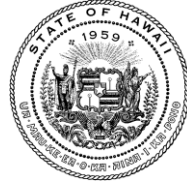


DAVID Y. IGE  
GOVERNOR

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  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

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: Isaac W. Choy, Director  
Department of Taxation

Date: Wednesday, February 2, 2022  
Time: 10:00 A.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 2165, Relating to the Low-Income Household Renters Tax Credit**

The Department of Taxation (Department) offers the following comments regarding S.B. 2165 for your consideration.

S.B. 2165 amends the refundable income tax credit for low-income renters. The bill is effective upon approval and applies to taxable years beginning after December 31, 2021. The bill makes the following changes to the credit:

- Increases the amount of the credit allowed per exemption;
- Phases the credit out based on adjusted gross income (AGI) thresholds
- Provides varying AGI thresholds for different filing statuses; and
- Adjusts the credit every three years based on the Consumer Price Index for Urban Honolulu (CPI).

The proposed changes are reflected in the table below:

Single or Married Filing Separately	
AGI	Credit per Qualified Exemption
Under \$20,000	\$200
\$20,000 to \$30,000	\$150
\$30,000 to \$40,000	\$100
\$40,000 and over	\$0

<b>Head of Household</b>	
<b>AGI</b>	<b>Credit per Qualified Exemption</b>
Under \$30,000	\$200
\$30,000 to \$45,000	\$150
\$45,000 to \$60,000	\$100
\$60,000 and over	\$0

<b>Married Filing Jointly</b>	
<b>AGI</b>	<b>Credit per Qualified Exemption</b>
Under \$40,000	\$200
\$40,000 to \$60,000	\$150
\$60,000 to \$80,000	\$100
\$80,000 and over	\$0

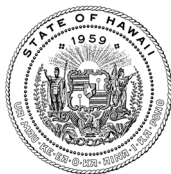
First, the Department recommends amending the measure to use *federal* AGI as the measure of credit eligibility. Federal AGI provides a more accurate representation of a taxpayer's financial situation.

Second, the Department notes that the current \$50 per exemption credit amount was not deleted in the bill. The Department recommends amending page 4, line 4, of the bill to remove the current \$50 credit amount.

Finally, the Department is able to administer this measure with its current effective date.

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

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

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

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

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2165

**February 2, 2022**  
**10:00 a.m.**  
**Room 211 and Videoconference**

**RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS TAX CREDIT**

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

Senate Bill No. 2165 amends the income tax credit for low-income household renters by increasing the credit amount and the income eligibility cap thresholds by establishing tax brackets, provided that the dollar amounts in the brackets increase to match inflation starting in the taxable year beginning after December 31, 2023, and in every third taxable year thereafter.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or

- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.

**SB-2165**

Submitted on: 1/27/2022 2:43:12 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Laurie Field	Testifying for Planned Parenthood Alliance Advocates	Support	No

Comments:

Planned Parenthood Alliance Advocates supports SB 2165 as it contributes to economic security for Hawaii's families. Thank you for your consideration of this important bill.



**Board Members**

Jason Okuhama  
Managing Partner,  
Commercial & Business Lending

*Secretary*  
Marcus Kawatachi  
Deputy Director,  
Hawai'i Civil Rights Commission

Trina Orimoto  
Clinical & Research  
Psychologist

Miwa Tamanaha  
O'ahu Resident

Derrick Kiyabu  
Hawai'i Island Resident

**HACBED Staff**

Brent N. Kakesako  
*Executive Director*

Merri Keli'ikuli  
*Office Manager & Program  
Support*

Corin Thornburg  
*Community-Based Economic  
Development Project Associate*

Date: January 27, 2022

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: Support for SB2165

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

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB2165, which increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets and provides for inflation increases every three years based on the urban Hawai'i consumer price index beginning with taxable years beginning after 12/31/2023.

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.

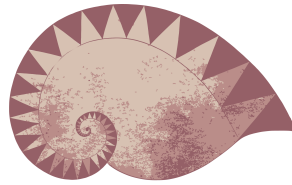
In 1981, the Renters' Credit was set to \$50 per exemption. The income eligibility cut off was set to \$30,000 in 1989, which was just above the median household income at the time. Neither of those levels have budged since then.

- 75% percent of people in Hawai'i living at or near the poverty line now spend more than half of their incomes on rent.
- More than half of Hawai'i's renters are cost-burdened, spending more than 30% of their income on rent.

The passage of SB2165 would go a long way to supplement the needs of vulnerable families by matching the low-income household renters' credit and its income eligibility limits to inflation so that Hawai'i residents can stay in their homes due to the exponential rise in housing costs. Adjusting the amount of the credit, as well as its income eligibility limits to catch up with inflation, would benefit at least 83,000 households and put at least another \$11 million into the pockets of Hawai'i's low and moderate-income families.

Mahalo for this opportunity to testify,

Brent N. Kakesako  
Executive Director



Pono Hawai'i Initiative

Patrick Shea - Treasurer • Lena Mochimaru - Secretary  
Nelson Ho • Summer Starr

Friday, January 28, 2022

Relating to the Low-Income Household Renters Tax Credit  
Testifying in Support

Aloha Chair and members of the committee,

The Pono Hawai'i Initiative (PHI) supports SB2165 – Relating to the Low-Income Household Renters Tax Credit. This measure would update the tax credit to reflect the increase in rental costs. This update is long overdue, the last time it was adjusted was in 1989. Since then housing costs have risen by 390%.

This measure would help support so many families who are struggling to keep a roof over their heads. This measure would also auto adjust the amount of credit every three years, assuring that the tax credit continues to keep pace with inflation.

For these reasons, we urge the Committee to vote in favor of SB2165.

Mahalo for the opportunity to testify,

Gary Hooser  
Executive Director  
Pono Hawai'i Initiative



AMERICANS FOR DEMOCRATIC ACTION

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Dave Nagajji, Treasurer	Juliet Begley	Jenny Nomura		Hawaii 96823
Doug Pyle, Secretary	Stephanie Fitzpatrick	Stephen O'Harrow		

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January 28, 2022

TO: Chair Dela Cruz and Members of the WAM Committee

RE: SB 2165 RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS TAX CREDIT

Support for a Hearing on February 2

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.

Americans for Democratic Action Hawaii supports this bill as it would increase the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets and would provide for inflation increases every three years based on the urban Hawaii consumer price index beginning with taxable years beginning after 12/31/2023. This credit has quickly fallen behind the rising cost of rent. If we are serious about keeping people housed and off the streets this is a good first step. Furthermore the automatic increases in future years would reduce the chance that it falls behind like this again.

Thank you for your consideration.

Sincerely,

John Bickel, President



# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase and Index Tax Credit for Low-income Household Renters

BILL NUMBER: SB 2165

INTRODUCED BY: RHOADS, CHANG, LEE, Shimabukuro

EXECUTIVE SUMMARY: Increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets. Provides for inflation increases every three years based on the urban Hawaii consumer price index beginning with taxable years beginning after 12/31/2023. Our view is that it would be more efficient to get low-income taxpayers out of the tax system entirely than to add the complexity that this bill does.

SYNOPSIS: SYNOPSIS: Amends section 235-55.7, HRS, to amend the credit brackets as follows (MFS = married filing separately, HOH = head of household, MFJ = married filing jointly):

Adjusted gross income (single or MFS)	Credit per exemption
<b>Under \$20,000</b>	\$200
<b>\$20,000 under \$30,000</b>	\$150
<b>\$30,000 under \$40,000</b>	\$100
<b>\$40,000 and up</b>	\$ 0
Adjusted gross income (HOH)	Credit per exemption
<b>Under \$30,000</b>	\$200
<b>\$30,000 under \$45,000</b>	\$150
<b>\$45,000 under \$60,000</b>	\$100
<b>\$60,000 and over</b>	\$ 0
Adjusted gross income (MFJ or surviving spouse)	Credit per exemption

<b>Under \$40,000</b>	\$200
<b>\$40,000 under \$60,000</b>	\$150
<b>\$60,000 under \$80,000</b>	\$100
<b>\$80,000 and over</b>	\$ 0

For the taxable year beginning after December 31, 2023, and in every third taxable year thereafter, each dollar amount contained in the table in subsection (c) shall be increased by an amount equal to that dollar amount, multiplied by the percentage, if any, by which the consumer price index for June of the preceding calendar year exceeds the consumer price index for June of 2021, rounded to the nearest whole dollar amount.

**EFFECTIVE DATE:** Taxable years beginning after December 31, 2021.

**STAFF COMMENTS:** The 1970 legislature adopted a system of tax credits for household renters intended to partially offset the higher tax burden on renters resulting from the lack of tax relief like the home exemption for homeowners and the 4% general excise tax levied on rental income. The current renter credit was established by the 1977 legislature at \$20 per exemption for those taxpayers with adjusted gross incomes of less than \$20,000 who paid more than \$1,000 in rent during the tax year. Act 230, SLH 1981, increased the credit amount to \$50. Act 239, SLH 1989, increased the adjusted gross income (AGI) limit to \$30,000 to claim the credit. The proposed measure does not increase the rent qualification amount – the taxpayer still will need to pay \$1,000 in rent during a taxable year to qualify for the credit.

The proposed system adds a considerable amount of complexity to the low-income household renters credit.

There are some issues to consider with refundable credits targeted at low-income and homeless people generally.

First, a tax return is one of the most complicated documents for government agencies to process. The administrative costs associated with each one can quickly make heads spin. Furthermore, as the U.S. Treasury has experienced with the Earned Income Tax Credit, the combination of complexity and a refundable credit result in a certain percentage of improper payouts, some due to mistake or misunderstanding, and some due to bad actors.

Second, the low-income household renters' credit does nothing for most of the homeless; the credit requires payment of more than \$1,000 in rent. And even for those in the target population who do qualify for this credit, the relief that the credit provides comes in a tax refund which is paid, at the earliest, in the early part of the year after the tax return filer needs the relief. A person who qualifies for the credit in 2022, for example, won't get a check until early 2023.

Third, as a policy matter, lawmakers might prefer that the recipient of the refund not use the money obtained on certain things, illegal drugs for example. But the tax system contains no way

of restricting the uses of a refund check; other departments do have systems in place to give some assurance that the payment will go toward legitimate living expenses such as groceries (EBT, for example).

The better solution is to get such people out of the tax system entirely. They receive peace of mind because they don't have to worry about tax returns, and the department doesn't have to worry about processing those returns. If additional relief to such people is considered desirable, it can be delivered through the agencies that are better equipped to do so.

Digested: 1/27/2022



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

February 2, 2022, 10:00 AM Room 211 and Videoconference  
SB2165 — RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS TAX CREDIT

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 the intent of SB2165, and suggests a revision to one section.**

The League of Women Voters has long supported economic, fiscal and social policies which meet basic human needs such as housing. The low-income housing tax credit is widely used by eligible renters to help them meet basic needs within their incomes. As the preamble to SB2165 makes clear, it is high time to adjust the income eligibility and credit amounts to account for dramatic increases in housing costs. Thus our strong support for this bill.

We wish to call to this Committee's attention a section which we believe would benefit from revision.

2. p4. lines 14-20:

"For the taxable year beginning after December 31, 2023 and every third year thereafter, each dollar amount contained in the table in section (c) shall be increased by an amount equal to that dollar amount multiplied by the percentage, if any, by which the consumer price index for June of the preceding calendar year exceeds the consumer price index for June 2022, rounded to the nearest whole dollar amount."

It seems to us that this calculation is appropriate for 2024; but thereafter (2027, 2030, etc) the CPI for June of the preceding calendar year should be compared to the CPI in June three years previously, when the value of the credit was last adjusted.

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



# HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

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Testimony in SUPPORT of SB2165-Relating to the Low-Income Household Renters Credit  
Senate Committee on Ways and Means  
Wednesday, February 2nd 10AM

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

The Hawaii Appleseed Center for Law and Economic Justice thanks the committee for the opportunity to submit testimony in **SUPPORT** of SB2165, which expands the income eligibility and value of the low-income household renter's credit.

Since being created in 1977, this tax credit has lost much of its value to inflation and is not able to adequately respond to the needs of Hawaii's low-income renters. Hawaii is continually ranked among the highest in the nation for cost of living and those costs only continue to rise as affordable housing becomes increasingly scarce and prices for goods and services steadily increase.

In 2019 63% of low-income households were considered cost burdened, meaning they pay more than 30% of their income on housing and utilities.<sup>i</sup> The pandemic has only heightened housing insecurity as state residents continue to struggle with the economic impacts of COVID-19. According to the US Census Household Pulse Survey for October 2021, in Hawaii 31,000 renter households were not caught up on their rent and 50,000 renter households were not confident in their ability to pay next month's rent.<sup>ii</sup>

While the current tax credit is targeted to households with lower incomes, the \$50 value of the credit was established in 1989 and has not been updated since. The credit's value has been significantly eroded by inflation and the low eligibility requirements mean that fewer and fewer households are able to claim the credit, despite rising housing costs across the board. In 2011, 47,444 households claimed the renters credit compared to just 20,530 in 2019.<sup>iii</sup>

SB2165 not only expands the total value of the credit, but also expands eligibility by creating additional brackets that phase out as income rises, so that the credit is targeted to those who need it most. Furthermore, by continuing to adjust the credit's value every three years by the consumer price index, SB2165 will ensure that the value of the credit is no longer completely eroded by inflation.

This bill is just one of many avenues the state must take to address rising costs for Hawaii's families with low incomes. Adjusting the renter's credit, along with other smart tax policy reforms can leverage our state tax system to broaden economic security for the most vulnerable families in our state.

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<sup>i</sup> National Low Income Housing Coalition Hawaii State Profile: <https://nlihc.org/housing-needs-by-state/hawaii>

<sup>ii</sup> United State Census Bureau, “Household Pulse Survey, September 29-October 11 2021”  
<https://www.census.gov/data/tables/2021/demo/hhp/hhp39.html>

<sup>iii</sup> Hawaii Budget and Policy Center “Tax Credits as Tools to Advance Prosperity”:  
[https://static1.squarespace.com/static/5ef66d594879125d04f91774/t/61ef4d72bf809a59b47dcaac/1643072889293/Tax+Credit+Report\\_FINAL.pdf](https://static1.squarespace.com/static/5ef66d594879125d04f91774/t/61ef4d72bf809a59b47dcaac/1643072889293/Tax+Credit+Report_FINAL.pdf)



## SB 2165, RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS' CREDIT

FEBRUARY 2, 2022 · SENATE WAYS AND MEANS  
COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

**POSITION:** Support.

**RATIONALE:** Imua Alliance supports SB 2165, relating to the low-income household renters' credit, which increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets, and provides for inflation increases every three years based on the urban Hawai'i consumer price index beginning with taxable years beginning after 12/31/2023.

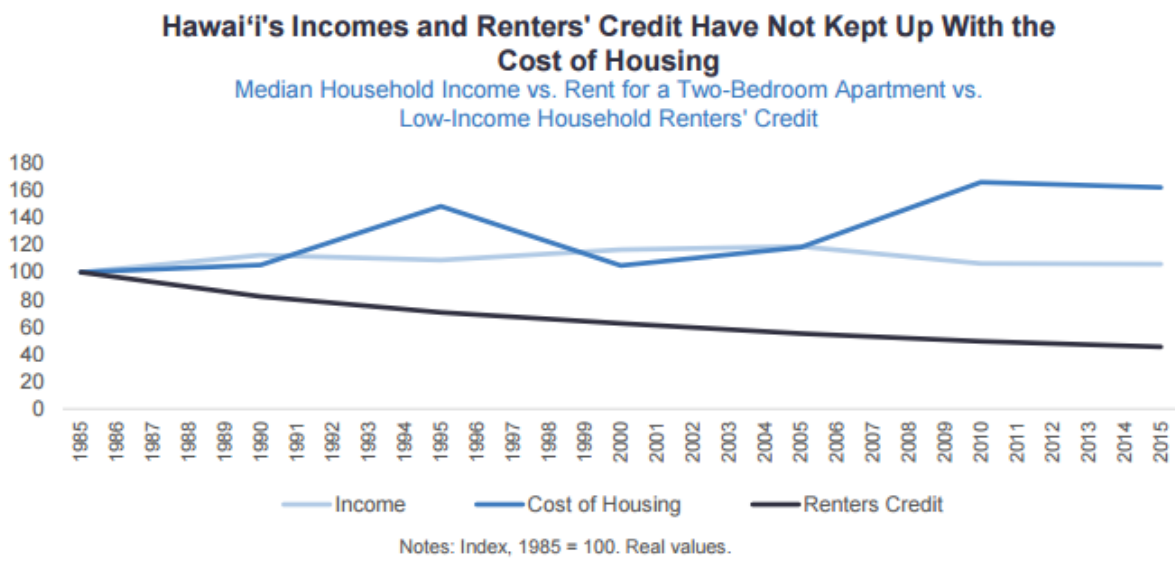
Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2021* report found that a full-time worker would need to earn \$37.69/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needing to log 114 hours per week to afford a modest one-bedroom apartment at fair market value and 149 hours per week to afford a two-bedroom—a number that is equivalent to working over 20 hours a day with no days off year-round.

One out of every four households in Hawai'i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, over 60 percent of households are severely cost-burdened, following NLIHC data, meaning that they pay more than 30 percent of their income on housing, a



number that rises to over 80 percent of extremely low-income households, with only 74 homes available for every 100 households earning 80 percent of their respective area’s median income. Notably, housing costs increased during the pandemic. In Honolulu, median single-family home prices reached a record of \$1.06 million last December, driven largely by sales to residential property investors. Unsurprisingly, our state is now experiencing population decline. Hawai’i saw domestic out-migration increase for a fifth consecutive year in 2021, as the state’s high cost of living continued to push people to the mainland. Census estimates show that our state’s population dropped by 10,358 people from July 2020 to July 2021.

To help ease Hawai’i’s highest-in-the-nation cost of living, lawmakers must pass measures enhancing tax fairness and economic justice. Our state’s low-income renters’ credit is in dire need of adjustment. **In 1981, the LIHRC was set at \$50. Later, in 1989, the income eligibility cutoff was established at \$30,000, just above the median household income of the time. Yet, neither of these amounts have changed since the 1980s, leaving the amount of the credit lagging far behind inflation.** We must update the renters’ credit to recover ground lost to inflation by increasing the maximum value of the credit to at least \$200 and ensuring that the credit is automatically adjusted in future years according to increases in the consumer price index, which will prevent the value of the credit from trailing our skyrocketing cost of living.



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



## **SENATE BILL 2165, RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS' CREDIT**

FEBRUARY 2, 2022 · SENATE WAYS AND MEANS  
COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

**POSITION:** Support.

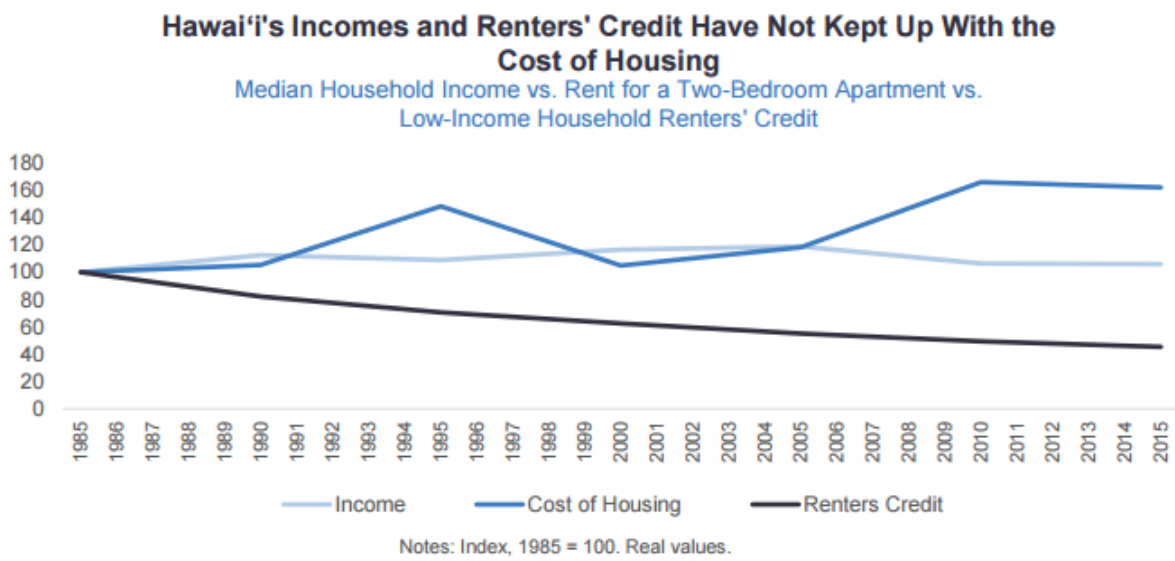
**RATIONALE:** The Democratic Party of Hawai'i Education Caucus supports SB 2165, relating to the low-income household renters' credit, which increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets, and provides for inflation increases every three years based on the urban Hawai'i consumer price index beginning with taxable years beginning after 12/31/2023.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2021* report found that a full-time worker would need to earn \$37.69/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needing to log 114 hours per week to afford a modest one-bedroom apartment at fair market value and 149 hours per week to afford a two-bedroom—a number that is equivalent to working over 20 hours a day with no days off year-round.

One out of every four households in Hawai'i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and

Economic Justice. Additionally, over 60 percent of households are severely cost-burdened, following NLIHC data, meaning that they pay more than 30 percent of their income on housing, a number that rises to over 80 percent of extremely low-income households, with only 74 homes available for every 100 households earning 80 percent of their respective area’s median income. Notably, housing costs increased during the pandemic. In Honolulu, median single-family home prices reached a record of \$1.06 million last December, driven largely by sales to residential property investors. Unsurprisingly, our state is now experiencing population decline. Hawai’i saw domestic out-migration increase for a fifth consecutive year in 2021, as the state’s high cost of living continued to push people to the mainland.

Our state’s low-income renters’ credit is in dire need of adjustment. **In 1981, the LIHRC was set at \$50. Later, in 1989, the income eligibility cutoff was established at \$30,000, just above the median household income of the time. Yet, neither of these amounts have changed since the 1980s, leaving the amount of the credit lagging far behind inflation.** We must update the renters’ credit to recover ground lost to inflation by increasing the maximum value of the credit to at least \$200 and ensuring that the credit is automatically adjusted in future years according to increases in the consumer price index, which will prevent the value of the credit from trailing our skyrocketing cost of living.



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



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: Senate Committee on Ways and Means

Re: **SB 2165 - Relating to the low-income household renters credit**  
Hawai'i State Capitol, Conference Room 211 & Videoconference  
February 2, 2022, 10:00 AM

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

**On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of SB 2165, relating to the low-income household renters credit.** This bill would increase the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets. It also would provide for automatic inflation increases every three years, starting after 2023.

It is well known that Hawai'i has the highest housing costs in the nation. According to the National Low-Income Housing Coalition, the "housing wage" needed to afford a one-bedroom apartment in Hawai'i in 2021 was \$28.86. Meanwhile, the average renter's wage didn't even come close, at \$17.56 per hour.<sup>1</sup>

The high cost of housing is a major reason why Hawai'i's Department of Business, Economic Development and Tourism (DBEBT) finds that a single parent with one child, and with employer-provided health insurance, needed to earn more than \$31 an hour "to meet their basic needs" in 2020.<sup>2</sup>

The low-income household renters' credit was created in 1977 to provide tax relief to low- and moderate-income renter households in our state. In 1981, the credit amount was set at \$50 per exemption. In 1989, the income eligibility cut off was set at \$30,000, which was just above the median household income at the time. Neither of those levels have budged in more than three decades.<sup>3</sup>

This bill rightly updates the renters' credit to recover ground lost to decades of inflation by increasing the income eligibility limit and allowing for an increase to the maximum value of the credit. It also recognizes the circumstances of head of household (single parent) and married tax filers by providing for higher credit values and eligibility limits for them. This is especially helpful to families with children.

For example, **a single mom with two children who earns \$35,000 per year is not eligible for the current renters' credit, due to her income being above the outdated \$30,000 eligibility limit. If this bill were to become law, then she would be able to claim \$150 per exemption – or \$450 for her family.** For struggling families, that could make a big difference.

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

Thank you,  
Nicole Woo  
Director of Research and Economic Policy

<sup>1</sup> <https://reports.nlihc.org/oor/hawaii>

<sup>2</sup> <https://files.hawaii.gov/dbedt/annuals/2021/2021-read-self-sufficiency.pdf>

<sup>3</sup> <https://files.hawaii.gov/tax/stats/stats/credits/2018credit.pdf>

**SB-2165**

Submitted on: 1/27/2022 4:18:51 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Mara Davis	Individual	Support	No

Comments:

Hawaii has a affordable housing issues if we don't pass this bill thousands of more houseless people will be houseless people hurts them and the people around them.

**SB-2165**

Submitted on: 1/27/2022 4:51:00 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

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

Comments:

Support. Come on guys, not up-dated since '89'? You can do better.  
Especially in an election year.

**SB-2165**

Submitted on: 1/27/2022 6:48:01 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Rev. Samuel L Domingo	Individual	Support	No

Comments:

Aloha Chair Dela Cruz and Members of the Senate Ways and Means Committee:

I submit my testimony in full support of this bill that supports our working families. This is a great opportunity to recognize also the fairness issue as homeowners have received deductions on their mortgage payments. Please vote to pass this bill that gives working families this needed support.

**SB-2165**

Submitted on: 1/28/2022 11:23:57 AM

Testimony for WAM on 2/2/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Nanea Lo	Individual	Support	No

Comments:

Hello,

I fully support SB2165. My name is Nanea Lo. I'm a lifelong resident of O'ahu and I'm a Kanaka Maoli (Native Hawaiian) of these lands. Every year I see my loved ones and Hawaiians getting priced out of our homelands. We must ensure that we can afford to live and flourish here. Hawai'i without Hawaiians is disgraceful. Pass this bill now!

me ke aloha 'āina,

Nanea Lo



**SB-2165**

Submitted on: 1/30/2022 9:55:37 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

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

Comments:

Aloha members of the Committee on Ways and Means,

I am in strong support of SB 2165. Having worked with houseless families to secure decent housing for over a decade, it became increasingly clear that Hawai`i's low-income families are simply not able to make it here without these kinds of supports. This credit could have a significant positive impact on our families.

Mahalo for your consideration.

**SB-2165**

Submitted on: 1/31/2022 4:41:23 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

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

Comments:

I am writing in strong support of this bill.

While renters do not own the property they reside in, they are affected by both county property taxes and the state general excise tax owners pay. Landlords pass these costs along to tenants. However, renters don't benefit from the property tax home exemption granted to owner-occupied residences.

The Renters' Credit would provide some tax equity to renters who functionally pay their landlords' property taxes and the GET without the benefits of home ownership.

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

January 31, 2022

TO: Senate Committee on Ways & Means  
RE: Testimony in Support of SB2165 with Suggested Amendments

Aloha Committee Members,

The Low-Income Household Renters' Credit was created in 1977 to provide meaningful tax relief to low- and moderate-income households in Hawai'i. After more than three decades without an update, however, its effectiveness has been greatly diminished by inflation and other increases in the cost of living over time. In particular, the cost of housing, which the credit is meant to alleviate, has exploded over the past three decades.

While I support SB2165 and am glad to see an automatic adjustment index, I ask that the bill be amended to more accurately reflect the reality facing Hawai'i's working families in the state with the highest cost of housing, and therefore the highest cost of living, relative to our wages:

- Increase the maximum value of the credit to at least \$300 per exemption.
- Raise the eligibility threshold up to \$85,000 for joint filers, back to just above the median annual household income.
- Adjust the credit for inflation and other cost of living increases each year, not every 3 years.
- Adjust the income level scale of the credit exemption amounts to create a more gradual phasing out of the credit. For example, dropping from \$100 to \$0 in one step—as the bill currently calls for—actually makes the benefit cliff twice as steep as it was before.

In 1981, the Renters' Credit was set to \$50 per exemption, and the income eligibility cut off was set to \$30,000 in 1989—that's the same year I was born. At the time, \$30,000 was just above the median household income at the time, and Bruddah Iz was still 4 years away from releasing *Facing Future*. Neither of those levels have budged since then.

Up until a few years ago, I qualified for this credit. I can distinctly remember the feeling of disappointment after applying it to my tax liability. It's true that every bit helps, but for someone barely making it on a freelancer's income with no benefits (and paying double payroll taxes as an independent contractor), the taxes I owed compared to the meager help provided by the state felt out of balance.

Later, after joining Hawai'i Appleseed as its communications director, I would learn that my feeling was justified: Hawai'i does a poor job when it comes to using the tax system to help low-income workers make it here. In fact, Hawai'i puts one of the highest income tax rates in the nation on its families with poverty-level earnings.

The same year Appleseed hired me (2018), Hawai'i's overall tax burden was ranked the 15th *least* progressive in the nation despite its progressive individual income tax (Institute on Taxation and Economic Policy, *Who Pays? 2018*). That means that Hawai'i's tax system puts a larger burden on low-income families than it does on high income ones.

In fact, the lowest income families currently spend up to 15% of their strained earnings on state and local taxes, while the wealthiest are asked to spend less than 9% of their vast incomes on state and local taxes.

The meager return on the Low-Income Household Renters' Credit feels all the more inadequate because of its supposed purpose: to alleviate the cost burden of rent. While making less than \$30,000 a year, I was paying almost two-thirds of my income to someone else just to keep a roof over my head.

Again, I would learn later that I am far from alone. Some 75% percent of people in Hawai'i living at or near the poverty line now spend more than half of their incomes on rent. And more than half of Hawai'i's renters are cost-burdened, spending 30% or more of their income on rent.

We should update the Renters' Credit to recover ground lost to inflation by increasing both the maximum value of the credit and the income eligibility limits.

The maximum value of the Renters' Credit should be raised to at least \$300 per exemption for the lowest income earners, and the eligibility threshold should be lifted back to just above the median, up to \$85,000 in annual income for joint filers. Then the credit should automatically adjust for inflation each year, in order to prevent future erosion of its value.

Adjusting the amount of the credit, as well as its income eligibility limits to catch up with inflation, would benefit tens of thousands of households and put millions of dollars back into the pockets of Hawai'i's low and moderate-income families. That's good for all of us, because two-thirds of our economy is dependent on consumer spending, so when working families thrive, we all thrive.

Mahalo for the opportunity to support this important measure.

TO: Members of the Committee on Judiciary

FROM: Natalie Iwasa  
808-395-3233

HEARING: 10:00 a.m. Wednesday, February 2, 2022

SUBJECT: SB 2165 – Relating to Low-Income Renters’ Tax Credit – **SUPPORT**

Aloha Chair Dela Cruz and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB 2165, which would increase the eligibility cap thresholds for the low-income renters’ credit and tie future increases to inflation every three years. I support this bill.

It has been many decades since the cap was adjusted, and families who are living barely above the poverty level do not even qualify. This credit is especially important given the surcharge added for Honolulu’s rail project.