

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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ISAAC W. CHOY
DIRECTOR OF TAXATION

LATE

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

From: Isaac W. Choy, Director
Department of Taxation

Date: March 4, 2021
Time: 1:50 P.M.
Place: Via Video Conference, State Capitol

Re: S.B. 276, Relating to Income Tax

The Department of Taxation (Department) offers the following comments regarding S.B. 276, for your consideration.

S.B. 276 increases the personal income tax rates for joint filers with taxable incomes exceeding \$400,000, head of household filers with taxable incomes exceeding \$300,000, and single filers with taxable incomes exceeding \$200,000. The tax rate for each filing status is increased from 11 percent to 16 percent. The increase is effective for taxable years beginning after December 31, 2020 and is repealed for taxable years beginning after December 31, 2027. S.B. 276 is effective upon approval.

The Department notes that it can administer the rate changes proposed by the bill with the current effective date.

Thank you for the opportunity to provide comments.

LATE

TESTIMONY IN SUPPORT OF SB 276

TO: Chair Dela Cruz, Vice-Chair Keith-Agaran, & Ways & Means Committee Members

FROM: Nikos Leverenz
Grants, Development & Policy Manager

DATE: March 4, 2021 (1:50 PM)

Hawai'i Health & Harm Reduction Center (HHHRC) **strongly supports** SB 276, which raises the state income tax rate by five per cent for taxpayers in the highest income bracket for six years.

Forthcoming budgets cut will most deeply impact those of little or no economic means as well as those who require assistance to maintain their health and well-being. **Governor Ige's budget notably includes a 64% reduction in AIDS services. This will force us and our allied organizations on the neighbor islands to dramatically reduce lifesaving and life-affirming care services to some of our state's most medically frail and otherwise vulnerable residents.**

Hawai'i policymakers should look carefully at available avenues to increase tax revenues. While revenue increases will not entirely cover foreseeable budgetary shortfalls, they will help mitigate the ground-level impact of budget cuts on our state's most vulnerable and underserved populations. The prolonged economic downturn has already seen a significant loss of employment, increased housing instability and food insecurity, and an increased exodus of residents unable to make ends meet.

HHHRC'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 on this measure.



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 276 - Relating to income tax**
Hawai'i State Capitol, Room 211
March 4, 2021, 1:50 PM



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

On behalf of Hawai'i Children's Action Network Speaks!, I write in SUPPORT of SB 276, which would raise the state income tax rate by five per cent for taxpayers in the highest income bracket for six years.

As the state legislature faces large budget shortfalls, it's important to keep in mind that government spending cuts would further harm our already injured economy, as well as hobble social services that have become more and more essential to Hawai'i's keiki and their families during this pandemic crisis.

That's why we support a range of progressive revenue options. It makes sense to ask those who are fortunate enough to be doing well in this economy to pay more, in order to close the deficit without slashing the critical government services that so many struggling working families have come to rely on.

This bill would, for six years, raise the tax rate on those in the top bracket by 5 percentage points. That means **only married filers making over \$400,000 per year, heads of households making over \$300,000, and single filers making over \$200,000 would be affected by this bill, and the higher rate would apply only on income above these thresholds.**

In other words, a married couple who makes half a million dollars a year would pay an additional \$5,000 in taxes per year for six years. A single person who make a quarter of a million dollars would pay an additional \$2,500.

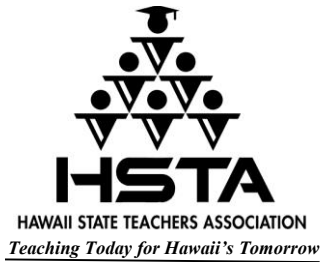
Meanwhile, Hawai'i's top one percent earn more than \$557,600 per year, with an average income of about \$1.3 million. The federal Tax Cuts and Jobs Act gives each of them an average federal income tax break of \$35,460 in 2020.¹ This would be a good time for them to share some of those federal tax savings — estimated to total \$253 million — with the state.

Mahalo for the opportunity to provide testimony on this bill. Please pass SB 276.

Thank you,

Nicole Woo
Director, Research and Economic Policy

¹ <https://itep.org/tcja-2020/#state>



Corey Rosenlee
President
Osa Tui Jr.
Vice President
Logan Okita
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON WAYS & MEANS

RE: SB 276 - RELATING TO INCOME TAX

THURSDAY, MARCH 4, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION



Chair Dela Cruz and Members of the Committee:

The Hawaii State Teachers Association **supports SB 276**, relating to income tax. This bill raises the state income tax rate by five per cent for taxpayers in the highest income bracket for six years.

The COVID-19 recession has devastated many workers in low-wage tourism and hospitality jobs who were already struggling to make ends meet before the pandemic hit. During the past year, many of those at the top have benefitted from the record-breaking stock market and skyrocketing high-end real estate prices. **There have been proposed layoffs, furloughs, and pay cuts for our state workers, including our teachers and support staff.**

Hawaii saddles our low-income residents with the second-heaviest state and local tax burden in the nation. While families who earn less than \$20,000 per year pay 15% of their income in state and local taxes, those who make over \$450,000 pay only about 9%.

A strong public education system and social service programs are crucial to struggling working families during this recession and must be protected. By asking the those in Hawaii with the highest level of income tax bracket to pay more for the next six years will help them pay their fair share in taxes, and we can prevent cuts to essential services, our public schools, and protect our communities. Community service cutbacks, along with state furloughs, including those of our teachers and support staff, during the Great Recession are still hurting us now -- and their effects can be seen on our streets. Service providers and our public schools, still haven't been able to undo all the damage inflicted on them, and the state's mental health system by funding slashed a decade ago.

Government spending on social service programs, including our public schools which benefit our public good, is essential for the state economy because it increases the flow of money throughout the community and supports jobs. It is the fuel that keeps our state's economic engines running.



Corey Rosenlee
President
Osa Tui Jr.
Vice President
Logan Okita
Secretary-Treasurer
Wilbert Holck
Executive Director

As the private sector engine of our economy sputters, the government needs to throttle up its spending in order to keep the economy going. At this crucial time, cutting government spending would be akin to taking our foot off the pedal and letting the second engine of the economy sputter as well.

The International Monetary Fund has found that every dollar of reduced government spending results in as much as \$1.50 in lost economic activity. That means that a \$670 million cut in government programs and community services would punch a \$1 billion hole in our economy.

Studies of the Great Recession show that states that cut their budgets had higher unemployment, fewer private sector jobs, and shrinking economies. In contrast, states that expanded their budgets saw stronger economic growth.

This bill will raise personal income tax rates for those at the wealthiest households who currently benefit from lower tax brackets designed to benefit middle and lower-income residents. Even multimillionaires benefit by having the first \$400,000 they earn in any given year taxed at rates that start as low as 1.4 percent. We can change this fact.

The federal Tax Cuts and Jobs Act gave a tremendous tax break to literally the richest among us. The state can now recapture some of those federal tax savings by raising recapturing some of these, from those who can afford it the most, for our state.

These funds will help make up for state revenue losses so that the state will be able to maintain much needed services and supports, such as our public schools and our teachers, but other state services as well! We need funding to prevent proposed layoffs, pay cuts, and furloughs!!

The U.S. has one of the lowest levels of intergenerational economic mobility, meaning that a child's economic future is highly dependent on their parents' economic standing. If your parents were rich, you are likely to be rich simply by default—and that wealth compounds with each generation. But if your parents were poor, it is increasingly more difficult to move up the socioeconomic ladder.

To fairly tax wealth, while also ensuring that local families can contribute to their children's financial security, the Hawaii State Teachers Association asks your committee to **support** this bill.



AMERICANS FOR DEMOCRATIC ACTION

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

March 3, 2021

TO: Chair Dela Cruz and members of WAM Committee

RE: SB 276 Relating to Income Tax

LATE

Support for hearing on March 3

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support SB 276 as it would adjust income tax rates upward for higher-income persons, Our total tax system has been far too regressive. This would help.

Thank you for your favorable consideration.

Sincerely,
John Bickel, President



SB-276

Submitted on: 3/3/2021 7:26:55 PM

Testimony for WAM on 3/4/2021 1:50:00 PM

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

Comments:

Aloha Senators,

The LGBT Caucus of the Democratic Party of Hawai'i, Hawaii's oldest and largest policy and political LGBTQIA+ focused organization, fully supports Senate Bill 276.

Mahalo nui loa for your time and consideration,

Michael Golojuch, Jr.
Chair
LGBT Caucus of the Democratic Party of Hawai'i

LATE

SB-276

Submitted on: 3/3/2021 7:42:46 PM

Testimony for WAM on 3/4/2021 1:50:00 PM



Submitted By	Organization	Testifier Position	Present at Hearing
David Mulinix	Testifying for Our Revolution Hawaii	Support	No

Comments:

Aloha Committee,

On behalf of Our Revolution Hawaii's 7,000 members and supporters, we are in STRONG SUPPORT of SB276 to raise Hawaii income taxes on the highest income bracket.

Passing this legislation is important because it helps make our income tax collection more equitable.

Please pass SB276.

Mahalo for your kind attention,

Dave Mulinix

Hawaii State Community Organizer

Our Revolution Hawaii



LATE

To: Senate Committee on Ways & Means
Attn: Chair Donovan Dela Cruz, Vice Chair Gilbert Keith-Agaran, Committee members

Hawai'i Workers Center Testimony for March 4, 2021's Committee Hearing
Supporting SB276 Relating to Income Tax, Which Would Temporarily Raise the Tax Rate by 5 Percent on Income Over \$400,000 for Married Couples, \$300,000 for Head-of-Household, And \$200,000 for Singles Through The Year 2028

The Hawai'i Workers Center (HWC) is a resource and organizing center that addresses the issues and concerns of unemployed workers, low-wage workers and immigrants.

Tax fairness was an issue that we needed to work on before the pandemic. Right now, families who earn less than \$20,000 per year pay 15% of their income in state and local taxes, and those who make over \$450,000 pay only about 9%. As a part of the Coalition to Defend & Respect Hawai'i's Workers, HWC calls on the legislature to implement a more progressive tax system where the wealthy and corporations pay their fair share, and lift the burden off of working class and low income families.

In this recession, there have been calls to cut government spending to address the State of Hawai'i's tightening finances, but that is not the answer that our communities deserve. Social service programs like public education, low-income housing assistance, unemployment insurance, SNAP (formerly food stamps), etc are crucial to working class and low income families and would be on the chopping block, alongside many of our public workers. When the wealthiest among us pay their fair share in taxes, we can prevent these cuts to essential services, public workers will be able to keep their jobs, and we can protect our communities. Studies of the Great Recession show that states that cut their budgets had higher unemployment, fewer private sector jobs, and shrinking economies. In contrast, states that expanded their budgets saw stronger economic growth. As the private sector recovers, the government needs to keep up its spending in order to keep the economy going for all of us.

Taxes on the wealthy should be permanent. The revenue generated by this measure can further help working class families by being directed toward fully funding public education, preparing our infrastructure for climate change, and establishing a state single-payer healthcare system. We can also use it to extend relief to the workers who are currently unemployed, furloughed, or have yet to be rehired/recalled back to their jobs.

One of the ways we can do this is to address the needs of workers who have been unable to file unemployment claims or who are having trouble with their current claims. For the past several months, we have been publicly advocating for unemployed workers, urging the Department of Labor & Industrial Relations (DLIR) to reopen its unemployment offices and provide safe, direct, in-person services for the thousands of workers who have been furloughed or permanently laid off since March 2020. Given the poor condition of DLIR's archaic mainframe computer, the difficulty of submitting a claim, and the department's failure to be responsive to claimants' emails and phone calls, direct servicing that keeps claimants and public employees safe is urgent and essential. **Revenue from taxing the rich can also implement common-sense solutions like safely reopening DLIR offices in each county for direct in-person services, resolve staffing shortages and technological inadequacies at the Unemployment Insurance office, as well as open up computers in public spaces like libraries with trained staff. This will help to ensure that unemployed workers get served directly, allowing for families to be able to finally receive some relief.**

Submitted by Rev. Sam Domingo, John Witeck, and Jun Shin of the Hawai'i Workers Center
Phone Number: 808-255-6663
Email: hiworkerscenter@gmail.com

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

LATE

SUBJECT: INCOME, Rate Increase

BILL NUMBER: SB 276; HB 1268

INTRODUCED BY: SB by RHOADS, CHANG; HB by PERRUSO, KAPELA, B. KOBAYASHI, LOPRESTI

EXECUTIVE SUMMARY: Raises the state income tax rate by five per cent for taxpayers in the highest income bracket for six years.

SYNOPSIS: Amends section 235-51(a) through (c), HRS, to add new rate schedules for individuals for taxable years beginning after 12/31/2020 and for taxable years beginning after 12/31/2027. For all filing statuses, the top bracket (over \$400,000 for married filing jointly and surviving spouse, over \$300,000 for head of household, and over \$200,000 for single and married filing separately) will carry a rate of 16% for 2021 through 2027, and thereafter drop back to 11%,

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This bill is being touted as a “soak the rich” bill. However, we should not be so naïve as to think that only those whose incomes are in the highest tax brackets will feel the pain. It turns out, for example, that 75% of all businesses are not conducted in C corporation form. For those businesses – the S corporations, sole proprietorships, limited liability companies, partnerships, and the like – the tax on the business is paid by its owners at the owners’ individual tax rates. Like any other business tax, changes in the tax rate or tax impact swiftly will be reflected in the cost of products or services that the business sells, and that will translate into dispersal of the tax bite throughout the population. And if the high income earner is not a business owner, we can expect the high income earner to request adjustments from the business that is providing the income to the earner, which will then be reflected in that business’ prices for goods and services and lead to the same result.

As an example, suppose we have a doctor making \$1 million. If we demand that this doctor pay \$50,000 more in state income tax per year, we can’t expect the doctor to simply absorb the pain. Rather, the doctor will make adjustments in charges for goods or services or march over to the hospital employing the doctor and ask that the hospital make those adjustments. Patients needing the doctor’s services, and not necessarily rich ones, either (1) will need to pay more for health care, either in direct costs, copayments, or premiums for medical insurance; or (2) will head to a comparable doctor on the Mainland or abroad who is not subject to the enhanced income tax.

Next, this bill, if enacted, will reinforce the image that Hawaii is a poor place to live, work, and invest, underscoring the poor business climate. When our 9%, 10%, and 11% rates were enacted in 2009, the national Tax Foundation was motivated to write:

Taxing High-Income Earners Has Failed Before as Sound Fiscal Policy

The trend may be new, but the policy has been tried before. Through the early 1990s, several states maintained double-digit income tax rates, including California (11% until 1996) and Hawaii (10% until 1998). These rates came down due to a combination of booming tax revenues from all sources, and growing expert understanding that location decisions of highly mobile entrepreneurs are sensitive to state income tax rates, particularly in the interstate context. To attract and keep good talent, create jobs and drive economic growth, legislators knew that state tax systems had to be competitive with their neighbors.

We still see elements of that today. Even in adopting its millionaires' tax, New York did not let its rate go above neighboring New Jersey, and other states are wary of crossing the 10% psychological barrier. The California Franchise Tax Board has taken pains to deny that their 10.3% top tax rate is in the double digits, referring on their website and on tax forms to a 9.3% top rate and elsewhere noting that there is a 1% surcharge. Now those rates are 9.55% and 10.55% (see Table 1).

If states are still concerned about interstate tax competition, what has really changed? The short answer is priorities. States that adopt new taxes on high-income earners are ones where policymakers are persuaded to ignore concerns about long-term economic growth in favor of a short-term budget fix that avoids deep spending cuts. In New Jersey, while the new millionaires' tax raised revenue for the state and helped reduce a budget shortfall, it reduced the state's overall economic output and harmed its ability to grow during and after the recession.

This is the tradeoff that proponents of taxes on high-income earners usually fail to acknowledge. Yes, such taxes will generally raise revenue in the short term without a sudden exodus of wealthy people fleeing to the state next door, especially in Hawaii. But over the medium term, the taxes will negatively impact location decisions. People expanding old businesses or creating new ones will incorporate the higher cost of doing business into their decision-making, and steer clear of the state. California currently faces an enormous brain drain of dynamic individuals after five years of double-digit income taxes, and it seems that New Jersey may now be seeing the evidence of a brain drain from its millionaires' tax. Hawaii has long been accused of chasing out its best and brightest, and it can only be exacerbating that problem with these new tax rates.

Tax Foundation, *Fiscal Fact No. 169*, at 5 (May 2009) (footnotes omitted) (accessible at <http://taxfoundation.org/sites/taxfoundation.org/files/docs/ff169.pdf>).

To similar effect is a study sponsored by the American Legislative Exchange Council (ALEC), which states:

When competing for residents, relative tax burdens among states matter most. States with lower relative tax burdens can expect higher growth, while states with higher relative tax burdens experience slower economic expansion. Contrasting state-specific economic

metrics of the states with the lowest and highest tax burdens highlight the importance of tax policy (Table 3).

Data clearly shows that low tax burdens enhance a state's chances of performing well economically (Table 3). On the other hand, a high tax burden reduces a state's chances of performing well. Of course, other policy variables impact economic performance, but tax burden is most consequential. In addition to comparing a state's economic performance to its tax burden, we also examine the 11 states that adopted an income tax since 1960 to show how their economies fared afterwards (Table 4).

Every one of the 11 states that introduced a state income tax since 1960 declined relative to the rest of the nation in population growth, gross state product (GSP) growth, and state and local tax revenue growth. That state and local tax revenue growth in New Jersey and Connecticut underperformed by relatively smaller amounts than the other nine states is partially attributable to their adoption of an income tax most recently and their proximity to high-tax New York City.

The new cap on federal deductibility of state and local taxes will materially change the competitive outlook for states. States with a combination of exceptionally high personal income tax rates and large percentages of high income earners tend to underperform on job growth, GSP growth, and income growth under the new tax law compared to previously. Unless high-tax states mend their ways, low-tax states with pro-growth policies will benefit from the resulting flow of capital and people.

Once migration trends begin, it can be difficult to stop them. Just look at population dynamics of Michigan, Connecticut, and West Virginia (see Figure 2). These are three of the 11 states that adopted an income tax since 1960. Once a downward spiral commences, reversal is nearly impossible due to political roadblocks to pragmatic economic policy changes.

American Legislative Exchange Council, *Rich States, Poor States* 45 (11th ed. 2018) (available at <https://www.richstatespoorstates.org/app/uploads/2018/04/RSPS-2018-WEB.pdf>).

These studies suggest that tax enhancements will slow the economy. It could well have the effect of kicking us taxpayers when we are already down because of the economic devastation the COVID-19 pandemic has wrought.

Digested 3/3/2021



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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

The Thirty-First Legislature, State of Hawaii
The Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association

LATE

February 4, 2021

S.B. 276 – RELATING TO INCOME TAX

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO generally supports the purpose and intent of S.B. 276 which raises the state income tax rate by 5% for taxpayers in the highest income bracket for six years.

The COVID-19 worldwide pandemic has exacerbated the income inequality gap across our country and here locally in Hawai'i, and simultaneously decimated our local and state budgets. Many state legislatures are considering taxing high-income earners at a higher rate to ensure their ability to provide critical services to the public and the most vulnerable.

We support the intent of S.B. 276 and find it appropriate to increase taxes on those who can most afford it. Further, we note that the top income tax brackets affect all joint filers earning over \$400,000, head of household filers earning over \$300,000, and single filers earning over \$200,000. Perhaps progressively adding additional tiers and brackets – with appropriate increased rates – would be beneficial, as those with million-dollar incomes can afford to pay more.

Thank you for the opportunity to testify in support of S.B. 276.

Respectfully submitted,

Randy Perreira
Executive Director



**Testimony to the Senate Ways and Means
Thursday, March 4, 2021 at 1:50 P.M.
Written Testimony**

LATE

RE: SB 276, RELATING TO INCOME TAX

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

The Chamber of Commerce Hawaii ("The Chamber") **opposes** SB 276 which raises the state income tax rate by five per cent for taxpayers in the highest income bracket for six years.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill, if enacted, will reinforce the image that Hawaii is a poor place to live, work, and invest, underscoring the poor business climate. will undermine efforts made to turn Hawaii's economy around. Hawaii's business community is at a critical point -- where any additional taxes could mean the difference between closing their doors, bankruptcy, or laying off employees. As evidenced by recent media accounts in a COVID-19 pandemic, many local establishments, some of which have faithfully served consumers for generations, are going out of business. This bill would only compound that by imposing increases in income taxes.

While we understand the intent, this measure will undermine efforts to recover Hawaii's stagnant economy. Hawaii's business community is at a critical point and asking for government policies that offers them the relief to stay in business and keep employees working.

Thank you for this opportunity to provide testimony.

SB-276

Submitted on: 3/4/2021 7:22:08 AM

Testimony for WAM on 3/4/2021 1:50:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Laurie Field	Testifying for Planned Parenthood Votes Northwest and Hawaii	Support	No

Comments:

Planned Parenthood Votes Northwest and Hawaii support SB 276 to increase tax fairness. Thank you!



LATE

March 4, 2021. 1:50 p.m.

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

From: Beth Giesting, Director, Hawai'i Budget & Policy Center

Re: Support for SB 276, Relating to Income Tax

The Hawai'i Budget & Policy Center provides the following comments in support of Senate Bill 276, Relating to Income Tax.

Hawai'i's state government is responsible for a substantial share of the economy at all times through employment, contracting with community nonprofits and businesses, and by ensuring adequate services needed to help people with basic needs. However, government spending is even more crucial during economic downturns, when private sector activity slows. Economists estimate that, during a recession, every \$1 spent by government is worth at least \$1.50 in economic activity. In the same way, every \$1 cut from government spending reduces economic activity by at least \$1.50.

In order to pay for continued state spending that is so essential to people who need help during this period of continued high unemployment and to support economic recovery, additional public revenues are needed. The proposed temporary change in the income tax rate for the top earning bracket would collect more from higher earning individuals, many of whom have experienced no job loss and have even profited over the past year with stock market gains and Hawai'i's surging real estate prices. Wealthy households also profited most from the significant tax breaks provided by changes in the federal tax code in 2017, and can afford to share more in state-level taxes.

Currently, although the top rate for the highest earners is 11 percent, the average effective rate for a couple earning \$400,000 or more per year is only 8 percent. In fact, after taking various deductions, exemptions, and tax credits, Hawai'i's millionaires paid taxes at an effective rate of just 6.8 percent of their adjusted gross income, according to reporting by the State Department of Taxation. The change proposed in this bill would increase the amount actually paid by high-income households.

Thank you for the opportunity to testify.

SB-276

Submitted on: 3/4/2021 8:43:36 AM

Testimony for WAM on 3/4/2021 1:50:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
laurel brier	Testifying for Kauai women's caucus	Support	No

Comments:

Let's share the wealth and create a more equitable society



John Uekawa, President
Dave Rolf, Executive Director



LATE

HADA Testimony with OPPOSED to SB276

RELATING TO INCOME TAX

Presented to the Senate Committee on Ways and Means

at the Public Hearing 1:50 p. m. Thursday, March 4, 2021 in Conf. Room 211
VIA VIDEO CONFERENCE

Hawaii State Capitol

by David H. Rolf for the members of the Hawaii Automobile Dealers Association

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

HADA dealers are opposed to this bill which proposes to raise the State income tax by 5 percent (to 16 percent) for taxpayers in the highest income bracket for 6 years.

For S corporation owners and businesses operating as sole proprietors — this is a tax on business profits. The profits that are needed to replace those profits lost during the pandemic.

During times like these, especially while businesses are recovering from a pandemic, this bill is just plain wrong.

HADA dealers respectfully ask that the measure be held.

Respectfully submitted,

David H. Rolf for the Hawaii Automobile Dealers Association

68 new car dealerships, 4,383 direct jobs, \$5.8 billion total sales, \$269 State Gross Excise Taxes

LATE

SB-276

Submitted on: 3/4/2021 9:35:03 AM

Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Pride at Work - Hawaii	Testifying for Pride @ Work - Hawaii	Support	No

Comments:

Aloha Senators,

Pride at Work - Hawai'i, the state-wide chapter of Pride At Work (a constituency group of the national AFL-CIO) and an affiliate of the Hawai'i State AFL-CIO, supports SB 276.

Mahalo nui loa for your time and consideration,

Pride at Work - Hawai'i

GRASSROOT INSTITUTE OF HAWAII

March 4, 2021

1:50 p.m.

Conference Room 211 and Videoconference

To: Senate Committee on Ways and Means

Sen. Donovan M. Dela Cruz, Chair

Sen. Gilbert S.C. Keith-Agaran, Vice Chair

From: Grassroot Institute of Hawaii

Joe Kent, Executive Vice President

LATE

RE: SB276 — RELATING TO INCOME TAX

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on SB276, which would “temporarily” raise the state’s top income tax rate from 11% to 16%.

The purported rationale for this bill is to address the economic damage caused by the COVID-19 crisis. However, the strategy pursued here would be more damaging to Hawaii’s fragile economy than helpful.

A significant hike in the top income tax rate is more likely to increase the number of high-earners who leave the state. The minor and speculative increase in revenue from this tax hike will be offset by the damage it causes the rest of the state’s economy.

Moreover, a hike in taxes at this point sends a clear message that Hawaii is not open for business and will not be friendly to entrepreneurs or new business owners. Any assurances that the tax hike is “temporary” will be unconvincing, as experience demonstrates that temporary tax hikes tend to become permanent ones.

There is a far better route to improving state revenues than levying higher taxes on Hawaii's struggling residents and businesses. If the state needs more revenues, policymakers should focus on growing the economy. In our current condition, even small economic gains would have big effects.

We are gravely concerned about the impact of this tax and the many tax increases and surcharges that have been proposed this legislative session. Hawaii residents are already among the most taxed in the country; the state has the [second highest overall tax burden](#) in the U.S.

That high tax burden contributes to Hawaii's cost of living and is one of the reasons why so many Hawaii residents have been leaving in search of greater opportunities elsewhere.

Given the state's already-high tax burden, there is never a good time to raise taxes. But this proposal comes at an especially bad time. The state is still in a state of emergency, tourism has slowed to a trickle, businesses are closing and unemployment is high. The economy will take years to recover from the pandemic and lockdowns. The last thing Hawaii residents and businesses need at this point is a tax hike.

There are myriad reasons policy makers should be wary of implementing tax hikes at this time. Here are just a few:

>> Hawaii cannot sustain a hike in taxes since its already-damaged economy was hit harder by the lockdowns than any other state in the nation.¹

>> State lawmakers increased taxes and fees substantially following the Great Recession of 2007-2008,² despite a windfall in revenues from an economic boom over the past decade. Taxes and fees ballooned on motor vehicles, transient accommodations, estates, fuel, food, wealthy incomes, property, parking and businesses.

>> Hawaii's population reduction of 21,879 people since fiscal 2016³ has left Hawaii's remaining taxpayers with a greater tax burden.

¹ Dave Segal, "[Hawaii's unemployment rate hit nation-high 15% in September](#)," Honolulu Star-Advertiser, Oct. 20, 2020.

² "[Tax Acts \(by Year\)](#)," Tax Foundation of Hawaii, accessed Feb. 8, 2021.

³ "[Annual Estimates of the Resident Population for the United States, Regions, States, and the District of Columbia: April 1, 2010 to July 1, 2020 \(NST-EST2020\)](#)" U.S. Census Bureau, Population Division, December 2020.

>> Hawaii businesses are already bracing for an automatic tripling, on average, of the state unemployment tax.⁴ The UI tax rate depends not only on individual employer's claims experiences but also on the overall health of the state's unemployment insurance fund, which is hundreds of millions of dollars in the red.⁵

>> Hawaii already has a regressive general excise tax that disproportionately hits the poor.⁶

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.⁷ Hawaii's top 1% already pays 23% of all income taxes in the state.⁸

>> Closing tax exemptions would amount to a tax hike for Hawaii businesses already facing a steep spike in their unemployment insurance taxes.

>> Increasing Hawaii's lowest-in-the-nation property-tax rates⁹ would result in a much higher overall tax bill compared to other states because Hawaii residents uniquely pay for public education through the general fund as opposed to property taxes.¹⁰ Additionally, Hawaii's low property taxes are balanced out by the highest housing costs in the nation,¹¹ which results in a \$1,236 average annual property tax per capita, which is slightly below the national average of \$1,617.¹²

Hawaii needs leadership that will stabilize the current financial crisis, reduce unsustainable long-term costs and lower the cost of living. Balancing the books without tax increases or future debt could send a message that Hawaii is a good place for businesses and future generations, and this could help the economy thrive while motivating people to return to the islands.

⁴ "[State unemployment tax slated to automatically triple in 2021](#)," Grassroot Institute of Hawaii, Nov. 16, 2020.

⁵ "[UI Budget](#)," United States Department of Labor, Employment & Training Administration, Feb. 8, 2021.

⁶ "Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index: "[Sales Tax Burden](#)," American Legislative Exchange Council, 2021. Note that Hawaii does not have a sales tax, but a state general excise tax that is levied on almost all goods and services, and imposed multiple times throughout the production chain.

⁷ Katherine Loughhead, "[State Individual Income Tax Rates and Brackets for 2020](#)," Tax Foundation, Feb. 4, 2020.

⁸ "[Hawaii Individual Income Tax Statistics](#)," Hawaii Department of Taxation, December 2020, Table 13A.

⁹ John Keirnan, "[Property Taxes by State](#)," WalletHub, Feb. 25, 2020.

¹⁰ Janis Magin, "[Hawaii lawmakers seek to add new property tax to fund teacher pay](#)," Pacific Business News, Jan. 27, 2020.

¹¹ "[Average House Price by State in 2020](#)," The Ascent, Aug. 4, 2020.

¹² Janelle Cammenga, "[How Much Does Your State Collect in Property Taxes per Capita?](#)," Tax Foundation, March 11, 2020.

Hawaii's residents and businesses need a break from new taxes, fees, surcharges and tax hikes. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent
Executive Vice President
Grassroot Institute of Hawaii



1050 Bishop St. PMB 235 | Honolulu, HI 96813
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Toby Taniguchi, KTA Superstores, *Advisor*

TO:

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

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: March 4, 2021
TIME: 1:50pm
PLACE: Via Videoconference



RE: SB276 Relating to Income Tax

Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

The economic crisis caused by the COVID-19 pandemic hit Hawaii harder than any other state. Tens of thousands of jobs were lost, hundreds of businesses closed, and countless Hawaii families continue to face unprecedented financial struggles. Thousands of Hawaii residents were also forced to make the difficult decision to leave the state. Hawaii's population has been declining for several years and the pandemic is making this problem worse¹.

Increasing income taxes makes Hawaii a less attractive and less affordable place to live. The financial and economic impacts of the crisis will take years to recover from as it is. Taking steps that are likely to hastening population decline and drive more businesses to close will only make the recovery slower and less successful.

¹ <https://www.staradvertiser.com/2020/10/04/hawaii-news/economists-anticipate-hawaiis-shrinking-population-will-decline-further-due-to-covid/>

Hawaii already has some of the highest individual and business tax burdens in the nation². Now, as our residents and local businesses are struggling, is the worse possible time to increase that burden. Now is the time that our residents and businesses need the support of our leaders and our state as they work to rebuild and regrow our economy.

We ask that this measure be held and we thank you for the opportunity to testify.

² <https://www.bizjournals.com/pacific/news/2018/10/11/hawaii-still-one-of-the-worst-states-to-pay-taxes.html>

LATE

SB-276

Submitted on: 3/4/2021 11:52:48 AM

Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Irish Barber	Testifying for IATSE Local 665	Support	No

Comments:

TESTIMONY BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

RE: SB 276 - Relating to Income Tax

Thursday, March 4, 2021 at 1:50PM, via Videoconference

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

Mahalo for the opportunity to provide testimony in SUPPORT of SB 276.

International Alliance of Theatrical Stage Employees (IATSE) Local 665 is comprised of technicians who work in the industries of Stagecraft, Convention, Tradeshow, Film and Television. Our industry was devastated by the coronavirus with a near 100% unemployment rate across the nation. Some crew members have been able to return to work due to strong COVID-19 safety protocols provided by the employers, but our technicians who work in live events will not return to work until it is safe to gather in large numbers. We are slowly trying to recover from the effects of the pandemic.

Prior to 2020, most of our members were fortunate to be working and middle class earners. Now, some of our members will be in a lower income bracket but will still be expected to pay 15% of their income in state and local taxes. Those who make over \$400,000, after deductions, will pay between 7% to 9%. We support the intent of SB 276 to bring tax fairness and parity to Hawai'i taxpayers. Since lowering the tax rate to 6% for low-income earners would be an impossibility in this economic climate, raising the tax rate on wealthy earners to create a more level playing field seems like the easiest, most expedient remedy at this time.

In closing, please pass SB 276 to provide tax fairness for all Hawai'i taxpayers.

Respectfully,

Irish Barber

Business Rep, IATSE Local 665

LATE

SB-276

Submitted on: 3/3/2021 5:52:25 PM
Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Christy MacPherson	Individual	Support	No

Comments:

I strongly support SB276 that would tax highest-paid earners in our State. This is an equitable way for folks to contribute to our economic recovery.

LATE

SB-276

Submitted on: 3/3/2021 6:05:09 PM
Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
L.M. Holmes	Individual	Support	No

Comments:

I support this bill 100%. It's long overdue that the wealthy pay their share.

LATE

SB-276

Submitted on: 3/3/2021 6:31:25 PM

Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kristen Young	Individual	Support	No

Comments:

I support this bill!

SB-276

Submitted on: 3/3/2021 6:58:00 PM

Testimony for WAM on 3/4/2021 1:50:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Thomas Brandt	Individual	Support	No

Comments:

Strong support!

LATE

SB-276

Submitted on: 3/3/2021 7:14:18 PM

Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
cheryl B.	Individual	Support	No

Comments:

Support

With the understanding that after 6 years, this will be re-evaluated.

LATE

SB-276

Submitted on: 3/3/2021 8:29:00 PM
Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Zack Stoddard	Individual	Support	No

Comments:

This is the right thing to do! The wealthy can afford to pay their fair share to keep this economy running smoothly in a way that doesn't leave any honest workers struggling. Mahalo!

SB-276

Submitted on: 3/3/2021 8:32:33 PM

Testimony for WAM on 3/4/2021 1:50:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Gina Jones	Individual	Support	No

Comments:

Aloha Senators,

I am a single individual working for the DOE. Due to union contract obligations, taxes, and health insurance my take home pay is very low. I think it is only fair for people with great wealth to pay their fair share of taxes. Taxes paid by the wealthy would put more money into the state that funds vital operations. Continuing to squeeze more money out of every day citizens is enhancing poverty by raising costs of housing, displacing residents who are forced to work 2 or more jobs to make ends meet.

Please pass SB 276 to ensure the richest people pay their fair share.

Thank you,

Gina Jones

LATE

SB-276

Submitted on: 3/3/2021 9:31:39 PM
Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Banner Fanene	Individual	Support	No

Comments:

Please Pass SB276. Mahalo

SB-276

Submitted on: 3/3/2021 10:38:52 PM

Testimony for WAM on 3/4/2021 1:50:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Dale Arthur Head	Individual	Support	No

Comments:

Aloha esteemed Senators:

This Senate Bill #276 is a common sense effort to generate some much needed tax revenue from our citizens who can most easily afford an increase. Economic impact of the current Covid-19 Pandemic as been intense and too many people have lost their jobs as a result, which means they, for now, are not paying taxes. Those who are more blessed with a better income can afford this modest increase. Much thanks for all of your hard work and dedication to the Public.

Respectfully, Dale Arthur Head (808) 696-4589 Helpmakahasurfside@gmail.com

LATE

SB-276

Submitted on: 3/3/2021 11:31:35 PM
Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Axel Beers	Individual	Support	No

Comments:

Taxing the highest earning individuals at higher rates is a preferable way to balance the budget than cuts to public services and furloughs of essential workers.

SB-276

Submitted on: 3/4/2021 7:54:00 AM

Testimony for WAM on 3/4/2021 1:50:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Victor K. Ramos	Individual	Oppose	No

Comments:

Strongly oppose.

SB-276

Submitted on: 3/4/2021 8:50:19 AM

Testimony for WAM on 3/4/2021 1:50:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Dan Gardner	Individual	Support	No

Comments:

I support this legislation.

LATE

SB-276

Submitted on: 3/4/2021 8:53:29 AM
Testimony for WAM on 3/4/2021 1:50:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Elizabeth Hansen	Individual	Support	No

Comments:

Please Support This Bill

Mahalo