMASHITA

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** HB 954, HD1, which changes the amount of the state earned income tax credit to an unspecified percentage of the federal earned income tax credit allowed based on an individual's federal income tax return.

The earned income tax credit is intended to let working families keep more of the money they earn through their paychecks. As an economic stimulus, the EITC contributes up to \$1.24 in economic activity for every \$1 it returns to workers. As the Hawai'i Budget and Policy Center noted in a recent report:

Many of the workers eligible for an EITC do not earn enough to cover all their basic needs, including food, housing and healthcare. The credit helps these workers provide their families with the basics and makes the tax system more equitable in the process. Research on the EITC shows that the credit contributes to long-term economic and health gains for families. People of color—who are more likely to earn low wages in Hawai'i due to structural and historic barriers to economic security caused by colonialism and systemic racism—therefore tend to experience the greatest benefit from the EITC program, making it an effective anti-racist policy as well (Refunding Hawai'i, 2022).

The benefits of strengthening the EITC are clear in the islands, especially given our skyrocketing cost of living and housing crisis, both of which worsened during the COVID-19 pandemic. Over 80,000 residents received the EITC in FY2021, receiving a total of \$21.61 million in tax credits. Last year, lawmakers made the EITC permanent and refundable, strengthening the full potential of the EITC to deliver financial security for working families.

Measures being considered this year have suggested raising the state's EITC credit amount to be 30 percent of the federal EITC percentage. Other states have gone further, however, and we humbly ask you to do the same. Vermont's EITC is worth 38 percent of the federal EITC, for example, while the District of Columbia recently raised its EITC percentage to be 100 percent of the federal amount. In following the lead of this areas, we can ensure that our islands' tax laws provide compassion for those who are most vulnerable to our high cost of living.

Kris Coffield · Chairperson, DPH Education Caucus · (808) 679-7454 · kriscoffield@gmail.com



HB 954, HD1, RELATING TO TAXATION

MARCH 1, 2023 · HOUSE FINANCE COMMITTEE ·
CHAIR REP. KYLE YAMASHITA

POSITION: Support.

RATIONALE: Imua Alliance supports HB 954, HD1, relating to taxation, which changes the amount of the state earned income tax credit to an unspecified percentage of the federal earned income tax credit allowed based on an individual's federal income tax return.

The earned income tax credit is intended to let working families keep more of the money they earn through their paychecks. As an economic stimulus, the EITC contributes up to \$1.24 in economic activity for every \$1 it returns to workers. As the Hawai'i Budget and Policy Center noted in a recent report:

Many of the workers eligible for an EITC do not earn enough to cover all their basic needs, including food, housing and healthcare. The credit helps these workers provide their families with the basics and makes the tax system more equitable in the process. Research on the EITC shows that the credit contributes to long-term economic and health gains for families. People of color—who are more likely to earn low wages in Hawai'i due to structural and historic barriers to economic security caused by colonialism and systemic racism—therefore tend to experience the greatest benefit from the EITC program, making it an effective anti-racist policy as well (Refunding Hawai'i, 2022).

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Measures being considered this year have suggested raising the state's EITC credit amount to be 30 percent of the federal EITC percentage. Other states have gone further, however, and we humbly ask you to do the same. Vermont's EITC is worth 38 percent of the federal EITC, for example, while the District of Colombia recently raised its EITC percentage to be 100 percent of the federal amount. In following the lead of this areas, we can ensure that our islands' tax laws provide compassion for those who are most vulnerable to our high cost of living.

Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org



HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai‘i Appleseed Center for Law and Economic Justice
In Support of [HB 954] – Relating to Taxation
House Committee on Finance
Wednesday, March 1, 2023, 2:30 PM, conference room 308

Dear Chair Yamashita, Vice Chair Kitagawa, and members of the Committee:

Thank you for the opportunity to testify in **SUPPORT** of HB 954, which would change Hawai‘i’s state EITC to an unspecified percentage of the federal EITC.

Like other tax credits, the state EITC provides essential tax relief to working families in Hawai‘i, many of which struggle to make ends meet. It accomplishes this by reducing the tax burden for low- to moderate-income taxpayers or giving a tax refund to those with little to no tax liability. Consequently, the EITC has proven to be a highly effective tool against poverty and economic insecurity throughout the United States.¹

The EITC has continued to serve as an invaluable support for Hawai‘i’s residents, particularly in the wake of the COVID-19 pandemic. The number of state EITCs claimed by the taxpayers in Hawai‘i increased from 64,007 in tax year 2020 to 80,269 in tax year 2021. In addition, the total amount of credits claimed increased from \$20.98 million to \$21.61 million over that time period.²³

¹ “Policy Basics: The Earned Income Tax Credit,” Center on Budget and Policy Priorities, 2019.
<https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit>

² “Earned Income Tax Credit Report,” Hawaii Department of Taxation, 2020.
https://files.hawaii.gov/tax/stats/stats/act107_2017/act107_earnedincome_txcredit_2020.pdf

³ “Earned Income Tax Credit Report,” Hawaii Department of Taxation, 2021.
https://files.hawaii.gov/tax/stats/stats/act107_2017/act107_earnedincome_txcredit_2021.pdf

Table 2. Average Yearly Wages and EITC Benefit by Racial Group (Projected, 2022)²⁷

Ethnic Group	Average Yearly Wages (2019) ²⁸	Average EITC Benefit Among Tax Units Receiving Benefit (Non-Refundable)	Average EITC Benefit Among Tax Units Receiving Benefit (Refundable)	Difference
Pacific Islander (Alone or In-Part)	\$33,767	\$362	\$536	\$174
Filipino (Alone)	\$39,358	\$287	\$459	\$172
Native Hawaiian (Alone or In-Part)	\$41,573	\$359	\$497	\$138
Japanese (Alone)	\$56,066	\$259	\$333	\$74
White (Alone)	\$56,711	\$285	\$419	\$134
Average	\$47,554	\$311	\$450	\$139

Table 2. Native Hawaiians, Pacific Islanders and Filipinos would benefit the most from a refundable state EITC.

At the closing of the 2022 legislative session, Hawai‘i’s lawmakers directly helped thousands of working families by making the state EITC permanent and refundable. It was estimated that this would significantly boost the state EITC benefits for many recipients, with the largest gains going to individuals with the lowest incomes. This EITC expansion was also predicted to benefit Native Hawaiians and Pacific Islanders in particular, since these ethnic groups tend to have the highest uptake rates of the credit. On average, it was estimated that the EITC expansion would lift the state EITC benefits for all existing recipients by \$139.⁴

In 2023, the Hawai‘i State Legislature can build on the enormous success of last year’s session by strengthening our state EITC. Currently, the value of Hawai‘i’s EITC is set at 20% of the federal EITC. Although HB 954 has yet to define the percentage of the federal EITC that the state EITC will be worth, we recommend that this percentage be raised to at least 30%.

This would align our EITC with those of New York and Massachusetts—both of which have refundable state EITCs set at 30% of the federal credit. Furthermore, there are multiple states that have refundable EITCs valued at even higher percentages—California’s EITC is worth a maximum of 45% (depending

⁴ “Refunding Hawai‘i,” Hawai‘i Budget & Policy Center, 2022. https://static1.squarespace.com/static/5ef66d594879125d04f91774/t/61f207dc896d102d30606d6f/1643251680283/EITC+Report_REV3_FINAL.pdf

on income) of the federal EITC. By 2026, the District of Columbia is scheduled to go to a 100% match of the federal credit, which would be the most generous in the nation.⁵

Thank you for your consideration of HB 954.

5

https://www.google.com/url?q=https://www.dcfpi.org/all/dcs-earned-income-tax-credit-most-generous-in-the-nation-but-not-the-most-inclusive/&sa=D&source=docs&ust=1675802377931019&usg=AOvVaw2vNZRiFBtT0ITpL-MB_dFu



Hawai'i Alliance for Progressive Action (HAPA) Supports: HB954 HD1

Wednesday, March 1, 2023 2:30p.m. Conference Room 308

Aloha Chair Yamashita, Vice Chair Kitagawa and Members of the Committee,

HAPA supports HB954 HD1, which changes the amount of the state earned income tax credit to an unspecified percentage of the federal earned income tax credit allowed based on an individual's federal income tax return.

It's tough to make ends meet in Hawai'i. We want working families to have a bigger tax refund come next year because research shows these families, when given financial breathing room, are the drivers of the consumer economy.

Hawai'i is one of only nine states that allows capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—to be taxed at a lower rate than ordinary working people's income¹.

Like other tax credits, the state EITC provides essential tax relief to working families in Hawai'i by reducing the tax burden for low- to moderate-income taxpayers or giving a tax refund to those with little to no tax liability.

This credit helps working families keep more of what they earn and has been helping Hawai'i residents make ends meet for the past four years through the COVID pandemic. However, the lowest-income families that need it the most still can't access its full benefits. And all families that benefit from it today are at risk of losing it if the legislature takes no action to make the credit permanent.

This credit would also have the greatest impact for families with children, and there's no better investment we can make than investing in the future of our keiki. Now is the time to invest in working families.

Please support HB954 HD1. Thank you for your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read 'Anne Frederick', is positioned above the printed name.

Anne Frederick
Executive Director

¹ <https://www.cbpp.org/research/state-budget-and-tax/state-taxes-on-capital-gains>

The Hawai'i Alliance for Progressive Action (HAPA) is a public non-profit organization under Section 501(c)(3) of the Internal Revenue Code. HAPA's mission is to catalyze community empowerment and systemic change towards valuing 'aina (environment) and people ahead of corporate profit.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Amend State Earned Income Tax Credit

BILL NUMBER: HB 954 HD 1

INTRODUCED BY: House Committee on Economic Development

EXECUTIVE SUMMARY: Changes the amount of the state earned income tax credit (EITC) to an unspecified percentage of the federal EITC allowed based on an individual's federal income tax return.

SYNOPSIS: Amends section 235-55.75, HRS, such that the state EITC is ___% of the federal EITC. The current percentage is 20%.

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: While it appears that this measure proposes tax relief to lower income taxpayers, consideration should be given to adjusting the income tax rates or the threshold amounts so those taxpayers that these credits are aimed to help will not need to claim these credits to get tax relief (or forfeit the credits if they fail to do so).

We in Hawaii have several disparate programs and tax credits aimed at poverty relief. They include the EITC, the food/excise tax credit (HRS section 235-55.85), the household and dependent care credit (HRS section 235-55.6), and the credit for low-income household renters (HRS section 235-55.7). The credits have non-duplication provisions and strict time limits on when they may be claimed upon pain of credit forfeiture. Apparently, lawmakers of the past had many different ideas on how to address the problem of poverty in Paradise but couldn't figure out which program to go with, so they adopted them all. The principal disadvantage of this is that people can and do get confused over which credits they can and can't claim, and as a result could expose themselves to credit disallowance, penalties, and other undesirable consequences.

Even at the federal level, according to IRS Acting Commissioner Doug O'Donnell in January, "many people miss out on the credit because they don't know about it or don't realize they're eligible." IR-2023-16 (Jan. 27, 2023). Multiply that by about four or so in Hawaii to account for the other disparate credits, and it's tough to avoid taxpayer confusion and the resulting unfairness.

Now, we simply can't afford tax credits and business as usual. Yes, we need to help those who need it, but the shotgun style used in the past has not produced results. Perhaps a better approach would be lopping off the income tax brackets that now apply to lower-income taxpayers, including taxpayers below the poverty line, and designing ONE credit to encourage social behavior necessary to lift the taxpayer out of poverty.

Digested: 2/28/2023

HB-954-HD-1

Submitted on: 2/27/2023 9:20:12 PM

Testimony for FIN on 3/1/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

The federal earned income tax credit (EITC) reduces or eliminates workers' tax liability. The state EITC mirrors the federal credit, and provides eligible households with an additional credit based on a percentage of the federal EITC.

Currently the state EITC is worth up to 20% of the federal credit, and Hawai'i's legislature took needed action last session to make this credit permanent and refundable. HB954 has the potential to build on that success by increasing the value of the credit even further.

The EITC is only available to people who earn income through low-wage work. Most of the people who receive the credit are raising children. It helps families who, despite working, are still unable to make ends meet and who do not qualify for other programs.

It's tough to make ends meet in Hawai'i. We want working families to have a bigger tax refund come next year because research shows these families, when given financial breathing room, are the drivers of the consumer economy.

Hawai'i's low-income families face the second-highest tax rate in the nation, with our lowest-income households paying much more of their income (15%) in taxes as those at the top (who pay only about 8.9%). Working families in Hawai'i have seen their purchasing power shrink in recent years. High rents, stagnant wages, and increasing energy and food costs mean a family's dollar has to stretch further each year just to meet basic needs.

The state EITC puts thousands of dollars back into the pockets of working residents with far-reaching benefits for both parents and children. We should continue to expand this highly successful antipoverty program and, with it, the economic stimulus it provides. Please support HB954 HD1.

HB-954-HD-1

Submitted on: 2/28/2023 7:45:55 AM

Testimony for FIN on 3/1/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Jessie L Gonsalves	Individual	Support	Written Testimony Only

Comments:

I support this bill!

HB-954-HD-1

Submitted on: 2/28/2023 10:32:01 AM

Testimony for FIN on 3/1/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Shay Chan Hodges	Individual	Support	Written Testimony Only

Comments:

The federal earned income tax credit (EITC) reduces or eliminates workers' tax liability. The state EITC mirrors the federal credit, and provides eligible households with an additional credit based on a percentage of the federal EITC.

Currently the state EITC is worth up to 20% of the federal credit, and Hawai'i's legislature took needed action last session to make this credit permanent and refundable. HB954 has the potential to build on that success by increasing the value of the credit even further.

The EITC is only available to people who earn income through low-wage work. Most of the people who receive the credit are raising children. It helps families who, despite working, are still unable to make ends meet and who do not qualify for other programs.

It's tough to make ends meet in Hawai'i. We want working families to have a bigger tax refund come next year because research shows these families, when given financial breathing room, are the drivers of the consumer economy.

Hawai'i's low-income families face the second-highest tax rate in the nation, with our lowest-income households paying much more of their income (15 percent) in taxes as those at the top (who pay only about 8.9 percent). Working families in Hawai'i have seen their purchasing power shrink in recent years. High rents, stagnant wages, and increasing energy and food costs mean a family's dollar has to stretch further each year just to meet basic needs.

The state EITC puts thousands of dollars back into the pockets of working residents with far-reaching benefits for both parents and children. We should continue to expand this highly successful antipoverty program and, with it, the economic stimulus it provides.

--Shay Chan Hodges

Maui, Hawaii

HB-954-HD-1

Submitted on: 2/28/2023 11:32:05 AM

Testimony for FIN on 3/1/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Shannon Rudolph	Individual	Support	Written Testimony Only

Comments:

Support

To: Hawaii State House Committee on Finance
Hearing Date/Time: Wednesday, March 1, 2023, 2:30pm
Place: Hawaii State Capitol, CR 308 & Videoconference
Re: Judith Ann Armstrong is in support of HB 954 HD1

Dear Members of the Finance Committee,

I, Judith Ann Armstrong, am in support of HB954 relating to Taxation.

The federal earned income tax credit (EITC) reduces or eliminates workers' tax liability. The state EITC mirrors the federal credit and provides eligible households with an additional credit based on a percentage of the federal EITC.

Currently the state EITC is worth up to 20% of the federal credit, and Hawai'i's legislature took needed action last session to make this credit permanent and refundable. HB954 has the potential to build on that success by increasing the value of the credit even further.

The EITC is only available to people who earn income through low-wage work. Most of the people who receive the credit are raising children. It helps families who, despite working, are still unable to make ends meet and who do not qualify for other programs.

It's tough to make ends meet in Hawai'i. We want working families to have a bigger tax refund come next year because research shows these families, when given financial breathing room, are the drivers of the consumer economy.

Hawai'i's low-income families face the second-highest tax rate in the nation, with our lowest-income households paying much more of their income (15 percent) in taxes as those at the top (who pay only about 8.9 percent). Working families in Hawai'i have seen their purchasing power shrink in recent years. High rents, stagnant wages, and increasing energy and food costs mean a family's dollar must stretch further each year just to meet basic needs.

The state EITC puts thousands of dollars back into the pockets of working residents with far-reaching benefits for both parents and children. We should continue to expand this highly successful antipoverty program and, with it, the economic stimulus it provides.

Thank you for this opportunity to testify in support of HB954.

Sincerely,

Judith Ann Armstrong

HB-954-HD-1

Submitted on: 2/28/2023 9:59:19 PM

Testimony for FIN on 3/1/2023 2:30:00 PM

Submitted By	Organization	Testifier Position	Testify
John Bickel	Individual	Support	Written Testimony Only

Comments:

The EITC lifts many people out of poverty. It has historically supported by both Republicans like Reagan and Democrats. Currently our EITC is 20 percent of the federal. This bill would raise that helping even more those families in need.