WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2021

ON THE FOLLOWING MEASURE:
S.B. NO. 56, RELATING TO REVENUE GENERATION.

BEFORE THE:

SENATE COMMITTEE ON WAYS AND MEANS

DATE: Tuesday, March 2, 2021 **TIME:** 9:25 a.m.

LOCATION: State Capitol, Room 211, Via Videoconference

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**
(For more information, contact Kristen M.R. Sakamoto,
Deputy Attorney General, at 808-586-1470)

Chair Dela Cruz and Members of the Committee:

The Department of the Attorney General has concerns regarding part V of this bill, which temporarily suspends various general excise tax exemptions and imposes tax on the previously exempt gross income at the rate of 4 percent, and provides the following comments regarding three of the exemptions.

<u>Home Service Providers Acting as Service Carriers</u>

The suspension of the third exemption, at page 21, lines 10-13, of this bill, for "[g]ross receipts of home service providers acting as service carriers providing mobile telecommunications services to other home service providers as described under section 237-13(6)(D)," Hawaii Revised Statutes (HRS), may be subject to challenge under the federal Mobile Telecommunications Sourcing Act (MTSA), 4 U.S.C. §§ 116-126.

The MTSA "provides a uniform method for fairly and simply determining how State and local jurisdictions may tax wireless telecommunications." H.R. Rep. No. 106-719, at 6 (2000), *reprinted in* 2000 U.S.C.C.A.N. 508, 0. Under the MTSA, the jurisdiction encompassing a customer's "place of primary use"[1] may impose a tax on mobile telecommunication services "regardless of where the mobile telecommunication services originate, terminate, or pass through." 4 U.S.C. § 117. "[N]o other taxing

[1] The "place of primary use" is generally defined as the residential street address or primary business street address of the customer. 4 U.S.C. § 124(8).

jurisdiction may impose taxes, charges, or fees on charges for such mobile telecommunications services." *Id.*

The wording in section 237-13(6)(D), HRS, is a codification of the federal MTSA. *See* Act 209, 2002 Haw. Sess. Laws 859 ("[t]he purpose of this Act is to enact statutory provisions to conform to the federal Mobile Telecommunications Sourcing Act").

Part V of this bill would temporarily impose tax on mobile telecommunications services provided in the State by a local home service provider to a customer whose place of primary use is outside the State, in violation of the MTSA. As noted, under the MTSA, only the jurisdiction encompassing the customer's place of primary use may impose a tax on mobile telecommunication services. 4 U.S.C. § 117.

Accordingly, to avoid a potential challenge under the MTSA, we recommend deleting the third exemption, at page 21, lines 10-13, of this bill, relating to home service providers acting as service carriers. Although this bill contains a provision that tax shall not apply to gross income that "cannot legally be so taxed under the Constitution or laws of the United States," at page 26, lines 11-15, we nevertheless recommend amending this bill to avoid ambiguity and a potential legal challenge.

Transportation of Agricultural Commodities Shipped Interisland

The suspension of the sixth exemption, on page 21, lines 19-21, of this bill, for "[a]mounts received from the loading, transportation, and unloading of agricultural commodities shipped interisland as described under section 237-24.3(1)," HRS, may be subject to challenge under the federal Anti-Head Tax Act (AHTA), 49 U.S.C. § 40116, with respect to the transportation of agricultural commodities by air.

The AHTA prohibits states from levying or collecting a tax on "air transportation" or "the gross receipts from that air . . . transportation." 49 U.S.C. § 40116(b). The term "air transportation" is defined as including the "transportation of . . . property by aircraft as a common carrier for compensation . . . between a place in . . . Hawaii and another place in Hawaii through the airspace over a place outside Hawaii." 49 U.S.C. § 40102(5), (25). In Hawaii, "most, if not all, of the interisland air transportation passes through airspace not a part of the [State]." *Island Airlines, Inc. v.CAB*, 363 F.2d 120, 122 (9th Cir. 1966).

Accordingly, an imposition of tax on the interisland shipment of agricultural commodities via air transportation may be challenged under the AHTA. To avoid such a challenge, we recommend amending the sixth exemption, on page 21, lines 19-21, of this bill, to read as follows:

> Amounts received from the loading, transportation <u>other than air transportation as defined in 49 U.S.C. section 40102</u>, and unloading of agricultural commodities shipped interisland as described under section 237-24.3(1).

<u>Telecommunications Common Carriers from Call Center Operators</u>

With respect to the suspension of the eighteenth exemption, on page 24, lines 14-17, of this bill, for "[a]mounts received by telecommunications common carriers from call center operators for interstate or foreign telecommunications services as described under section 237-29.8," HRS, we note that pursuant to section 237-29.8, HRS, the exemption for income from call center operators does not apply to income received after June 30, 2010. Accordingly, to avoid ambiguity, we recommend deleting this provision.

Thank you for the opportunity to provide comments.

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: March 2, 2021
Time: 9:25 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 56, Relating to Revenue Generation

The Department of Taxation (Department) offers the following comments regarding S.B. 56, for your consideration.

S.B. 56 increases the personal income tax rates for high income taxpayers and also eliminates marginal tax rates for high income taxpayers, increases the capital gains rate from 7.25 percent to 11 percent, and imposes a single rate for the corporate income tax at 9.6 percent.

The bill also repeals various general excise tax (GET) exemptions, effective from July 1, 2021 until June 30, 2023 and requires the Department of report on all exclusions or exemptions from GET. Finally, the bill increases the conveyance tax for the sale of properties valued at $1,000,000 or greater.

Income Tax

The Department has concerns regarding that the proposed income tax structure as it creates a large tax cliff. In other words, the bill creates dramatic increases in tax liability for small increases in income. Income tax brackets are generally structured so that having on more dollar of income doesn't result in significant increase in tax liability.

For example, a joint filer with taxable income of $399,000, the proposal would impose tax of $38,076, while a joint filer with taxable income of $401,000, just $2,000 more, would owe tax of $42,747. This means that the extra $2,000 of income generates additional tax liability of $4,671. An even more extreme example is where income of $399,999 would generate liability of $38,176, while just $1 more of income would generate tax liability of $42,637. An additional tax of $4,461 based on $1 of additional income. The Department strongly suggests reconsidering the income tax bracket amendments.

The bill increases the capital gains rate from 7.25 percent to 11 percent. The Department appreciates the intent of this proposal, but notes that the previous section of the proposal gradually eliminates the marginal tax rates for taxpayers facing rates above 8.25 percent while this section leaves the current capital gains rate structure intact and simply increases the stated rate.

This will result in maintaining the benefit of the current marginal rates for taxpayers that have capital gain income. Thus, while this bill will increase the capital gains rate over the current rate, it would decrease the rate in relation to the proposed ordinary income tax rates. This is because the capital gains rate applies to the "*excess of the amount of income determined under paragraph (1)*" whereas the ordinary income rates were amended to apply to the excess of taxable income over lower amounts.

If the marginal tax rate structure is left unamended, the proposed change to the capital gains rate can be administered as drafted. However, this Section of the bill has no effective date as currently drafted.

General Excise Tax

The bill repeals certain GET exemptions from July 1, 2021 until June 30, 2023. Several exemptions are not proposed for repeal, including the non-profit exemption and the exemption for amounts received by labor organizations for leases of real property. The Department notes that this Section of the measure appears to be based on a previous repeal effective from July 1, 2011 until June 30, 2013. Along with these repeals, the measure requires the Department to report on all GET exemptions and exclusions. The Department notes that it already produces such a report as required under Act 94, Session Laws of Hawaii 2015. Thus, the Department suggests deleting the information reporting requirement as it is redundant and unnecessary.

Conveyance Tax

Finally, the bill increases the conveyance tax on properties valued at $1 million and above. The Department notes that the conveyance tax rates are not marginal, therefore tax cliffs are already built into the rates. However, increasing the rates drastically at a valuation point in the middle of the table, as this bill does, exacerbates the rate cliff. The Department recommends increasing all of the rates slightly rather than only those for higher value properties.

Thank you for the opportunity to provide comments.

HAWAIʻI BUDGET & POLICY CENTER
Better information. Better policy. Better Hawaiʻi.

March 2, 2021. 9:25 a.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, Hawaiʻi Budget & Policy Center

Re: Support for SB56, Relating to Revenue Generation

The Hawaiʻi Budget & Policy Center provides the following comments in support of Senate Bill 56, Relating to Revenue Generation.

Hawaiʻi'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.

The Legislature is contemplating a budget for the fiscal biennium that would reduce spending for employment, cut the services provided on behalf of the state by nonprofit organizations that are also employers and economic anchors for their communities, and shrink funds for capital improvements that directly and indirectly support jobs. These cuts would increase human misery as well as slow economic recovery. Instead of budget reductions, the state should spend more over the next two years when it is sorely needed, and the measures proposed in this bill would raise enough revenue to allow it to do so.

The revenue raisers proposed in SB56 would require a greater contribution from higher earning individuals and companies, many of whom have experienced no job loss and even profited over the past year with stock market gains and Hawaiʻi's surging real estate prices. The wealthy and corporations also got significant tax breaks at the federal level in 2017, and can afford to share more in state-level taxes.

Tax recapture. The structure of Hawaiʻi's marginal income tax rates means that, 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, Hawaiʻi'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.

Tax on capital gains. Another reason that wealthy households pay a lower-than-expected effective tax rate is that Hawaiʻi's tax on long-term capital gains income is capped at 7.25 percent. In 2018, according to the Department of Taxation, 72 percent of all long-term capital gains income went to residents who earned $400,000 or more, and this income made up one-third of all their taxable income. It's high time taxes were increased on this source of wealth, which is taxed at a lower rate than many of us pay on earnings for the work we do.

Corporate and regulated investment companies income tax. Like wealthy individuals, corporations got a big federal tax break in 2017. The proposed single higher rate makes Hawaiʻi's corporate taxes more like those in many other states.

Taxing Real Estate Investment Trusts. REITs, which are a dominant business model in Hawaiʻi, pass at least 90 percent of their earnings, untaxed, to shareholders, most of whom are not Hawaiʻi residents. Because of that, REITs produce billions of dollars in wealth from Hawaiʻi assets but, unlike local corporations and businesses, pay no taxes to the state of Hawaiʻi. This bill would put REITs on the same tax basis as other Hawaiʻi businesses.

Conveyance Tax. From January 2019 through September 2020, more than $2 billion in residential properties were sold in Hawaiʻi for $4 million or more. Nonresidents purchased 58 percent of the houses that sold for $4-5.99 million and 68 percent of houses priced at $6 million or more. Increasing the conveyance tax, as proposed, is not the only strategy that should be deployed against investors that raise the cost of housing for Hawaiʻi, but it will help.

Thank you for the opportunity to testify.

TESTIMONY IN SUPPORT OF SB 56

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

FROM: Nikos Leverenz
Grants, Development & Policy Manager

DATE: March 2, 2021 (9:25 AM)

Hawaiʻi Health & Harm Reduction Center (HHHRC) **supports** SB 56, which increases the personal income tax rate that phases out lower tax brackets for high earners; increases the tax on capital gains; increases the corporate income tax and establishes a single corporate income tax rate; repeals general excise tax exemptions; and increases conveyance taxes for sales of properties more than $1 million.

HHHRC is a proud member of Hawaiʻi Tax Fairness. As the coalition notes, reductions in state spending during an economic downturn exacerbates the harms to working families and those of little or no economic means. Budget cuts enacted after the Great Recession of 2008 continue to resonate among these residents and service providers. The International Monetary Fund has found that every $1 cut in government spending results in $1.50 in lost economic output.

Forthcoming budget cuts will most deeply impact those the economically vulnerable 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**.

Hawaiʻi 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.

Hawaiʻi should reasonably look to obtain more revenue from those who are able to provide more revenue, particularly during a prolonged economic downturn that 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 Executive Director Heather Lusk recently co-authored an opinion-editorial in the *Honolulu-Star Advertiser* noting that Hawaiʻi already has the second highest rate of homelessness in the nation and the highest rate of unemployment. Lusk, who is also the board president of Partners in Care Oʻahu, underscored the need to soften the blow of budget cuts by looking for new revenue by “taxing the wealthy who have not faced the grim financial consequences of the pandemic.”

The op-ed’s conclusion puts the choice before you very well: *“By making our tax system fairer, the state will increase revenue and save services that have been a lifeline to so many families during this pandemic.”*

HHHRC’s mission is to reduce harm, promote health, create wellness, and fight stigma in Hawaiʻi 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.

PAMCA
PLUMBING & MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

1088 BISHOP STREET #408
HONOLULU, HI 96813
PH: (808) 597-1216

GREGG S. SERIKAKU
EXECUTIVE DIRECTOR

February 26, 2021

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

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

SUBJECT: SB 56 RELATING TO REVENUE GENERATION

My name is Gregg Serikaku, Executive Director for the Plumbing and Mechanical Contractors Association of Hawaii, and we are the State's largest association representing contractors that perform plumbing, air conditioning, refrigeration, steamfitter, and fire sprinkler work throughout Hawaii.

The Association for which I speak is opposed to Part V, Section 5, §237-(a)(1) of SB 56, which suspends the exemption that allows contractors to offset certain amounts paid to subcontractors for GET reporting purposes.

Currently, the offset deduction allows each construction contractor and subcontractor to pay GET only on the portion of the contract that is attributable to their work, and this properly results in aggregate GET tax payments being made on 100% of the contract value.

Suspending the offset deduction creates an onerous pyramiding of the GET and can result in GET being paid on 200% or more of the contract value. This pyramiding ultimately creates higher costs for consumers and stifles one of the main drivers of the economic recovery for the State.

Another concern we have, is that in an effort to reduce the effect of tax pyramiding, many contractors will be pressured to attempt self performing specialized work that falls outside of their normal scope and which has traditionally been performed by trained specialty subcontractors. By attempting to self perform such specialized work, these contractors not only place their workers in jeopardy, but ultimately harm the consumer who ends up with an inferior and potentially unsafe structure.

We respectfully request that this committee consider deleting Part V, Section 5, §237-(a)(1). Thank you for this opportunity to provide our testimony.

Respectfully yours,

Gregg S. Serikaku
Executive Director

HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

February 28, 2021

TO: Chair Dela Cruz and members of WAM Committee

RE: SB 56 Relating to Revenue Generation

Support for hearing on March 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.

We support SB 56 as it would adjust income tax rates upward for higher-income persons. It also increases the corporate income tax and increases the tax on capital gains. Our total tax system has been far too regressive. These changes are needed to ensure that the wealthy pay their fair share. Accordingly the bottom income-earners should have a lighter burden. This bill has a lot of provisions; the total effect is very positive for our tax structure.

Thank you for your favorable consideration.

Sincerely,
John Bickel, President

ADA

HAWAII STATE TEACHERS ASSOCIATION
Teaching Today for Hawaii's Tomorrow

1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

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 56 - RELATING TO REVENUE GENERATION

TUESDAY, MARCH 2, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Dela Cruz and Members of the Committee:

The Hawaii State Teachers Association **supports SB 56**, relating to revenue generation. This bill increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020. Increases the tax on capital gains. Increases the corporate income tax and establishes a single corporate income tax rate. From 7/1/2021 through 6/30/23, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

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.

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%.

Social service programs are crucial to struggling working families during this recession and must be protected. **By asking the wealthy and profitable corporations to pay their fair share in taxes, we can prevent cuts to essential services and protect our communities.** Community service cutbacks during the Great Recession are still hurting us now -- and their effects can be seen on our streets. Service providers still haven't been able to undo all the damage inflicted on nonprofits and the state's mental health system by funding slashed a decade ago.

Government spending on social service programs is good 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. **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

HSTA
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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.

We also need to close the capital gains tax loophole. **Hawai'i is one of only nine states that taxes all capital gains**—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a LOWER rate than ordinary working people's income. **This capital gains tax loop benefits almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in Hawai'i. If Hawai'i were to tax capital gains at the same rates as regular income, as most states do, Hawai'i would bring in about $80.2 million in new revenue. And 97% would be paid by the top 5% of earners in Hawai'i, while the bottom 80% would pay nothing at all.**

This bill will also increase the tax rate on corporate profits. It is estimated that nearly 60 percent of corporate income tax in Hawai'i is paid by non-residents. Corporate taxes differ from individual income taxes in an important way. The corporate tax is applied only to profits, so companies facing losses don't pay corporate income tax.

The federal Tax Cuts and Jobs Act cut the federal corporate income tax rate by 14 percentage points, from 35 percent to 21 percent, so companies in Hawaii are now getting a huge tax break at the federal level.

If Hawai'i were to have a single tax rate on corporate profits of between 6.4 and 10 percent, **it would raise an additional $2.9–$103 million in revenue per year.**

Hawai'i's current top corporate tax rate of 6.4 percent is below the median of the states. We are ranked 34th among states in per capita corporate tax

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collections, at $103 per person, while the 1st state, New Hampshire, collects $582 per person.

This bill would also **temporarily suspend certain general excise tax (GET) exemptions**. In 2011, to address the economic crisis of the last recession, the state legislature suspended 31 GET exemptions for FY2012 and FY2013. **These exemptions were worth about $254.5 million** in 2018, should a comparable measure be considered as a response to the economic impacts of the COVID-19 pandemic.

Lastly, this bill will increase the sales tax rate on expensive real estate. Real estate is one of the few sectors of Hawai‘i's economy that's been booming during the pandemic, with home prices soaring to new record highs in 2020. However, sellers of high-end properties are not paying their fair tax share. Conveyance taxes are applied to transfers of ownership real property, and our current conveyance tax rates are only 0.50–1.25 percent on multi-million dollar mansions. We should not allow our real estate to be sold at such high prices with such low tax returns.

Between January 2019 and September 2020, just over half (52%) of homes priced at or above $2 million were sold to non-Hawai‘i residents. And of homes worth at least $4 million, 62% were sold to non-Hawai‘i residents. If the conveyance tax rate were raised on properties valued at $1 million and above, **that would generate up to $71.5 million.**

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 for our state.

<u>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!!</u>

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 **<u>support</u>** this bill.

SB-56
Submitted on: 2/28/2021 2:54:40 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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 statewide, we are in support of SB56. Using multiple stategies to raise revenue is smart idea to help our economy recover.

Please vote in support of SB56.

Mahalo for your kind attention,

Dave Mulinix

Hawaii State Community Organizer

Our Revolution Hawaii

SENATE BILL 56, RELATING TO REVENUE GENERATION

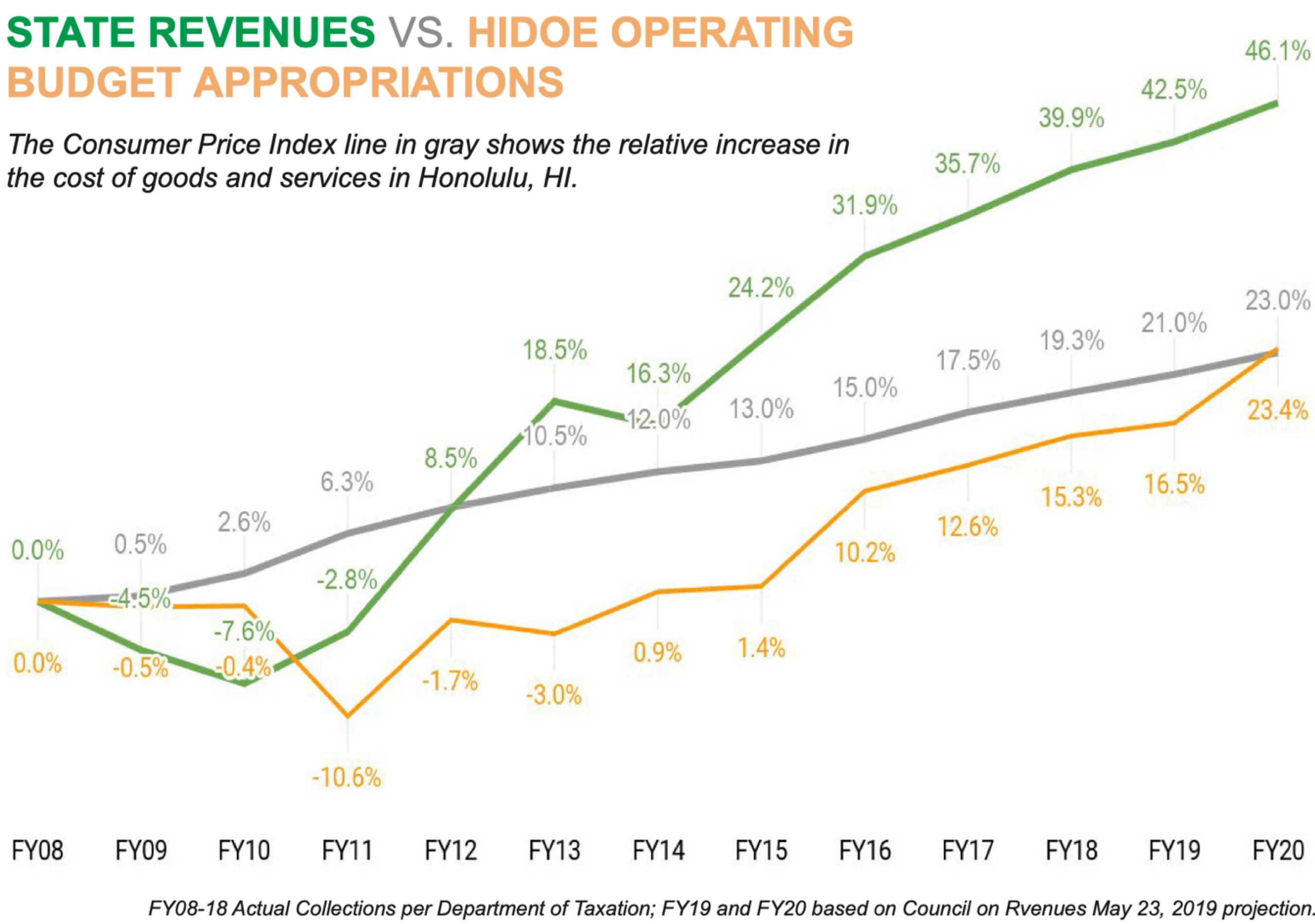
MARCH 2, 2021 · SENATE WAYS AND MEANS COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Strong support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **strongly supports** SB 56, relating to revenue generation, which increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020; increases the tax on capital gains; increases the corporate income tax and establishes a single corporate income tax rate; from 7/1/2021 through 6/30/23, temporarily repeals certain general excise tax exemptions; and increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

It is time for Hawai'i to tax the rich. We desperately need to increase funding for public education, rather than cut the education programs on which their futures rely. As it has for years, the Aloha State is suffering from a chronic teacher shortage crisis, which could be exacerbated by proposed cuts to the Hawai'i Department of Education's budget amounting to 15 to 21 percent. Additionally, we continue to lose approximately 50 percent of new hires after five years–the number of teachers exiting the teaching profession has spiked by over 80 percent since 2010.

Prior to the pandemic, the Hawai'i Department of Education saw its budget grow at a pace that was much slower than the rate of increase for general fund revenue. From FY2008 to FY2020, the DOE's budget grew by 23.4 percent, keeping pace with the escalation in the state's cost of living. Yet, general fund revenue grew by 46.1 percent, nearly double the growth reflected in the DOE's budget. This proportional disparity must be rectified, so that our schools and students don't lose out on critical resources or learning opportunities. Education must be a priority for our state.



Accordingly, we strongly support measures to generate revenue in the face of the pandemic-related economic downturn, rather than managing the budget shortfall slashing services. Trump's Tax Cuts and Jobs Act gave tax breaks to the wealthiest Americans, including by shielding from taxation $11 million for single people and $22 million for couples of property transferred from the deceased to their heirs. Among states that have estate taxes, Hawaiʻi has the fourth-highest exemption amount at $5.5 million for singles and $11 million for couples. The exemption amount was only $675,000 in 2001, less than one-eighth of the exempted amount today. We need to return to fiscal sanity and ask: do we support the privileged class's or the public's interest?

Hawai'i saddles our low-income neighbors with the second-heaviest state and local tax burden in the nation. While families who earn less than $20,000 per year pay 15 percent of their income in state and local taxes, those who make over $450,000 annually pay only about 9 percent. Lawmakers should ask those who can afford it to pay a little more to uplift working failies. Public spending is the fuel that keeps our state's economic engines running. As the private sector 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 local economy stall. The International Monetary Fund has found that every dollar of reduced government spending results in as much as $1.50 in lost economic activity. Thus, a $670 million cut in government programs would punch a $1 billion hole in our economy. Studies of the Great Recession show that states that trimmed their budgets had higher unemployment, fewer private sector jobs, and shrinking economies. In contrast, states that expanded government spending saw stronger economic growth.

SB 56 institutes tax fairness in a number of ways. To begin, the measure raises personal income tax rates and establishes a rate recapture mechanism for our state's highest earners. Hawai'i currently allows its wealthiest households to benefit from lower tax brackets designed for 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. The bill also closes our state's capital gains loophole. Hawai'i is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income. This capital gains tax loophole privileges almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in the islands. If Hawai'i were to tax capital gains at the same rates as regular income, as most states do, Hawai'i would bring in about $80.2 million in new revenue, 97 percent of which would be paid by the top 5 percent of income earners in our state, while the bottom 80 percent would pay nothing at all. **According to an analysis from the Institute on Taxation and Economic Policy, the income tax increase, rate recapture, and capital gains provisions of this bill alone would generate $299.3 million for our state.**

Furthermore, this proposal increases the tax rate on corporate profits to a flat rate of 9.6 percent. It is estimated that nearly 60 percent of Hawaiʻi's corporate income tax is paid by non-residents. Corporate taxes differ from individual income taxes in an important way: corporate taxes are applied only to profits, so companies facing losses don't pay. The federal Tax Cuts and Jobs Act cut the federal corporate income tax rate by 14 percentage points, from 35 percent to 21 percent, so companies are getting a huge tax break at the federal level. **<u>If Hawaiʻi were to have a single tax rate on corporate profits of nearly 10 percent, it would raise at least $103 million in revenue per year.</u>** Hawaiʻi's current top corporate tax rate of 6.4 percent is well below the national median. We are ranked 34th among states in per capita corporate tax collections, at $103 per person, while the number one state, New Hampshire, collects $582 per person.

Additionally, this measure temporarily suspends certain general excise tax (GET) exemptions. In 2011, to address the economic crisis of the last recession, the State Legislature suspended 31 GET exemptions for FY2012 and FY2013. **<u>These exemptions were worth about $254.5 million in 2018.</u>** Should a comparable measure be considered as a response to the economic impacts of the COVID-19 pandemic, as this bill proposes, that revenue would be returned to state coffers. Finally, this measure increases the sales tax rate on luxury real estate speculation. Real estate is one of the few sectors of Hawaiʻi's economy that's been booming during the pandemic, with home prices soaring to new record highs in 2020. Yet, sellers of high-end properties are not paying their fair tax share. Conveyance taxes are applied to transfers of ownership of real property and our current conveyance tax rates are only 0.50–1.25 percent on multimillion-dollar mansions. We should not allow our real estate to be sold at such high prices with such low tax returns. Between January 2019 and September 2020, just over half (52 percent) of homes priced at or above $2 million were sold to nonresidents. Of homes worth at least $4 million, 62 percent were sold to nonresidents. **<u>If the conveyance tax rate is raised on properties valued at $1 million and above, that would generate up to $71.5 million, bringing this measure's total revenue generation estimate to over $728 million.</u>**

We must fully fund our schools. Our keiki's and our community's future depends on our resolve.

Kris Coffield · Chairperson, Democratic Party of Hawai'i Education Caucus · (808) 679-7454 · kriscoffield@gmail.com

SB 56, RELATING TO REVENUE GENERATION

MARCH 2, 2021 · SENATE WAYS AND MEANS COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Strong Support.

RATIONALE: Imua Alliance **strongly supports SB 56,** relating to revenue generation, which increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners; increases the tax on capital gains; increases the corporate income tax and establishes a single corporate income tax rate; from 7/1/2021 through 6/30/23, temporarily repeals certain general excise tax exemptions; and increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

It is time for Hawai'i to tax the rich. We need to raise revenue to manage the economic recession spurred by COVID-19, not slash essential services for vulnerable residents. Imua Alliance is one of the state's largest victim service providers for survivors of sex trafficking. Over the past 10 years, we have provided comprehensive direct intervention (victim rescue) services to 150 victims, successfully emancipating them from slavery and assisting in their restoration, while providing a range of targeted services to over 1,000 victims and individuals at risk of sexual exploitation. **During the pandemic, demand for victim services to our organization has skyrocketed by 330 percent, driven in part by a fivefold increase in direct crisis calls from potential trafficking victims.**

Each of the victims we have assisted has suffered from complex and overlapping trauma, including post-traumatic stress disorder, depression and anxiety, dissociation, parasuicidal

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

behavior, and substance abuse. Trafficking-related trauma can lead to a complete loss of identity. A victim we cared for in 2016, for example, had become so heavily trauma bonded to her pimp that while under his grasp, she couldn't remember her own name. Yet, sadly, many of the victims with whom we work are misidentified as so-called "voluntary prostitutes" and are subsequently arrested and incarcerated, with no financial resources from which to pay for their release.

Sex trafficking is a profoundly violent crime. At least 23 percent of trafficking victims in Hawai'i report being first exploited before turning 18, according to a recent report, with the average age of trafficked keiki's initial exposure to exploitation being 11. Based on regular outreach and monitoring, we estimate that approximately 150 high-risk sex trafficking establishments operate in Hawai'i. In a recent report conducted by the State Commission on the Status of Women, researchers from Arizona State University found that 1 in every 11 adult males living in our state buys sex online. When visitors are also counted, that number worsens to 1 in every 7 men walking the streets of our island home and a daily online sex buyer market of 18,614 for O'ahu and a total sex buyer population for the island of 74,362, including both tourists and residents.

ASU's findings are grim, but not surprising to local organizations that provide services to survivors of sex trafficking. Imua Alliance, for example, has trained volunteers to perform outreach to victims in high-risk locations, like strip clubs, massage parlors, and hostess bars. More than 80 percent of runaway youth report being approached for sexual exploitation while on the run, over 30 percent of whom are targeted within the first 48 hours of leaving home. With regard to mental health, sex trafficking victims are twice as likely to suffer from PTSD as a soldier in a war zone. Greater than 80 percent of victims report being repeatedly raped and 95 percent report being physically assaulted, numbers that are underreported, according to the United States Department of State and numerous trauma specialists, because of the inability of many victims to recognize sexual violence. As one underage survivor told Imua Alliance prior to being rescued, "I can't be raped. Only good girls can be raped. I'm a bad girl. If I *want* to be raped, I have to *earn* it."

Accordingly, we support measures to raise revenue to sustain critical services for survivors of sexual exploitation and sexual violence. Hawai'i saddles our low-income neighbors with the second-heaviest state and local tax burden in the nation. While families who earn less than $20,000 per year pay 15 percent of their income in state and local taxes, those who make over

$450,000 annually pay only about 9 percent. Lawmakers should ask those who can afford it to pay a little more to uplift working failies. Public spending is the fuel that keeps our state's economic engines running. As the private sector sputters, government needs to throttle up public spending to keep our economy going. Cutting government spending at this time would be akin to taking our foot off the pedal and letting the second engine of the local economy stall. The International Monetary Fund has found that every dollar of reduced government spending results in as much as $1.50 in lost economic activity. Thus, a $670 million cut in government programs would punch a $1 billion hole in our economy. Studies of the Great Recession show that states that trimmed their budgets had higher unemployment, fewer private sector jobs, and shrinking economies. In contrast, states that expanded government spending saw stronger economic growth.

SB 56 institutes tax fairness in a number of ways. To begin, the measure raises personal income tax rates and establishes a rate recapture mechanism for our state's highest earners. Hawai‘i currently allows its wealthiest households to benefit from lower tax brackets designed for 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. The bill also closes our state's capital gains loophole. Hawai‘i is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income. This capital gains tax loophole privileges almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in the islands. If Hawai‘i were to tax capital gains at the same rates as regular income, as most states do, Hawai‘i would bring in about $80.2 million in new revenue, 97 percent of which would be paid by the top 5 percent of income earners in our state, while the bottom 80 percent would pay nothing at all. **According to an analysis from the Institute on Taxation and Economic Policy, the income tax increase, rate recapture, and capital gains provisions of this bill alone would generate $299.3 million for our state.**

Furthermore, this proposal increases the tax rate on corporate profits to a flat rate of 9.6 percent. It is estimated that nearly 60 percent of Hawai‘i's corporate income tax is paid by non-residents. Corporate taxes differ from individual income taxes in an important way: corporate taxes are applied only to profits, so companies facing losses don't pay. The federal Tax Cuts and Jobs Act cut the federal corporate income tax rate by 14 percentage points, from 35 percent to 21 percent, so companies are getting a huge tax break at the federal level. **If Hawai‘i were to have a single tax rate on corporate profits of nearly 10 percent, it would raise at least $103 million in revenue per year.** Hawai‘i's current top corporate tax rate of 6.4 percent is well below the national median. We are ranked 34th among states in per capita corporate tax collections, at $103 per person, while the number one state, New Hampshire, collects $582 per person.

Additionally, this measure temporarily suspends certain general excise tax (GET) exemptions. In 2011, to address the economic crisis of the last recession, the State Legislature suspended 31 GET exemptions for FY2012 and FY2013. **These exemptions were worth about $254.5 million in 2018.** Should a comparable measure be considered as a response to the economic impacts of the COVID-19 pandemic, as this bill proposes, that revenue would be returned to state coffers. Finally, this measure increases the sales tax rate on luxury real estate speculation. Real estate is one of the few sectors of Hawai‘i's economy that's been booming during the pandemic, with home prices soaring to new record highs in 2020. Yet, sellers of high-end properties are not paying their fair tax share. Conveyance taxes are applied to transfers of ownership of real property and our current conveyance tax rates are only 0.50–1.25 percent on multimillion-dollar mansions. We should not allow our real estate to be sold at such high prices with such low tax returns. Between January 2019 and September 2020, just over half (52 percent) of homes priced at or above $2 million were sold to nonresidents. Of homes worth at least $4 million, 62 percent were sold to nonresidents. **If the conveyance tax rate is raised on properties valued at $1 million and above, that would generate up to $71.5 million, bringing this measure's total revenue generation estimate to over $728 million.**

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

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

Hawaiʻi 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 56 - Relating to revenue generation**
Hawaiʻi State Capitol, Room 211
March 2, 2021, 9:25 AM

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

On behalf of Hawaiʻi Children's Action Network Speaks!, I write in SUPPORT of SB 56, which would increase personal income, capital gains, and corporate income tax rates; phase out lower tax brackets for high earners; establish a single corporate income tax rate; increase conveyance taxes on the sale of properties worth at least $1 million; and temporarily repeal certain general excise tax exemptions.

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 Hawaiʻi's keiki and their families during this pandemic crisis.

That's why we support a range of progressive revenue options, such as those included in this bill. 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.

For example, the capital gains loophole is a tax break that goes almost entirely to high-income taxpayers. **Hawaiʻi is one of only nine states that allows all 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 income.**[1]

If capital gains in Hawaiʻi were taxed at regular personal income tax rates, as most states do, it would yield about $80 million in additional revenues per year, and **97 percent of those revenues would come from the top 5 percent of taxpayers. Those in the bottom 80 percent would not be affected by the tax change at all.**[2]

Similarly, Hawaiʻi currently allows its wealthiest households to 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.** This bill would phase out those lower tax brackets for high earners.

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[1] www.cbpp.org/research/state-budget-and-tax/state-taxes-on-capital-gains

[2] Unpublished analysis by the Institute on Taxation and Economic Policy

850 Richards Street, Suite 201 • Honolulu, HI 96813 • 808-531-5502
speaks.hawaii-can.org • speaks@hawaii-can.org

The corporate income tax differs from the personal income tax in two major ways: **The corporate tax is applied only to profits, so companies facing losses don't pay corporate income tax. And it is estimated that nearly 60 percent of Hawai'i's corporate income tax is paid by non-residents.**[3]

The federal corporate tax rate dropped by 14 percentage points in 2017, giving profitable companies a huge tax break at the federal level.[4] If Hawaiʻi were to have a single tax rate on corporate profits of between 6.4 and 10 percent, it would raise an additional $2.9–$103 million in revenue per year.[5]

Meanwhile, real estate prices have been skyrocketing to record highs during the pandemics, but current conveyance tax rates are only 0.50–1.25 percent on multi-million dollar properties. If the conveyance tax rate were raised on properties valued at $1 million and above, that would generate up to $71.5 million.[6]

According to the Bureau of Conveyances, **more than half of homes priced above $2 million were sold to non-Hawaiʻi residents** between January 2019 and September 2020.

These are just some of worthwhile revenue-generating ideas in this bill, which could be used to close budget shortfalls while protecting important community services. Mahalo the opportunity to provide testimony in support of it. Please pass SB 56.

Thank you,

Nicole Woo
Director, Research and Economic Policy

[3] Colby, Seth, Ph.D. *Who Pays Hawaii's Taxes?* Presentation at Hawaii Economic Association luncheon, July 11, 2019.
[4] https://www.taxpolicycenter.org/briefing-book/how-does-corporate-income-tax-work
[5] Unpublished analysis by the Institute on Taxation and Economic Policy
[6] Ibid.

SUBJECT: INCOME, GENERAL EXCISE, USE, CONVEYANCE, Omnibus Tax Increase and Suspension of Exemptions

BILL NUMBER: SB 56

INTRODUCED BY: CHANG

EXECUTIVE SUMMARY: Increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020. Increases the tax on capital gains. Increases the corporate income tax and establishes a single corporate income tax rate. From 7/1/2021 through 6/30/23, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

SYNOPSIS:

Income Tax: Rate Increases

Amends section 235-51(a) through (c), HRS, to add new rate schedules for individuals for taxable years beginning after 12/31/2020. The following table, for married filing joint and surviving spouse filing status, illustrates the changed brackets.

From	To	Base Tax in Bracket	Plus Tax Rate	For Taxable Income Over
-	4,800	0.00	1.40%	0
4,800	9,600	67.00	3.20%	4,800
9,600	19,200	221.00	5.50%	9,600
19,200	28,800	749.00	6.40%	19,200
28,800	38,400	1,363.00	6.80%	28,800
38,400	48,000	2,016.00	7.20%	38,400
48,000	72,000	2,707.00	7.60%	48,000
72,000	96,000	4,531.00	7.90%	72,000
96,000	200,000	6,427.00	8.25%	96,000
200,000	300,000	4,531.00	9.00%	72,000

300,000	400,000	2.016.00	10.00%	38,400	
400,000	450,000	749.00	11.00%	19,200	
450,000	500,000	67.00	12.00%	4,800	
500,000		0	13.00%	0	

Amends section 235-51(f), HRS, to increase the maximum tax rate on capital gains from 7.25% to 11%.

Amends section 235-71, HRS, to replace the current graduated tax rates for corporations (4.4%, 5.4%, and 6.4%) with a flat rate of 9.6%.

General Excise and Use Tax: Suspension of Exemptions

Adds a new section to chapter 237, HRS, that would suspend the following general excise tax exemptions between July 1, 2021 and June 30, 2023:

- 237-13(3)(B) - amounts deducted from the gross income received by contractors;
- 237-13(3)(C) - reimbursements received by federal cost-plus contractors for the costs of purchased materials, plant, and equipment;
- 237-13(6)(D) - gross receipts of telecommunications home service providers acting as service carriers for other home service providers;
- 237-16.5 - amounts deducted from the gross income of real property lessees because of receipt from sublessees;
- 237-24(14) - amounts received by sugarcane producers;
- 237-24.3(1) - amounts received from the loading, transportation, and unloading of agricultural commodities shipped interisland;
- 237-24.3(3)(A) - amounts received or accrued from the loading or unloading of cargo;
- 237-24.3(3)(B) - amounts received or accrued from tugboat and towage services;
- 237-24.3(3)(C) - amounts received or accrued from the transportation of pilots or government officials and other maritime related services;
- 237-24.3(11) - amounts received as rent for aircraft or aircraft engines used for interstate air transportation;
- 237-24.5 - amounts received by stock exchanges and exchange members;
- 237-24.7(10) - amounts received as high technology development grants;
- 237-24.9 - amounts received from the servicing and maintenance of aircraft and maintenance facilities;
- 237-25(a)(1) - gross proceeds from the sale of intoxicating liquor to the United States;
- 237-25(a)(2) - tobacco products and cigarettes to the United States;
- 237-25(a)(3) - Other tangible personal property to the United States (including any agency, instrumentality, or federal credit union thereof but not including national banks) and any state-chartered credit union;

- 237-27 - amounts received by petroleum product refiners from other refiners for further refining of petroleum products;
- 237-27.5 - gross proceeds received from the construction, reconstruction, erection, operation, use, maintenance of furnishing of air pollution facilities that do not have valid certificates of exemption on July 1, 2021;
- 237-28.1 - gross proceeds received from shipbuilding and ship repairs;
- 237-29.8 - amounts received by telecommunications common carriers from call center operators for interstate or foreign telecommunications services;
- 209E-11 - gross proceeds received by qualified businesses in enterprise zones that do not have valid certificates of qualifications from DBEDT on July 1, 2021; and
- 209E-11 - gross proceeds received by licensed contractors for construction performed for businesses in an enterprise zone or businesses who have been approved by DBEDT to enroll in the enterprise zone program.

Provides for the imposition of a tax of 4% on the previously exempt gross income or gross proceeds of sale between July l, 2021, and June 30, 2023. No county surcharge shall be levied, assessed, or collected on any previously exempt gross income or gross proceeds of sale that is subject to taxation by this measure.

This section shall not be applicable to gross income or gross proceeds from binding written contracts entered into prior to July 1, 2021 that do not permit the passing on of increased rates of tax. Also provides that the tax not be applicable to any gross income or gross proceeds of sale that cannot be legally taxed under the U.S. Constitution.

Adds a new section to chapter 237, HRS, that requires the director of taxation from July 1, 2021 to require the information reporting on all exclusions or exemptions of all amounts, persons, or transactions under this chapter except for: (1) amounts received that are exempt under FIRS section 237-24(1) through (7); and (2) any other amounts, persons, or transactions as determined by the director in the best interest of tax administration and made by official pronouncement.

Adds a new section to chapter 238, HRS, to suspend the following general excise tax exemptions between July 1, 2021 and June 30, 2023:

- 238-1(6) - the leasing or renting of aircraft or keeping of aircraft solely for leasing or renting for commercial transportation of passengers and goods or the acquisition or importation of aircraft or aircraft engines by a lessee or renter engaged in interstate air transportation;
- 238-1(7) - the use of oceangoing vehicles for passenger or passenger and goods transportation from one point to another within the state as a public utility;
- 238-1(8) - the use of material, parts, or tools imported or purchased by a person licensed under HRS chapter 237 which are used for aircraft service and maintenance or the construction of an aircraft service and maintenance facility;
- 238-3(g) - the use or sale of intoxicating liquor and cigarette and tobacco products imported into the state and sold to any person or common carrier in interstate commerce,

whether ocean-going or air, for consumption out-of-state by the person, crew, or passengers on the shipper's vessels or airplanes;

- 238-3(h) - the use of any vessel constructed under HRS section 189-25 prior to July 1, 1969;
- 238-3(k) - the use of any air pollution control facility subject to HRS section 237-27.

Provides for the imposition of a tax of 4% on the previously exempt value of property, services, or contracting between July 1, 2021 and June 30, 2023. No county surcharge shall be levied, assessed, or collected on any previously exempt value of property, services, or contracting that is subject to taxation by this measure.

This section shall not be applicable to the value of property, services, or contracting from binding written contracts entered into prior to July 1, 2021 that do not permit the passing on of increased rates of tax. Also provides that the tax not be applicable to any gross income or gross proceeds of sale that cannot be legally taxed under the U.S. Constitution.

If so determined, requires the director of taxation to: (1) exempt or exclude the property, services, or contracting or the use of the property, services, or contracting, from the tax; or (2) apportion the gross value of services or contracting sold to ëustomers within the state by persons engaged in business both within and without the state to determine the value of that portion of the services or contracting that is subject to taxation under HRS chapter 237 for the purposes of section 237-21.

Adds a new section to chapter 238, HRS, that requires the director of taxation from July 1, 2021 Requires the director of taxation, from January 1,2012 to require information reporting on all exclusions or exemptions of all amounts, persons, or transactions under the use tax, except for any amounts, persons, or transactions as determined by the director in the best interest of tax administration and made by official pronouncement.

Conveyance Tax: Rate Increases

SYNOPSIS: Amends section 247-2, HRS, to raise the conveyance tax rates for a condominium or single-family residence for which the purchaser is ineligible for a county homeowner's exemption on real property tax:

Minimum Property Value	Current Tax (per $100 of consideration)	New Tax (per $100 of consideration)
$0	$ 0.15	$ 0.15
$600,000	0.25	0.25
$1,000,000	0.40	**0.80**
$2,000,000	0.60	**1.20**
$4,000,000	0.85	**1.70**
$6,000,000	1.10	**2.20**
$10,000,000	1.25	**2.50**

Also raised is the tax for all other real property transfers:

Minimum Property Value	Current Tax (per $100 of consideration)	New Tax (per $100 of consideration)
$0	$ 0.10	$ 0.10
$600,000	0.20	0.20
$1,000,000	0.30	**0.60**
$2,000,000	0.50	**1.00**
$4,000,000	0.70	**1.40**
$6,000,000	0.90	**1.80**
$10,000,000	1.00	**2.00**

EFFECTIVE DATE: 7/1/2021. Income tax changes apply to taxable years beginning after 12/31/2020. General excise and use tax changes are repealed on 6/30/2023.

STAFF COMMENTS:

General Remarks

I call this bill the Enola Gay. You might remember from the history books that Enola Gay was the name of the aircraft that dropped the first atomic bomb on the City of Hiroshima in World War II. Here, of course, the bill's destination isn't Japan; it's the pocketbooks of us the taxpayers.

The preamble to the bill trying to justify the increases says that we are in a pandemic and state government needs " to generate revenue to allow the State to meet its strategic goals, avoid furloughs and layoffs for state workers, and prevent disruptions to essential government services."

Pandemics don't last forever, however. These tax increases do. There is no sunset on anything other than the suspension of the general excise and use tax exemptions.

Another passage in the bill's preamble recites that "the university of Hawaii economic research organization has found that every $1 in state salary reductions results in a $1.50 decrease in overall economic activity."

And what then happens with all the jobs outside of the public sector that are rapidly disappearing because businesses big and small can't make ends meet? Are those simply ignored in thinking about economic activity? And in the private sector we are not simply talking about salary reductions and furloughs. Those are happening too, but we are seeing layoffs and business closures. People who suffer salary reductions and furloughs still have jobs. Layoffs and business closures aren't easily reversible. So we know that some of those jobs and businesses won't be coming back.

Data from the Census Bureau show what we have suspected all along, that our population is going down. A press release from the Census Bureau on Dec. 30, 2019 states that only ten states lost population between 2018 and 2019, and Hawaii made the list. (https://www.census.gov/–newsroom/press-releases/2019/popest-nation.html).

When people are squeezed economically by the cost of living, taxes, and inefficient bureaucracy, they can and do vote with their feet – by getting on planes, for example. To what lengths will we go to chase people out of our state?

Lawmakers, are you going to let this Enola Gay drop the bomb on an economy already reeling from the pandemic? We need to do everything we can to restart economic activity, and not make it more difficult by heightening the tax burdens associated with that activity.

Income Tax: Rate Increases

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.

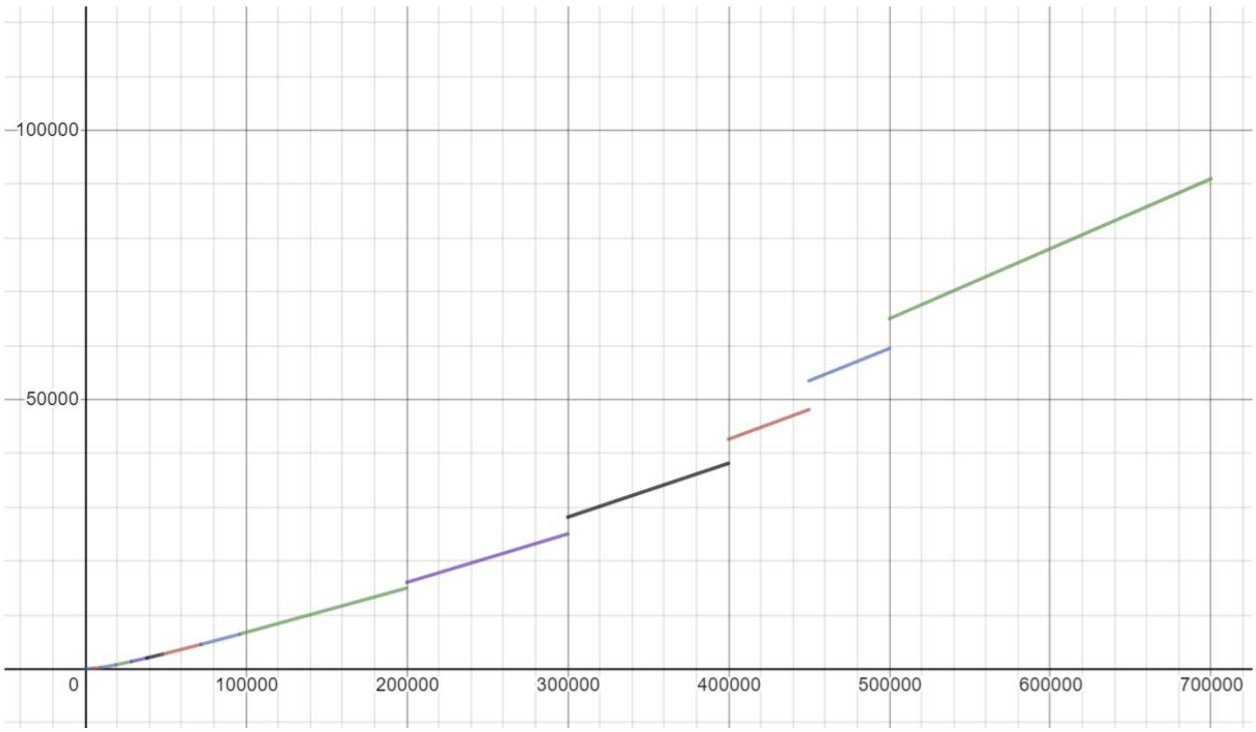
Tax Foundation, *Fiscal Fact No. 169,* at 5 (May 2009) (footnotes omitted) (accessible at http://taxfoundation.org/sites/taxfoundation.org/files/docs/ff169.pdf).

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).

The new brackets not only add higher top rates, in this case 12% and 13%, but are also designed to phase out the lower rates in previous brackets for taxpayers with taxable income in higher brackets. Here is a graph of the proposed new tax amounts by taxable income:



The proposed new brackets have discontinuities at the bracket break points, which means that if taxable income increases by $1 at a break point, such as from $200,000 to $200,001, the increase in tax will be substantially more than $1. In this example the tax would go from $15,007 to $16,051. Substantial discontinuities such as these may motivate behavior for taxpayers near a break point. This behavior might not be desired such as the use of IRA's as a short-term income management tool. Jalbert, Terrance, Gary Fleishman, and Mercedes Jalbert (2009) "An IRA Strategy for the Unemployed?," *Tax Notes,* Vol. 122 (12, March 23), pp. 1461-1463.

General Excise and Use Tax: Suspension of Exemptions

This measure proposes to suspend the selected general excise and use tax exemptions and provides that the amount of the exempt income shall be taxed at the rate of 4% temporarily between 7/1/21 and 6/30/23. The apparent intent is to mirror Act 105, SLH 2011, which did the same thing between 7/1/11 and 6/30/13.

Many of the exemptions exist because if the general excise or use tax were imposed on these entities or transactions it would impose an undue burden or cause businesses to structure transactions in an inefficient manner. There are those exemptions that exist because to tax the transaction would be a violation of superior law or may be deemed unconstitutional. Other deductions, exclusions and exemptions exist because they help to reduce the pyramiding effect of the general excise tax. Undoing these exemptions will not only result in the increase in the cost of doing business in Hawaii, but may create inequitable taxing situations that were addressed by the specific general excise tax exemption.

For example, this measure would suspend the leasing and subleasing deduction which was enacted to prevent the pyramiding of the tax which impacts small businesses who usually sublease their business space from a lessor of real property. This will drive the cost up for small businesses, making some businesses either raise prices to an uncompetitive level or to close their doors and go out of business.

Taxing gross income received as a result of stevedoring activities, the loading and unloading of ships or aircraft, that is currently exempt would represent added cost that would ripple through the entire economy as nearly 96% of everything residents consume comes over the docks.

While this measure is proposed to extract additional revenues to address the state's fiscal crisis, it should be remembered that the adoption of measures like this that temporarily propose a "tax increase" on certain transactions, will not be effective unless government expenditures are also curtailed. If taxes increase and spending rises, little or no net gain is achieved – and we are starting this year in a deficit.

Elimination of many of these exemptions or exclusions would come at a bad time as the state's economy struggles to come back from the devastation caused by the COVID-19 pandemic. recession. Adding to the cost of doing business and living in Hawaii will stall economic recovery, prolonging the downturn in state revenues.

As Hawaii families have tightened their collective belts during these difficult times, so should federal state, and county governments. Before adding additional burdens to Hawaii's overburdened taxpayers, both businesses and individuals, state policymakers need to put all programs and services on the table and decide which are really "core" services and which are "nice to have" and then rearrange the allocation of resources so that it is only the "core" services that are funded.

The proliferation of special funds, "dedicated sources of funding," makes it increasingly difficult for lawmakers to set priorities. Many special funds should be abolished with the money returned to the general fund, so that the legislature can properly exercise its oversight functions.

Finally, we note the distinct probability that these tax increases will be used to fund collective bargaining increases, as this measure, like any across the board tax increase, would motivate the government employee unions to demand, and mediators or arbitrators to award, substantial wage and salary increases. This would certainly be unfair to a larger group of taxpayers who have suffered not only furloughs or pay reductions, but layoffs and business closures, starting from the pandemic and which would be exacerbated by the tax increases in this bill.

That said, this measure underscores the depth and breadth of the financial crisis that the state faces. Unless elected officials rein in the size and cost of running government in Hawaii, such desperate measures, as this bill represents, may have to be adopted and in doing so will destroy the economic base of the state. This is not a compromise situation but an either/or situation: either expenditures are right-sized or the state's economy is destined for collapse. If lawmakers believe that their only alternative is to raise more revenues, it is less than honest to implement that belief by suspending exemptions and making the general excise and use taxes more expensive indirectly; the cost of these revenue enhancements will be regressive, and hidden from the public at large, who instead may blame the businesses who must recover the cost of the additional tax in the shelf price of their goods and services.

Conveyance Tax: Rate Increases

The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per $100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per $100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. Because of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of the value transferred.

This bill proposes to raise conveyance tax rates yet again.

Digested 2/27/2021

PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

March 2, 2021

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

FROM: Christy MacPherson, Director, PHOCUSED

SUBJECT: Testimony: Relating to Revenue Generation

Hearing: March 2, 2021 at 9:25 am
Via videoconference

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

Thank you for the opportunity to provide testimony **in strong support** of SB56.

PHOCUSED is a nonpartisan project of Hawai`i Appleseed Center for Law and Economic Justice and comprises health and human service organizations and the people they serve across the State of Hawai`i. We have been collaborating on advocacy regarding the impacts of the pandemic and procurement and funding concerns.

It goes without saying that thousands of members of our community are feeling the impacts of the pandemic in unimaginable ways. The basic needs we may normally take for granted such as employment, food, housing, and safety are all at risk for many. The support they receive from our health and human service providers are also at risk with impending budget cuts. It was already challenging to provide adequate services for our vulnerable islanders and it has become even more challenging due to COVID-19. We have seen an increase in homelessness, domestic violence, hunger, isolation and mental health issues, to name a few.

Progressively increasing taxes on personal incomes and corporate profits is something we should do for our State's vitality and economic growth. Mitigating budget cuts for essential community services by bringing revenue equitably into our State ensures its long-term success and economic recovery.

Thank you for the opportunity to submit testimony on this issue.

PHOCUSED IS A PROJECT OF HAWAIʻI APPLESEED

733 BISHOP STREET, SUITE 1180 • HONOLULU, HI 96813 • (808) 587-7605 • PHOCUSED.ORG

PARTNERS IN CARE

Oahu's Continuum of Care

Our mission is to eliminate homelessness through open and inclusive participation and the coordination of integrated responses.

March 2, 2021

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

FROM: Partners In Care (PIC)

SUBJECT: Testimony: Relating to Revenue Generation

Hearing: March 2, 2021 at 9:25 am
Via videoconference

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

Thank you for the opportunity to provide testimony **in strong support** of SB56.

Partners In Care (PIC), a coalition of more than 60 nonprofit homelessness providers and concerned organizations, has been very concerned about the impacts that the COVID-19 pandemic is having on our providers' ability to provide the critical services that are needed by our homeless community.

We have seen how cutbacks during the Great Recession deeply and negatively affected our homeless provider organizations and their ability to both prevent people from becoming homeless and assist them in getting out of homelessness and into decent housing. They are still feeling those impacts a decade later. One of our strongest concerns is the dire number of homeless who will be forced to live on our streets and beaches, under our bridges, in their cars, couch-surfing, and in overcrowded apartments as a result of the pandemic.

By increasing taxes for our wealthy and profitable corporations, we have a viable way of preventing cuts to the programs and services that are supporting our homeless `ohana. Bringing tax revenue into the State of Hawai`i is prudent and necessary.

Thank you for the opportunity to testify in support of SB56.

Connie Mitchell, Advocacy Chair, PARTNERS IN CARE, *OAHU'S CONTINUUM OF CARE*

200 North Vineyard Boulevard • Suite 210 • Honolulu, Hawaii 96817 • (808) 380-9444 • PICadvocate@gmail.com

SB-56
Submitted on: 3/1/2021 7:50:21 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lehua Kaulukukui	Testifying for Puakalehua Early Learning Consortium	Support	No

Comments:

On behalf of the Puakalehua Early Learning Consortium, we are writing in support of SB56.

THOSE LUCKY ENOUGH TO BE DOING WELL IN THIS ECONOMY SHOULD PAY THEIR FAIR SHARE

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.

Hawaii saddles our low-income neighbors 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%.

Lawmakers should ask those who can afford it to pay a little more in taxes to help close the deficit without slashing critical government spending.

COMMUNITY SERVICES SUPPORT FAMILIES AND JOBS THROUGHOUT HAWAIʻI

Social service programs are crucial to struggling working families during this recession and must be protected. By asking the wealthy and profitable corporations to pay their fair share in taxes, we can prevent cuts to essential services and protect our communities.

Community service cutbacks during the Great Recession are still hurting us now -- and their effects can be seen on our streets. Service providers still haven't been

able to undo all the damage inflicted on nonprofits and the state's mental health system by funding slashed a decade ago.

Government spending on social service programs is good for the state economy because it increases the flow of money throughout the community and supports jobs.

HAWAII'S ECONOMIC RECOVERY DEPENDS ON STATE SPENDING

Spending is the fuel that keeps our state's economic engines running. 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.

Raises personal income tax rates for those at the top

- **Hawai'i currently allows its wealthiest households to 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.**

Closes the capital gains tax loophole

- **Hawai'i is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a LOWER rate than ordinary working people's income.**
- **This capital gains tax loop benefits almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in Hawai'i.**
- **If Hawai'i were to tax capital gains at the same rates as regular income, as most states do, Hawai'i would bring in about $80.2 million in new revenue. And 97% would be paid by the top 5% of earners in Hawai'i, while the bottom 80% would pay nothing at all.**

Increases the tax rate on corporate profits

• It is estimated that nearly 60 percent of Hawai‘i's corporate income tax is paid by non-residents.
• Corporate taxes differ from individual income taxes in an important way. The corporate tax is applied only to profits, so companies facing losses don’t pay corporate income tax.
• The federal Tax Cuts and Jobs Act cut the federal corporate income tax rate by 14 percentage points, from 35 percent to 21 percent, so companies are getting a huge tax break at the federal level.
• If Hawai‘i were to have a single tax rate on corporate profits of between 6.4 and 10 percent, it would raise an additional $2.9–$103 million in revenue per year.
• Hawai‘i's current top corporate tax rate of 6.4 percent is below the median of the states. We are ranked 34th among states in per capita corporate tax collections, at $103 per person, while the 1st state, New Hampshire, collects $582 per person.

Temporarily suspends certain general excise tax (GET) exemptions

- **In 2011, to address the economic crisis of the last recession, the state legislature suspended 31 GET exemptions for FY2012 and FY2013.**
- **These exemptions were worth about $254.5 million in 2018, should a comparable measure be considered as a response to the economic impacts of the COVID-19 pandemic.**

Increases the sales tax rate on expensive real estate

- **Real estate is one of the few sectors of Hawai‘i's economy that's been booming during the pandemic, with home prices soaring to new record highs in 2020. However, sellers of high-end properties are not paying their fair tax share.**
- **Conveyance taxes are applied to transfers of ownership real property, and our current conveyance tax rates are only 0.50–1.25 percent on multi-million dollar mansions. We should not allow our real estate to be sold at such high prices with such low tax returns.**
- **Between January 2019 and September 2020, just over half (52%) of homes priced at or above $2 million were sold to non-Hawai‘i residents. And of homes worth at least $4 million, 62% were sold to non-Hawai‘i residents.**
- **If the conveyance tax rate were raised on properties valued at $1 million and above, that would generate up to $71.5 million.**

This Bill is long overdue.

Mahalo,

Lehua Kaulukukui, Chair

Puakalehua Consortium

ELECTRICAL CONTRACTOR'S ASSOCIATION OF HAWAI'I
NECA Hawai'i Chapter
1286 Kalani Street, Suite B-203
Honolulu, Hawai'i 96817
PH: (808) 847-7306
FX: (808) 841-8096
Email: ecah@ecahi.com

March 1, 2021

To: Senate Committee on Ways & Means
Honorable Chairperson Donovan M. Dela Cruz & Vice Chair Gilbert S.C. Keith-Agaran

From: Al Itamoto, Executive Director
Electrical Contractors Association of Hawaii
National Electrical Contractors Association, Hawaii Chapter

Subject: **SB 56, Revenue Generation**

<u>Notice of Hearing.</u>

Date:	Tuesday, February 2, 2021
Time:	9:25 PM
Place:	Conference Room 211 State Capitol 415 South Beretania Street

Dear Chairperson, Dela Cruz, Vice Chairperson Keith-Agaran and Committee members:

The Electrical Contractors Association of Hawaii (ECAH) is a non-profit association representing over 100 electrical contractors doing business in the State of Hawaii. ECAH is the Hawaii Chapter of the National

Contractors Association (NECA). ECAH is opposed to the temporary suspension of exemption received by contractors for the calculation of general excise taxes. While we understand the efforts of this legislature and the administration to find ways to generate revenues to address the shortfalls caused by the current pandemic, the suspension of exemptions creates unintended consequences.

The current exemption allows a contractor to exempt the portion of the of the revenue generated by a subcontractor. The suspension of the exemption results in a cascading of taxes and an increase to the overall cost of construction. The contractor pays 4% general excise taxes on the gross revenue. In addition, the subcontractors are paying 4% on their gross revenues, resulting in general excise taxes greater than the 4% in total.

In essence, the suspension of exemption places a great burden on the economy when all businesses are doing their best to remain a going concern. It is our belief that allowing for the exemption to continue at this time will allow our economy to thrive again. While all businesses are in a recovery mode, including contractors, this is not the time to impose such burden on contractors. The construction industry has been fortunate to receive the essential work status, and because of it, has continued to employ construction workers that contribute to the overall health of the economy. The suspension of exemption will result in a reduction of future work with great negative effect to our economy.

In addition, during the last attempt to temporarily suspend the exemption for contractors, the prime contractors provided more of the services required under the contract by purchasing the subcontractor's materials directly in order to minimize the subcontract amount. This caused irreputable harm to the subcontractors as they lost a major portion of the revenue source and were left with a basic labor contract which is least profitable to them. With the supply chain broken, there were issues with defective products, warrantees and logistic issues at the construction site.

We ask that this committee remove the proposed suspension of exemption for contractors from SB56. Thank you for the opportunity to provide testimony on this issue.

Hawaiʻi Association of REALTORS®
808-733-7060
808-737-4977
1259 Aʻala Street, Suite 300
Honolulu, HI 96817

March 2, 2021

The Honorable Donovan Dela Cruz, Chair
Senate Committee on Ways and means
Via Videoconference

RE: Senate Bill 56, Relating to Revenue Generation

HEARING: Tuesday, March 2, 2021, at 9:25 a.m.

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

I am Derek Lau, HAR President, testifying on behalf of the Hawaiʽi Association of REALTORS® ("HAR"), the voice of real estate in Hawaiʽi, and its over 10,000 members. HAR **strongly opposes** Senate Bill 56 which increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020. Increases the tax on capital gains. Increases the corporate income tax and establishes a single corporate income tax rate. From 7/1/2021 through 6/30/23, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

Under this measure, it proposes to increase and double the Conveyance Tax to the following rates:

Property Value:	Current *Per $100:*	Proposed:	Current Rate (in Dollars):	Proposed (in Dollars) :
$1 mil - $1.99 mil	$0.30	$0.60	$3,000 ($1mil property)	$6,000
$2 mil - $3.99 mil	$0.50	$1.00	$10,000 ($2 mil property)	$20,000
$4 mil - $5.99 mil	$0.70	$1.40	$28,000 ($4 mil property)	$56,000
$6 mil - $9.99 mil	$0.90	$1.80	$54,000 ($6 mil property)	$108,000
$10 mil +	$1.00	$2.00	$100,000 ($10 mil property)	$200,000

Additionally, it proposes to increase and double the Conveyance Tax for single-family and condominiums for which the purchaser is ineligible to qualify for a homeowner exemption to:

Property Value:	Current *Per $100:*	Proposed:	Current Rate (in Dollars):	Proposed (in Dollars) :
$1 mil - $1.99 mil	$0.40	$0.80	$4,000 ($1mil property)	$8,000
$2 mil - $3.99 mil	$0.60	$1.20	$12,000 ($2 mil property)	$24,000
$4 mil - $5.99 mil	$0.85	$1.70	$34,000 ($4 mil property)	$68,000
$6 mil - $9.99 mil	$1.10	$2.20	$66,000 ($6 mil property)	$132,000
$10 mil +	$1.25	$2.50	$125,000 ($10 mil property)	$250,000

Hawai'i Association of REALTORS®
808-733-7060
808-737-4977
1259 A'ala Street, Suite 300
Honolulu, HI 96817

Throughout the current COVID-19 pandemic, the residential real estate market has had a positive economic impact on our communities. Government projects and demand for housing has been a bright spot during the pandemic.[1] According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawai'i, the State needs up to 46,000 housing units to meet demand in Hawai'i by 2030. Ultimately, we have a housing supply problem and the Conveyance Tax adds to the cost of housing.

The Conveyance Tax applies to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands, as well as condominium and single-family homes, including affordable housing developments. It also applies whether someone sells their property for a loss. At a time where we should be encouraging the development of housing to address the rising cost to own a home, this would be counterproductive.

Furthermore, Hawai'i has had a population decline since 2017. With Hawaii's high cost of living and housing, we should be focusing on efforts to increase supply to reduce the costs of housing so we can ensure Hawai'i residents and keiki can afford to live here.

Mahalo for the opportunity to testify.

[1] https://www.civilbeat.org/2021/02/the-construction-industry-is-still-going-strong-in-hawaii-it-may-get-even-stronger/

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org

GCA of Hawaii
GENERAL CONTRACTORS ASSOCIATION OF HAWAII
Quality People. Quality Projects.

Uploaded via Capitol Website

March 1, 2021

TO: HONORABLE DONOVAN DELA CRUZ, CHAIR, HONORABLE GILBERT S.C. KEITH-AGARAN, VICE CHAIR, COMMITTEE ON WAYS AND MEANS

SUBJECT: **PROVIDING COMMENTS ON S.B. 56, RELATING TO REVENUE GENERATION.** Increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020. Increases the tax on capital gains. Increases the corporate income tax and establishes a single corporate income tax rate. From 7/1/2021 through 6/30/23, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

HEARING

DATE: Tuesday, March 1, 2021
TIME: 9:25 a.m.
PLACE: Capitol Room 211

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

The General Contractors Association of Hawaii (GCA) is an organization comprised of approximately five hundred (500) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. Our mission is to elevate Hawaii's construction industry and strengthen the foundation of our community.

GCA is in OPPOSITION to S.B. 56, which increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020, the tax on capital gains, and the corporate income tax and establishes a single corporate income tax rate. The measure also temporarily repeals certain general excise tax exemptions and increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

GCA is in opposition to PART V of this measure which would suspend the provision that allows contractors to deduct payments made to subcontractors from their gross liability on those amounts. The exemption for amounts paid by contractors to subcontractors shifts the payment of GET at the 4 percent retail rate on those amounts to the subcontractor, effectively eliminating the pyramiding of GET. The Legislature instituted this provision to lower the cost of Housing. Removing this exemption would increase the cost of all construction, including housing.

PART V also suspends the exemptions from taxation on various shipping exemptions. This would have the effect of raising the cost of shipping for the all items, including construction materials. This will also increase the cost of construction, especially for the neighbor islands.

Thank you for the opportunity to testify in OPPOSITION to this measure.

HAWAII FOOD INDUSTRY ASSOCIATION

1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiifood.com

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 2, 2021
TIME: 9:25am
PLACE: Via Videoconference

RE: SB56 Relating to Revenue Generation

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 worse[1].

Increasing income and corporate 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 nation[2]. 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

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938
Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

March 2, 2021

Testimony To: Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair

Presented By: Tim Lyons
President

Subject: H.B. 56 – RELATING TO REVENUE GENERATION

Chair Dela Cruz and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we are not in favor of this bill particularly Part V, Section 5 (1). The Subcontractors Association of Hawaii is composed of the following nine separate and distinct subcontracting organizations which include:

HAWAII FLOORING ASSOCIATION
ROOFING CONTRACTORS ASSOCIATION OF HAWAII
HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION
TILE CONTRACTORS PROMOTIONAL PROGRAM
PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII
SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII
PAINTING AND DECORATING CONTRACTORS ASSOCIATION
PACIFIC INSULATION CONTRACTORS ASSOCIATION
ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

We oppose that part of this bill.

This bill addresses the double taxation of contracting proceeds. The problem is not only the cost but more importantly the disastrous and unattended consequences that this bill will have upon subcontractors.

It is typically not the subcontractors who have had to pay this additional tax <u>directly</u>. That is to say that the general contractor is paying it for them on their behalf and deducting it from any proceeds to the subcontractor. Under the temporary suspension, the general contractor will pay the 4% on the gross and the subcontractor will also pay the 4% on his part of the gross proceeds.

What happens, as is evidenced by occurrences the last time the exemption was repealed for 2011-2013 is that in an attempt to avoid this taxation, general contractors take it upon themselves to order materials directly from subcontractor suppliers so that the 4% is only paid one time. They then hire the subcontractor for labor only contracts. It is a truism in the construction industry that it is very difficult, if not impossible, to make money on labor only contracts. In order to have any chance of profitability the subcontractors need to have the flexibility of both labor and the material as factors. What the repeal does is to create a strong division between subcontractors and generals as the general contractors go directly to the subcontractors normal and regular suppliers to get prices and order from them.

This will, once again, absolutely destroy the relationship that subcontractors have with their suppliers. They are no longer the customer and on the occasional orders that they do place with that supplier their book of business has now been cut in half or even worse, dependent on the style of business the subcontractor has. Now they have absolutely no leverage and are not treated as a favored customer of the subcontractor supplier. It also creates a "headache" in some cases for general contractors inasmuch as they do not have relationships with those suppliers. Particularly of concern is when there are defective materials. The general contractor may not even recognize the defective materials even though he orders the materials directly from the supplier. When they are defective he expects the subcontractor to straighten the problem out. The subcontractor however has lost his leverage with the supplier.

As is noted in the final report prepared for the Hawaii Tax Review Commission entitled, "Selected Issues with the Hawaii General Excise Tax", the tax cascading "can impose significant cost in the economy" and indeed that is what happened. Additionally, the September 21, 2012 study by the Commission notes that this tax application "…leads to pyramiding that has overall negative tax consequences…" and as a result, there is likely lost business activity as a result of the tax. It is our belief that the Hawaii economy could recover even faster if the exemption was still in place. Cascading also raises the tax rate above 4% when it is collected from both the prime and the sub. As the report points out, this could discourage both new construction and renovations. This is particularly harmful to small businesses since they now get far fewer opportunities for work, as well as what work they do get, is of far less value since about 50% of it has been transferred to the general dealing with suppliers.

It is based then on these unintended consequences that we respectfully request that the exemption be maintained and we allow this very important sector of our economy to begin to thrive without an overburdening tax system.

Thank you.

Chamber of Commerce HAWAII
The Voice of Business

Testimony to the Senate Committee Ways and Means
Tuesday, March 2, 2021 at 9:25 A.M.
Written Testimony

RE: SB 56, RELATING TO REVENUE GENERATION

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

The Chamber of Commerce Hawaii ("The Chamber") **opposes** SB 56 which:

1. increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020;
2. increases the tax on capital gains;
3. increases the corporate income tax and establishes a single corporate income tax rate;
4. temporarily repeals certain general excise tax exemptions; and
5. increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

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.

The enactment of a broad tax increase during an economic recovery phase time will undermine efforts made to turn Hawaii's economy around. Hawaii's business community is at a critical point -- where any additional mandates 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.

In a new Pulse of Business survey[1] conducted in partnership with Omnitrak and with the support of Central Pacific Bank Foundation, the Hawaii Chamber of Commerce Foundation found the economic impact of the COVID-19 pandemic continues to have dramatic consequences for local businesses. The Pulse of Business results are not surprising and that one

[1] Survey finds Hawaii businesses reeling from lost revenue, cutting jobs, and expecting a long road to recovery https://www.staradvertiser.com/2021/02/02/breaking-news/survey-finds-hawaii-businesses-reeling-from-lost-revenue-cutting-jobs-and-expecting-a-long-road-to-recovery/

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primary issue facing businesses is the cost of paying higher unemployment taxes in 2020 while they continue to suffer from the economic impact of the COVID-19 pandemic.

The Pulse of Business survey found that:

- Eighty percent of the businesses that participated in the survey are small businesses with 20 or fewer employees.
- Island companies face a long road to recovery that they expect will extend into April 2022.
- Revenues fell an average of 45% from 2019 to 2020, with no significant differences between Oahu and neighbor isles.
- Almost half (45%) reduced their workforce. The percentage would have been higher (63%) if businesses had not received federal Paycheck Protection Program funds.
- Businesses that had to cut jobs laid off a median of one in three workers in 2020. On neighbor isles, cuts were even greater, with five in nine employees laid off due to the pandemic.
- Many local businesses attributed a drastic drop in revenue to waning tourism, even if they were not directly involved in the visitor industry. A drop in visitor arrivals was the single most important factor impacting employee cutbacks.

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 in opposition.

SB-56
Submitted on: 3/1/2021 9:20:22 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kristen Alice	Testifying for HOPE	Support	No

Comments:

As Hawaiʻi Island's largest homeless services provider, Hope Services Hawaiʻi ***strongly supports*** this measure.

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

March 1, 2021

The Honorable Senator Donovan Dela Cruz
The Honorable Senator Gilbert Keith-Agaran
Senate Committee on Ways and Means

RE: **SB56 - RELATING REVENUE GENERATION**
Hearing date: Tuesday, March 2, 2021 at 9:25 AM

Aloha Chair Dela Cruz, and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii **OPPOSITION** to SB56. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

SB56 increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020. Increases the tax on capital gains. Increases the corporate income tax and establishes a single corporate income tax rate. SB56 temporarily repeals certain general excise tax exemptions and increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

Hawaii is already among the highest taxed states in the country and routinely ranks amongst the least business friendly. This measure will significantly impair the State's ability to recover from its worst economic downturn in history. As we recover from the impacts of the pandemic, the State should focus on rebuilding the economy rather than tearing it down. The Legislature should be reducing the size and cost of government and lowering taxes to encourage the creation of jobs which will in turn generate more revenue for the State.

Moreover, the increase of both the corporate and personal income tax rate will have severe negative impacts on the State's economy. First, higher corporate taxation will significantly harm already ailing small businesses and may force them to close altogether. The impact of this policy would be counterintuitive during a time which the State should be supporting small businesses to jump start our economy. Second, higher personal income taxes mean less spending money for residents which is critical to creating economic growth and increasing GET tax revenue for the State. Less spending money results in less available funds to support our local businesses and will ultimately lead to less tax revenue generation.

Furthermore, SB56 removes critical passthrough exemptions which are vital to several industries in our State. For example, as currently drafted, SB56 eliminates the passthrough exemption from supplier to subcontractor to general contractor which is critical to the construction industry. This measure would materially increase building costs, and therefore, prevent current projects from being completed and deter the development of new projects in the future. In turn, this will lead to less jobs, less housing for our residents, and less tax collections by the State overall.

Lastly, Hawaii already has one of the worst conveyance taxes in the country. The proposed increase on conveyance tax nearly doubles the rate for properties over $1 million. This would radically curtail economic activity as few properties would trade hands due to exorbitant tax on the sale of property. Typically, the acquisition of new commercial property comes with additional investment to redevelop and increase value of the asset. The increase of conveyance tax would result in less capital to invest into the property, and thus, would make the transaction economically infeasible. This would lead to less property transactions and reduce the amount of times conveyance tax is collected. As a result, property values would significantly decline in order to account for the increased costs.

In sum, SB56 would impair the State's ability to recover from the economic impacts of the pandemic. The proposed tax increases would lead to less jobs, less local businesses, less homes for residents, and ultimately less tax revenue generation as intended under this measure. The State should prioritize alternatives that encourage economic growth and tax generation by reducing the cost of doing business in Hawaii rather than increasing it.

Mahalo for your consideration,

Catherine Camp, President

NAIOP Hawaii

HAWAIIAN
AIRLINES.

COMMITTEE ON WAYS AND MEANS
Senator Donovan Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Tuesday, March 2, 2021 | 9:25 AM
Conference Room 211 & Videoconference

LATE

HAWAIIAN AIRLINES, INC.

Testimony in **OPPOSITION**
Senate Bill 56

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

Thank you for the opportunity to provide testimony. Hawaiian Airlines, Inc. opposes Senate Bill 56.

While we recognize the intent of this bill and the challenges faced by the State of Hawaiʻi, Hawaiian Airlines will be disproportionately impacted by certain provisions. The economic consequences of the pandemic felt amongst all industries and in businesses large and small across Hawaiʻi have and continue to be devastating. At Hawaiian Airlines, we have had to reduce our workforce by 32%. Our 2020 revenue declined by two billion dollars compared to 2019, due to the effects of COVID-19.

Temporarily repealing the General Excise and Use Tax exemptions as stated on pages 22 and 29 of the proposed measure unfairly targets Hawaiʻi-based airlines, with Hawaiian Airlines being the only such airline that operates and competes across the globe. The repeal of the exemption will put Hawaiian Airlines at a competitive disadvantage given that each of the domestic and international carriers with whom we compete benefit from similar exemptions. We estimate that loss of these exemptions could cost Hawaiian Airlines up to 20 million dollars per year, which may result in job losses and an estimate of a nearly 37-million-dollar negative impact to the State's economy.

For over 90 years Hawaiian Airlines has proudly called Hawaiʻi our home. We take pride in saying that a majority of our workforce is kamaʻāina who live in 100 of Hawaiʻi's 105 zip codes. Hawaiian Airlines brings job diversity to Hawaiʻi's workforce – our maintenance department alone hosts a myriad of positions of varied skills and employs skilled, local tradespeople who proudly call Hawaiʻi their home. This measure would impose a severe disadvantage upon us compared to our competitors whose home states and localities provide significant economic incentives to them.

(Continue)

Hawaiian Airlines is asking that Page 22 lines 10 – 12 and lines 18 – 21 and Page 28 lines 8 through Page 29 lines 9 be removed from the measure in order to allow our company to continue to operate with parity amongst other airlines who fly to Hawaiʻi. Continuing the exemptions will allow Hawaiian Airlines to continue to be invested in Hawaiʻi and committed to the future of our Island home.

3375 Koapaka Street • Suite G350 • Honolulu, Hawaiʻi 96819-1800 • 808.835.3700 • HawaiianAirlines.com

LATE

SB-56
Submitted on: 3/1/2021 10:53:52 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
nanci kreidman	Testifying for domestic violence action center	Support	No

Comments:

mahalo for the Committee's favorable action on SB56.

love, nanci kreidman

SB-56
Submitted on: 3/1/2021 11:01:01 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
david gierlach	Individual	Support	No

Comments:

I strongly support passage of this legislation. I am the Rector of St Elizabeth's episcopal church and every day we are assisting our middle and lower middle class people with things as basic as food. We are long past time to impose more equitable taxes on those who can most afford to pay it. For more than a generation, the wealthiest among us have seen a continued decline in their contribution to the common good. We can no longer afford to permit this to happen. The wealthy need to pay more and this legislation is a first step in that direction. Economic disparity will undermine our democracy as well as create continued hardship for too many in our community. Please pass this legislation.

SB-56
Submitted on: 3/1/2021 11:01:40 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

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 supports SB 56. Thank you!

LEAGUE OF WOMEN VOTERS®

49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

LATE

COMMITTEE ON WAYS AND MEANS
TUESDAY, 3/2/21, 9:25 AM, Room No. 211

SB56 RELATING TO REVENUE GENERATION
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 supports SB56, which increases several taxes as they affect wealthier individuals, and corporations, in order to generate more income for the state.

The League of Women Voters is a non-partisan activist organization. The League believes that the tax system should be fair and equitable and provide adequate resources for government. We believe that the system, taken as a whole, should be progressive, not proportional.

During the Trump administration, federal taxes on the wealthiest taxpayers, and corporate income taxes, were substantially decreased. The exemption amount from the estate tax was dramatically increased.

Meanwhile, the economic hardships experienced by the lowest earners in our communities were not shared by the wealthiest, who have seen substantial increases in their wealth.

In Hawaii, where the tax burden on lower income households is proportionally greater than the burden on wealthy individuals, the current state tax system does not meet the standard of "fair and equitable".

SB56 will address this in several ways and we support all of them in order to produce a better tax system and provide badly needed funds to support the state government in a year when the existing tax system will require major cuts to important services.

Thank you for the opportunity to submit testimony.

GRASSROOT
INSTITUTE OF HAWAII

March 2, 2021
9:25 a.m.
Conference Room 211 and Videoconference

LATE

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

RE: SB56 — RELATING TO REVENUE GENERATION

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on SB56, which would increase Hawaii's personal income tax, corporate income tax, capital gains tax and conveyance tax. The bill also temporarily repeals certain exemptions to the general excise tax.

The supposed rationale for this bill is the need to improve state revenues in the wake of the COVID-19 crisis. However, the strategy pursued here would be more damaging to Hawaii's fragile economy than helpful.

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 2016[3] has left Hawaii's remaining taxpayers with a greater tax burden.

>> 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]

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[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.
[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

>> 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 rates[9] 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.

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

general excise tax that is levied on almost all goods and services, and imposed multiple times throughout the production chain.

[7] Katherine Loughead, "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.

LATE

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

Hawaiʻi Workers Center Testimony for March 2, 2021's Committee Hearing
Supporting SB56 Relating to Revenue Generation, Which Would Raise Revenue Through Raising Tax Rates on Investment Profits, the Wealthy, Profitable Corporations, and Sales From Expensive Real Estate. It Also Suspends Some Exemptions From the General Excise Tax.

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

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 Hawaiʻi'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.

<u>In this recession, there have been calls to cut government spending to address the State of Hawaiʻi'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</u>

are crucial to working class and low income families. When the wealthy and corporations pay their fair share in taxes, we can prevent these cuts to essential services and 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.

The revenue generated by this measure can further help working families by being directed toward fully funding public education 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. We want to emphasize that there are many who still have been unable to file unemployment claims or who are having trouble with their current claims. Revenue from taxing the rich can implement 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 Hawaiʻi Workers Center
Phone Number: 808-255-6663
Email: hiworkerscenter@gmail.com

SB-56
Submitted on: 2/26/2021 5:44:10 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Yvonne Geesey	Individual	Oppose	No

Comments:

strongly oppose

SB-56
Submitted on: 2/26/2021 8:56:55 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Please pass. Mahalo!

SB-56
Submitted on: 2/27/2021 10:55:00 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sunny Savage	Individual	Support	No

Comments:

in support

SB-56
Submitted on: 2/27/2021 10:57:23 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
carol lee kamekona	Individual	Support	No

Comments:

I believe corporations and property speculators should not be provided any loopholes or exemptions for taxes. Money is being made for their pockets at the expense of Local residents. It‘s time legislators worked for their constituents and not big corporations.

SB-56
Submitted on: 2/27/2021 11:27:26 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Valerie Weiss	Individual	Support	No

Comments:

Please institute a progressive tax for high earners, corporations and property speculators as well eliminating GET exemptions as listed.

SB-56
Submitted on: 2/27/2021 12:04:19 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara L. George	Individual	Support	No

Comments:

SUPPORT--it's only fair. Those who benefit the most from the common wealth should contribute their fair share to support it.

SB-56
Submitted on: 2/27/2021 12:25:59 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Charles Prentiss	Individual	Oppose	No

Comments:

Increasing the conveyance tax on homes > $1,000,000 is unfair to certain parts of the State where residents, especially seniors, cannot control home values. In a way it is discriminatory on an area basis. Increase the threshold to at least $1,500,000.

SB-56
Submitted on: 2/27/2021 12:56:23 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Deborah Sevy	Individual	Support	No

Comments:

I support this Bill. The wealthy should pay more taxes.

SB-56
Submitted on: 2/27/2021 1:22:20 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Linda Legrande	Individual	Support	No

Comments:

I support this bill.

SB-56
Submitted on: 2/27/2021 1:35:30 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Pollock	Individual	Support	No

Comments:

Yes! Increasing taxes on high earners, corporations, and property speculators, and temporarily removing certain GET exemptions, in order to raise the revenue needed to avoid cuts in social services and environmental protection makes good sense.

Mahalo!

SB-56
Submitted on: 2/27/2021 1:36:07 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Laura Gray	Individual	Support	No

Comments:

We need to help those that have less, and not let the gap between the top and bottom wage earners get bigger. Mahalo, Laura Gray R.N.

SB-56
Submitted on: 2/27/2021 1:39:01 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark Enomoto	Individual	Support	No

Comments:

I am lucky enough to have retired early and think it only "fair" that people and families like me pay more to support the community that has not been as fortunate. I was born and raised here in Honolulu, attended UH for my BFA, went on to get my MFA on a full scholarship and then had a successful career that ended in the technology sector. We were fortunate enough to have recieved stock options that enabled us to save for our children‘s college, buy a home back here in Hawai‘i when we returned to be near my parents who were getting into their 80‘s. We are not "wealthy" but have done "well" and to help the rest of the community that has not been as fortunate, we feel it necessary to give back.

SB-56
Submitted on: 2/27/2021 1:46:53 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

I fully support SB56 with one major exception: the Conveyance t

tax increease should start at homes selling for $1.5 Million or greater. Many long time Hawaii residents have seen their homes grow in value over the years to where many are now over the $1M threshold. The proposed $1M threshold is too low and would reduce senior homeowner's retirement savings when moving to a smaller and more age friendly residence.

SB-56
Submitted on: 2/27/2021 2:05:54 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lori Hull	Individual	Support	No

Comments:

I support this bill because, quite simply, people who make more, should help out more. I am a Hawaii public school teacher. Because of the current state of things, I am about to get a huge pay cut when I am working harder than ever. This could be offset if we just taxed the wealthy more.

SB-56
Submitted on: 2/27/2021 2:36:02 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
janice palma-glennie	Individual	Support	No

Comments:

aloha,

Please support this progressive and comprehensive proposal increasing taxes on high earners, corporations, and property speculators, and temporarily removes certain GET exemptions, in order to raise the revenue needed to avoid cuts in social services and environmental protection.

this bill will help make taxation more pono for all in our state.

mahalo and sincerely,

janice palma-glennie

SB-56
Submitted on: 2/27/2021 3:23:08 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Donna Maltz	Individual	Support	No

Comments:

This is the only way we will see justice in our country and our state. Let's face the facts, most people will experience an economic depression at the expense of the wealthy. Until taxes are fairly paid, humanity will continue to decline. Social service programs are essential and require fair distribution of wealth. Our tax system has been corrupt long enough! I agree with Robert Reich.

Corporate money is dominating our democracy. It’s difficult to do anything — increase the minimum wage, reverse climate change, get Medicare for all, and police killings, fight systemic racism, shrink our bloated military — when big money controls our politics and dictates what policies are and aren’t enacted.

~ Robert Reich, American economic advisor, and author

SB-56
Submitted on: 2/27/2021 3:28:31 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Greg and Pat Farstrup	Individual	Support	No

Comments:

THOSE LUCKY ENOUGH TO BE DOING WELL IN THIS ECONOMY

SHOULD PAY THEIR FAIR SHARE

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.

Hawai'i saddles our low-income neighbors 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%.

This legislature must ask those who can afford it to pay a little more in taxes to help close the deficit without slashing critical government spending.

Please vote in support of SB56. Mahalo.

SB-56
Submitted on: 2/27/2021 3:33:43 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
jeanne wheeler	Individual	Support	No

Comments:

This bill will bring needed revenue in a fair manner, while helping us to provide needed services - please pass it :) Mahalo

SB-56
Submitted on: 2/27/2021 3:39:34 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Daniel Bishop	Individual	Support	No

Comments:

Aloha

My name is Daniel Bishop and I am in Strong Support of SB56

Mahalo

SB-56
Submitted on: 2/27/2021 3:40:17 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dee Green	Individual	Support	No

Comments:

I support this bill SB56 for generating revenue.

SB-56
Submitted on: 2/27/2021 4:53:47 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jane E Arnold	Individual	Support	No

Comments:

This bill will allow the state to raise much-needed revenue so that we don't have to cut social services or environmental protection.

SB-56
Submitted on: 2/27/2021 5:43:43 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Shannon Rudolph	Individual	Support	No

Comments:

Support

SB-56
Submitted on: 2/27/2021 7:39:29 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ruta Jordans	Individual	Support	No

Comments:

Please support for social justice.

SB-56
Submitted on: 2/27/2021 9:28:14 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Dear Senators: Please support this bill. It is a progressive and comprehensive proposals that makes taxing more equitable and will raise the revenue needed to avoid cuts in social services and environmental protection.

Thank you for your consideration.

SB-56
Submitted on: 2/27/2021 9:48:46 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Aloha Senators: We really need you to support this bill. This is a progressive and comprehensive proposal increasing taxes on high earners, corporations, and property speculators, and temporarily removes certain GET exemptions, in order to raise the revenue needed to avoid cuts in social services and environmental protection.

Thank you.

SB-56
Submitted on: 2/28/2021 1:03:58 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Valkenaar	Individual	Support	No

Comments:

The cycle of the rich continuing to become ultra-wealthy at the expense of the low-wage workers needs to stop. Hopefully this is only the first step in that direction. Tax those who can afford to help others live a decent life.

SB-56
Submitted on: 2/28/2021 7:12:25 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joan Gannon	Individual	Support	No

Comments:

Aloha Joan here from West Hawaii supporting SB56. Yes let's be fair and smart about collecting taxes.

Thank You

Joan Gannon

SB-56
Submitted on: 2/28/2021 7:45:27 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Rexann Dubiel	Individual	Support	No

Comments:

Make more...pay more.

SB-56
Submitted on: 2/28/2021 9:12:33 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Rebecca DiLiberto	Individual	Support	No

Comments:

I want to offer my support for this bill. It's imperative that we work to generate revenue from the people and entities that can afford it (wealthy residents, part time residents, and corporations) so that the state doesn't have to make cuts to crucial public services that offer help to the large majority of residents in Hawaii. Those who are lucky enough to be doing well in this economy should have to pay their fair share.

mahalo nui,

Rebecca DiLiberto

Kahului, Maui

Young Progressives Demanding Action
P.O. Box 11105
Honolulu, HI 96828

February 28, 2021

TO: SENATE COMMITTEE ON WAYS AND MEANS
RE: Testimony in Support of SB1260

Dear Senators,

Young Progressives Demanding Action (YPDA) stands in **strong support of SB56**, an omnibus revenue generator that uses multiple, progressive tax fairness strategies to deliver—by-far—the most additional tax revenue for the state of any bill introduced this session. For that reason, this bill may be the most important piece of recession-related legislation still alive this session.

The pandemic-recession caused by COVID-19 has dramatically impacted working families that earn low wages far more than it has impacted the wealthy or even the middle class. It has devastated workers in the tourism and hospitality industries who were already struggling to make ends meet on chronically low wages before the pandemic hit.

At the same time, many of those at the top have benefitted from the record-breaking stock market and skyrocketing high-end real estate prices. With just the wealth he's gained since the start of the pandemic ($29+ billion according to *Forbes*), Larry Ellison could afford to immediately build nearly 100,000 housing units (assuming construction cost of $300,000 each), thus wiping out the entire affordable housing shortage in the state. Instead, the world's 5th richest person has pledged to build just 76 affordable rental homes.

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

Even in good times, that's bad tax policy. And it's particularly bad for our economy now because low-wage workers spend most of their earnings here in Hawaiʻi, powering the consumer spending we need to generate tax revenue through the General Excise Tax (GET). At the same time, high unemployment will reduce income tax revenue from low- and middle-wage earners. Simultaneously, legitimate public health concerns over the pandemic have reduced revenue from the Transient Accommodations Tax (TAT). Without revenue from these taxes, our state government is facing a $2.3 billion deficit (through fiscal year 2023).

A deficit in the budget means social service contracts and programs could be cut, state workers could be furloughed and lose pay, or even be laid off, unless new revenue is raised to replace the lost revenue. And we must find new revenue, because cuts, furloughs and lay-offs will only serve to further reduce GET and income tax revenue, and further reduce consumer spending in our already-wounded economy. In fact, every dollar of reduced government spending results in as much as $1.50 in lost economic activity.

With the state's tax revenue diminished as a result of the specific nature of the pandemic-recession, we must increase the revenue collected from the incomes of the wealthiest residents and corporations—those who are doing better than ever.

Not only will this help us prevent devastating cuts to public services (which would further harm our economic situation and prolong the downturn), it also moves us toward a more fair, balanced and equitable tax system. These are changes that we ought to be making regardless of the state's financial situation, but are even more important during a recession.

Good tax policy is a cornerstone of a robust economic system. Good tax policy strengthens opportunity by letting working families keep more of what they earn, while asking the wealthy and corporations to pay their fair share.

Why? Because when workers keep more earnings, they support our economy through spending. And when the wealthy and corporations pay their fair share for the use of the public goods and infrastructure that helped them succeed, they ensure that the next generation can succeed as well.

The 21st century brings with it a host of new and evolving challenges for our state to address: the threat of climate chaos, soaring housing prices, emerging diseases—both viral and psychiatric in nature, radical changes to the job market caused by automation and other technological advances, and more. To successfully meet these challenges, Hawai'i will need a strong public infrastructure, a top-notch education system, and an open, transparent and effective government. All of that will require adequate funding.

Fortunately, new revenue streams do exist. Loopholes can be closed. Federal trickle-down tax cuts for the wealthy and corporations can be negated at the state level. In fact, there are enough options available through tax restructuring alone to cover almost half of our entire projected deficit (while the rest could be covered through borrowing, or creating new taxes on products like legal cannabis).

Taken as a whole, the tax revenue generators contained within this and other tax fairness bills would cover a significant portion of the deficit, helping us to avoid costly cuts and furloughs that will only prolong and deepen the recession. And because none of these proposals are tailored toward low- or moderate-income earners, they actually increase economic power and opportunity for success. That's what tax fairness is all about!

Mahalo for the opportunity to testify,

Will Caron
Board President & Secretary
action@ypdahawaii.org

SB-56
Submitted on: 2/28/2021 9:47:48 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
tia pearson	Individual	Support	No

Comments:

Since no trickle down effect from the tax cuts took place, we must make a correction. Let's have a trickle up effect where the poor have more to spend, the economy expands and the corporations and rich will benefit.

SB-56
Submitted on: 2/28/2021 10:06:59 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Rodney Evans	Individual	Support	No

Comments:

Rich do not pay their fair share of the tax burden. They have a higher obligation than everyone else.

SB-56
Submitted on: 2/28/2021 10:15:54 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
marianne george	Individual	Support	No

Comments:

NEED this bill for fair taxing of rich people and corporations.

SB-56
Submitted on: 2/28/2021 10:35:08 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Christopher Boscole	Individual	Support	No

Comments:

Support SB56.   Wealthy and corporations making profits in real estate should pay fair share of taxes

SB-56

Submitted on: 2/28/2021 10:39:43 AM

Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Dear Senate members:

Please support SB56. The disparity between the rich and the poor only continues unchecked because the wealthy continue to get exemptions and reduced tax rates, when they should be paring the highest percentage and amount. The funds would provide for valuable infrastructure, especially for the wealthy that they have not paid their fair share of. This would only equalize the playing field.

Mahalo for considering my testimony.

MeleLani Llanes

Kapolei resident

SB-56
Submitted on: 2/28/2021 10:41:59 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Diane Ware	Individual	Support	No

Comments:

Dear Chair and committee members,

Please pass this measure to ensure low income are not hit with more regressive taxes.

sincerely,

Diane Ware 99-7815 Kapoha Volcano

SB-56
Submitted on: 2/28/2021 11:00:42 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Noelani Ahia	Individual	Support	No

Comments:

I strongly support this bill.

SB-56
Submitted on: 2/28/2021 11:20:26 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Carla Allison	Individual	Support	No

Comments:

My name is Carla Allison and I strongly support the tax changes in SB56. Hawaii saddles our low-income 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%. It is not unreasonable for those who can afford it to pay a little more in taxes to help close the deficit without slashing critical government spending. Please support SB56. Thank you.

SB-56
Submitted on: 2/28/2021 11:26:43 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan Ramos	Individual	Support	No

Comments:

Support

SB-56
Submitted on: 2/28/2021 11:44:58 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
jeanne lindgren	Individual	Support	No

Comments:

Dear committee members,

Thank you for the opportunity to support SB56. I believe this is the best way to raise the revenue needed.

Jeanne Lindgren

jmlmilkyway@gmail.com

96817

SB-56
Submitted on: 2/28/2021 11:58:15 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

SUPPORT

This is important and a way to generate funds .

SB-56
Submitted on: 2/28/2021 12:03:18 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

The rich need to pay their share too.

SB-56
Submitted on: 2/28/2021 12:16:39 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
tlaloc tokuda	Individual	Support	No

Comments:

Yes i support taxing the rich so that the majority will have some social services. Falling tourist spending and falling room tax and general excise taxes is a major problem during covid so this measure is a very ***just*** one in taxing the rich, Go for it!

Mahalo for your consideration,

Tlaloc Tokuda

Kailua Kona, HI 96740

SB-56
Submitted on: 2/28/2021 12:30:14 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Stephanie Austin	Individual	Support	No

Comments:

Support this important bill!

SB-56
Submitted on: 2/28/2021 2:42:31 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Wray Jose	Individual	Support	No

Comments:

Dear Sirs,

I urge passage of SB56, which authorizes higher taxes on higher income individuals, corporations and speculators, in order to raise revenue to support environmental protection and the delivery of needed social services. Mahalo.

--- Wray Jose

SB-56
Submitted on: 2/28/2021 3:18:13 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Aloha Senators,

Please, SUPPORT this vital legislation.

SB-56
Submitted on: 2/28/2021 3:32:34 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Aloha Senators,

Please, SUPPORT this vital legislation.

SB-56
Submitted on: 2/28/2021 3:34:02 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
brandi corpuz	Individual	Support	No

Comments:

Aloha my name is Brandi Corpuz and I am a resident of Kihei Maui. I strongly support this bill as I am a small business owner in Hawaii. The high earners in Hawaii should pay more than the stuggling lower income earners like myself. We struggle to pay higher taxes, while we also pay an extremey high cost of living. A higher income earner can afford to pay higher taxes and they should because many times these high earners have more than one home outside of Hawaii and they dont even pay into our economy the majoriety of the time. This may be the only way to actually get some tax revenue from these higher earners. Thank you, Brandi Corpuz

SB-56
Submitted on: 2/28/2021 4:06:46 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Barry	Individual	Support	No

Comments:

Aloha,

I support SB56 because many high earners, speculative property investors and

Corporations. Everyone should be paying their fair share. No GET exemptions for these entities like A&B.

Mahalo,

Ms. Barbara Barry

Maui

SB-56
Submitted on: 2/28/2021 4:09:34 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Vickie Parker Kam	Individual	Support	No

Comments:

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

My name is Vickie Parker Kam from District 42 and I am writing in support of SB56.

I support this comprehensive proposal increasing taxes on high earners, corporations, and property speculators, who have for far too long benefitted by not paying their fair share of taxes to the detriment of Hawaii citizens.

This bill also temporarily removes certain GET exemptions, in order to raise the revenue needed to avoid cuts in social services and environmental protection that we need. Another benefit is this bill addresses the need to increase conveyance taxes for the sale of properties valued at $1,000,000 or more, which also supports revenue generation to help with state budget needs.

Now is the time to act to help balance the tax burden and

Mahalo for the opportunity to testify in support of SB56.

Vickie Parker Kam

vlpkam96707@gmail.com

96707

SB-56
Submitted on: 2/28/2021 6:46:08 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
sylvia cabral	Individual	Support	No

Comments:

tax rich, tax corporations, tax real estate investment trusts,

SB-56
Submitted on: 2/28/2021 6:48:12 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lanny Sinkin	Individual	Support	No

Comments:

In this time of economic stress for the islands, higher taxes can help to mitigate the worst impacts.

SB-56
Submitted on: 2/28/2021 6:56:55 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
sharon douglas	Individual	Support	No

Comments:

Please support this bill to avoid cuts in social services and environmental protection.

For too long, high earners, corporations and property speculators have been given exemptions, when we should be encouraging those that have an abundance to keep the weath circulating and uplift the more disenfranchised sectors of our communities.

SB-56
Submitted on: 2/28/2021 7:05:17 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
chelsea pang	Individual	Support	No

Comments:

Trickled down economics is not a real strategy- its welfare for the rich

i support SB 56 because it provides dignity to the working class by reconciliation the exploitive tax inequities that have lead a caste society of perphaves and have nots

WHAT’S IN SB 56

Raises personal income tax rates for those at the top

- Hawai‘i currently allows its wealthiest households to 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.

Closes the capital gains tax loophole

- Hawai‘i is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a LOWER rate than ordinary working people’s income.
- This capital gains tax loop benefits almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in Hawai‘i.
- If Hawai‘i were to tax capital gains at the same rates as regular income, as most states do, Hawai‘i would bring in about $80.2 million in new revenue. And 97% would be paid by the top 5% of earners in Hawai‘i, while the bottom 80% would pay nothing at all.

Increases the tax rate on corporate profits

- It is estimated that nearly 60 percent of Hawai‘i's corporate income tax is paid by non-residents.
- Corporate taxes differ from individual income taxes in an important way. The corporate tax is applied only to profits, so companies facing losses don’t pay corporate income tax.

- The federal Tax Cuts and Jobs Act cut the federal corporate income tax rate by 14 percentage points, from 35 percent to 21 percent, so companies are getting a huge tax break at the federal level.
- If Hawaiʻi were to have a single tax rate on corporate profits of between 6.4 and 10 percent, it would raise an additional $2.9–$103 million in revenue per year.
- Hawaiʻi's current top corporate tax rate of 6.4 percent is below the median of the states. We are ranked 34th among states in per capita corporate tax collections, at $103 per person, while the 1st state, New Hampshire, collects $582 per person.

SB-56
Submitted on: 2/28/2021 7:36:08 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Emma Trainor	Individual	Support	No

Comments:

I live in Pahoa HI and am in support of SB56

SB-56
Submitted on: 2/28/2021 7:38:13 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynn Murakami-Akatsuka	Individual	Oppose	No

Comments:

I **strongly oppose** SB 56 as it increases the personal income tax rate, increases the tax on capital gains, increases the corporate income tax, temporarily repealing certain tax exemptions, and increases conveyance taxes for the sale of properties valued at $1,000,000 or greater.

Please leave the current tax rates that are in our current law. Our cost of living in Hawaii is already high and with more increased taxes, it will impact individuals, families and small businesses who are already struggling. This bill may be the final deciding point for the exodus of residents to low or no state income tax states and for businesses to close permanently and relocate to states that are business tax friendly than Hawaii.

Please consider other alternatives instead of taxing Hawaii's residents and local Hawaii businesses. I **strongly oppose** the passage of SB 56 and ask that you defer this bill.

SB-56
Submitted on: 2/28/2021 7:48:51 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Support.

SB-56
Submitted on: 2/28/2021 8:35:43 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Tane Datta	Individual	Support	No

Comments:

I support this bill.

SB-56
Submitted on: 2/28/2021 9:01:14 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Meredith Buck	Individual	Support	No

Comments:

I strongly support SB56. Please pass this bill!

SB-56
Submitted on: 2/28/2021 9:02:40 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Chandra Radiance	Individual	Support	No

Comments:

Yes tax the uber wealthy more because they have more manufacturere and/or consumer detrimental impact.

SB-56
Submitted on: 2/28/2021 9:34:03 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
GALE M SHODA	Individual	Oppose	No

Comments:

I STRONGLY OPPOSE SB 56. This bill will be increasing the personal income tax rate, increase the tax on capital gains, increase the corporate income tax, temporarily repeal certain tax exemptions, and increase conveyance taxes for the sale of properties valued at $1,000,000.00 or greater.

It is a shame at what you are doing to the people of Hawaii. We are all trying to survive this pandemic and the effects of the pandemic and you are adding to the struggle for all.

Throw this bill SB 56 out and think of other solutions.....

SB-56
Submitted on: 2/28/2021 9:39:55 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
June Murakami	Individual	Oppose	No

Comments:

I oppose SB 56. The current tax rates should be left alone. Businesses will leave the islands, small businesses will fold and this in turn will have residents leaving the islands. It is a domino effect.

I oppose this SB 56 and would like to have it deferred.

SB-56
Submitted on: 2/28/2021 10:12:22 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ken k Shoda	Individual	Oppose	No

Comments:

I oppose SB 56. This is not a good bill.

As a suggestion why not raise the state sales tax for a specified amount of time, say like for 5 years but have a direction for this increase where funds would go towards a specific purpose/use. This way everyone, locals, visitors, young, old, big businesses, and small businesses would be a part not just one group of people.

When we travel to other states with higher sales tax than ours we just pay it.

Look for other options. Increasing the personal income tax rate, increasing tax on capital gains, increasing corporate income tax, increasing conveyance taxes for the sale of properties valued at $1,000,000.00 or more and repealing certain tax exemptions are not good for Hawaii. We have to keep business and people of Hawaii in Hawaii.

I again strongly oppose SB 56.

SB-56
Submitted on: 2/28/2021 10:26:04 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Maintaining government services is key to minimizing economic damage from this pandemic, and it's only fair the wealthy pay their fair share to maintain the system that benefited them.

SB-56
Submitted on: 2/28/2021 10:46:11 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Noreen Dougherty	Individual	Support	No

Comments:

Senators:

I strongly support SB 56..This is an excellent bill containing reasonable fairness. Our State will benefit from the passing this bill. Please support SB56

Noreen Dougherty

Kapaa, Hawaii

SB-56
Submitted on: 2/28/2021 11:21:26 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Renee Riley	Individual	Support	No

Comments:

To avoid cuts in our sociial services and enviironmental protection, please support SB56 to increase taxes on high earners, corporations, and property speculators. It's fair -- and needed. Please vote yes for SB56.

Mahalo,

Renée Riley

SB-56
Submitted on: 3/1/2021 12:18:32 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Aloha,

I am a Hilo resident and a social services employee, and I am testifying in my personal capacity.

In the past year, we have seen a massive uptick in the amount of people needing services. The pandemic didn't cause this--it only accelerated the course we were already on, a result of low taxes for the wealthy and austerity for those in need. Hawaiʻi has ***so much wealth***, and when those who can afford it contribute their fair share, we can have a Hawaiʻi where every person is housed, where one job is enough to support a family, and where we ensure a sustainable future for our keiki. **Please support SB56.**

Mahalo.

SB-56
Submitted on: 3/1/2021 12:53:50 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Pamintuan	Individual	Support	No

Comments:

Aloha Senator Donovan Dela Cruz and Senator Gilbert Keith-Agaran

My name is Jennifer Pamintuan and I am in support of SB56. I am testifying as a private citizen. I understand that Hawaii is in a major economic crisis which will affect our State for years to come. Please support this bill to raise revenue for the State which would, in turn, take care of our communities.

Thank you for your time,

Jennifer Pamintuan

SB-56
Submitted on: 3/1/2021 1:05:05 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sandra Ing	Individual	Support	No

Comments:

Aloha Senator Donovan Dela Cruz and Senator Gilbert Keith-Agaran

My name is Sandra Ing and I am in support of SB56. Thank you for scheduling this bill as the Hawaii's economic state is definitely a priority. As Hawaii lives through COVID and as we work towards recovery from COVID many people have been left homeless and unemployed. Currently, I volunteer feeding homeless individuals and families in Waimanalo. If there is any way to generate more money, the community will greatly benefit. Please support this bill to raise revenue for the State which would, in turn, take care of our communities.

Thank you for your time,

Sandra Ing

SB-56
Submitted on: 3/1/2021 1:08:24 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Esther Kim	Individual	Support	No

Comments:

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

Thank you for the opportunity to testify in support of SB 56, relating to Revenue Generation.

I am Esther Kim, a social work student at the University of Hawaii at Manoa. While I am early on into my career as a social worker, I have witnessed the rise of homelessness/houselessness, domestic violence, hunger, mental illness, and other issues that plague our community, especially since the onset of the COVID-19 pandemic. Essential services, like social work services/ health and human service providers, meet the needs of those who suffer from the issues above.

It is for this reason that I support SB 56. The increase of taxes on personal incomes and corporate profits will benefit all of us (our communities, businesses and economies) in the long run.

Thank for for the opportunity to submit testimony on this issue.

SB-56
Submitted on: 3/1/2021 4:38:46 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Colleen Rost-Banik	Individual	Support	No

Comments:

Aloha. My name is Colleen Rost-Banik and I am a resident of Honolulu. I write in support of SB56 which will increase tax rates for high income earners in the state. We live in a state where part of the reason why we cannot sustain dire social services is because the wealthy individuals and corporations in our state are not taxed at appropriate levels. Instead, the burden has fallen to low and middle-income individuals, families, and businesses. It is beyond time to turn this around. Tax systems and budgets are reflections of societal values. The logic that offering tax cuts to the wealthy so that they can create jobs and contribute to the economy at proportional rates is quite antiquated and has proven ineffective and untrue time and time again. I hope that you will join me in support of a fairer tax system, one that increases taxes on our wealthier members, who have made their wealth through the hard labor of lower and middle-income earners as well as an immense amount of State assistance. It is time for these individuals and corporations to give back in taxes rather than tax loopholes.

Please vote in support of SB56.

Respectfully,
Colleen Rost-Banik, PhD

SB-56
Submitted on: 3/1/2021 6:21:32 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ralph Garcia	Individual	Support	No

Comments:

Aloha,

Please support SB56. We should increase taxes on the top 1% as they have benefitted the most during this economy. If we are considering cutting government services such as education, health, and other important assistance to the community, then we should ask the well off to also contribute and cushion the blow to the state's budget.

In fact, the wealthy in terms of percentage, pay less taxes then some of the poorest resedients when considering all taxes. Raising the tax will only make it a more just system and they need to start paying there fair share.

Mahalo,

SB-56
Submitted on: 3/1/2021 7:09:34 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lindsay Roth	Individual	Support	No

Comments:

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.

Hawaii saddles our low-income neighbors 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%.

Lawmakers should ask those who can afford it to pay a little more in taxes to help close the deficit without slashing critical government spending.

- **Hawaiʻi is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a LOWER rate than ordinary working people's income.**
- **This capital gains tax loop benefits almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in Hawaiʻi.**
- **If Hawaiʻi were to tax capital gains at the same rates as regular income, as most states do, Hawaiʻi would bring in about $80.2 million in new revenue. And 97% would be paid by the top 5% of earners in Hawaiʻi, while the bottom 80% would pay nothing at all.**
-

SB-56
Submitted on: 3/1/2021 7:47:22 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jessica Kawamura	Individual	Support	No

Comments:

To Senator Dela Cruz and Committee Members:

Thank you for holding this hearing to consider alternate sources of revenue in the wake of the COVID-19 pandemic.

As a pastor in Wahiawa, I am deeply concerned about families struggling to survive the pandemic. There are members of my congregation who have been furloughed and lost hours at work. Each month, when we hand out 300 boxes of food in our church parking lot, there are cars lined up for hours beforehand.

I know that you are aware of the suffering our most vulnerable in Hawaii. Potential cuts to social services due to a lack of revenue will only make their situtation worse.

It is only fair and right that those who are doing well enough to have excess contribute more to the collective pot to ensure that no one is left behind. I know that often the powerful and wealthy have the most sway in politics, but I urge you to consider the needs of our most vunerable, low-income people. SB56 puts forth realistic options, and I hope that you will consider one or all of them.

Respectfully,

Rev. Jessica Kawamura

SB-56
Submitted on: 3/1/2021 8:08:40 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kathryn Braun	Individual	Support	No

Comments:

Please support SB 56, which proposes a number of strategies to raise revenue for the state. I am a professor of public health and social work, concerned about the increasing number of people in Hawaiʻi who are homeless, food insecure, and in or near poverty. I specifically support the following:

Raise personal income tax rates for those at the top

- Hawaiʻi currently allows its wealthiest households to 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.

Closs the capital gains tax loophole

- Hawaiʻi is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a LOWER rate than ordinary working people's income.
- This capital gains tax loop benefits almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in Hawaiʻi.
- If Hawaiʻi were to tax capital gains at the same rates as regular income, as most states do, Hawaiʻi would bring in about $80.2 million in new revenue. And 97% would be paid by the top 5% of earners in Hawaiʻi, while the bottom 80% would pay nothing at all.

Increase the tax rate on corporate profits

- It is estimated that nearly 60 percent of Hawaiʻi's corporate income tax is paid by non-residents.
- Corporate taxes differ from individual income taxes in an important way. The corporate tax is applied only to profits, so companies facing losses don't pay corporate income tax.
- The federal Tax Cuts and Jobs Act cut the federal corporate income tax rate by 14 percentage points, from 35 percent to 21 percent, so companies are getting a huge tax break at the federal level.

- If Hawaiʻi were to have a single tax rate on corporate profits of between 6.4 and 10 percent, it would raise an additional $2.9–$103 million in revenue per year.
- Hawaiʻi's current top corporate tax rate of 6.4 percent is below the median of the states. We are ranked 34th among states in per capita corporate tax collections, at $103 per person, while the 1st state, New Hampshire, collects $582 per person.

Temporarily suspend certain general excise tax (GET) exemptions

- In 2011, to address the economic crisis of the last recession, the state legislature suspended 31 GET exemptions for FY2012 and FY2013.
- These exemptions were worth about $254.5 million in 2018, should a comparable measure be considered as a response to the economic impacts of the COVID-19 pandemic.

Increase the sales tax rate on expensive real estate

- Real estate is one of the few sectors of Hawaiʻi's economy that's been booming during the pandemic, with home prices soaring to new record highs in 2020. However, sellers of high-end properties are not paying their fair tax share.
- Conveyance taxes are applied to transfers of ownership real property, and our current conveyance tax rates are only 0.50–1.25 percent on multi-million dollar mansions. We should not allow our real estate to be sold at such high prices with such low tax returns.
- Between January 2019 and September 2020, just over half (52%) of homes priced at or above $2 million were sold to non-Hawaiʻi residents. And of homes worth at least $4 million, 62% were sold to non-Hawaiʻi residents.
- If the conveyance tax rate were raised on properties valued at $1 million and above, that would generate up to $71.5 million.

SB-56
Submitted on: 3/1/2021 8:27:34 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Shay Chan Hodges	Individual	Support	No

Comments:

Aloha:

I support SB56, relating to revenue generation.

Spending is the fuel that keeps our state's economic engines running. 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.

Mahalo,

Shay Chan Hodges

Maui, Hawaii

SB-56
Submitted on: 3/1/2021 9:17:30 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ingrid Peterson	Individual	Support	No

Comments:

Please support this tax fairness bill so those who are doing well in this economy pay their fair share. We can use this revenue to help those in need in many ways. (From a Windward O'ahu resident since 1963.)

SB-56
Submitted on: 3/1/2021 9:22:35 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

Testimony in support of SB 56. If Hawaiʻi taxed capital gains at the same rates as regular income, (as most states do), about $80.2 million in new revenue would be brought in. 97% of this revenue would be paid by the top 5% of earners in Hawaiʻi, while the bottom 80% would pay nothing at all.

Hawaiʻi is ranked 34th among states in per capita corporate tax collections, at $103 per person, while the 1st state, New Hampshire, collects $582 per person.

Please pass this common sense, fiscally responsibly measure in these lean economic times and get Hawai'i back on track to economic recovery.

SB-56
Submitted on: 3/1/2021 9:23:52 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Raelyn Reyno Yeomans	Individual	Support	No

Comments:

Support

SB-56
Submitted on: 3/1/2021 10:49:04 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Nathalia Castella	Individual	Support	No

Comments:

I support SB56

LATE

SB-56
Submitted on: 3/1/2021 10:52:15 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Deborah G. Nehmad	Individual	Support	No

Comments:

I strongly support SB56m which uses multiple tax fairness strategies—targeted at the wealthiest residents and profitable corporations in Hawaiʻi—to raise up to **$763.4 million** in new annual revenues for the state. This is enough money to make a substantial debt in our budget shortfall and preclude budget cuts that will harm our most vulnerable population.

I encourage you to pass the bill.

thank you

deborah nehmad

LATE

SB-56
Submitted on: 3/1/2021 10:59:42 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Zara Nicholson	Individual	Support	No

Comments:

Aloha e Chair, Vice Chair, Members of the Committee,

My name is Zara Nicholson and I am contacting you in support of Bill HB3.

I believe this bill will create a great positive impact in our community. Many large corporations and high property sales are run and completed by those who are not from Hawaii. Increasing corporate income tax, capital gains tax, and conveyance tax will generate much needed funding to support our local residents. Please push this bill to be heard.

Mahalo nui loa for the opportunity,

Zara Nicholson

SB-56
Submitted on: 3/1/2021 11:06:28 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Erin ODonnell	Individual	Support	No

Comments:

Aloha,

It‘s time Hawai‘i steps up and requires those who are the wealthiest and benefit from sales of high end real estate, capital gains, etc. contribute to our home instead of just taking and also leaving those who live here having to compete to stay here due to inflated home prices. I SUPPORT this bill for the following reasons:

THOSE LUCKY ENOUGH TO BE DOING WELL IN THIS ECONOMY SHOULD PAY THEIR FAIR SHARE

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.

Hawaii saddles our low-income neighbors 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%.

Lawmakers should ask those who can afford it to pay a little more in taxes to help close the deficit without slashing critical government spending.

COMMUNITY SERVICES SUPPORT FAMILIES AND JOBS THROUGHOUT HAWAI‘I

Social service programs are crucial to struggling working families during this recession and must be protected. By asking the wealthy and profitable corporations to pay their fair share in taxes, we can prevent cuts to essential services and protect our communities.

Community service cutbacks during the Great Recession are still hurting us now -- and their effects can be seen on our streets. Service providers still haven't been able to undo all the damage inflicted on nonprofits and the state's mental health system by funding slashed a decade ago.

Government spending on social service programs is good for the state economy because it increases the flow of money throughout the community and supports jobs.

HAWAII'S ECONOMIC RECOVERY DEPENDS ON STATE SPENDING

Spending is the fuel that keeps our state's economic engines running. 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.

Mahalo for hearing my point of view. Please support Hawaiʻi, your constituents, for the good of our home.

LATE

SB-56
Submitted on: 3/1/2021 11:08:54 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ann S Freed	Individual	Support	No

Comments:

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and members,

I am well aware that we have a chronic revenue problem in our island state. We are often skating on razor thin ice in funding the safety net the keeps the people of our state whole and healthy, economically, physically and mentally. This measure would raise funds by taxing those who can afford it at a higher rate. It would go far to redress the inequity that puts Hawaii in the number 2 spot in the nation in taxing the poor.

Strong support.

Mahalo, Ann S. Freed, Mililani

Mahalo, Ann S. Freed

To: Committee on Ways and Means, Sen. Dela Cruz, Chair, and Sen. Keith-Agaran, Vice Chair, and members
Fr: Marya Grambs, member, Board of Directors, Partners in Care
Re: STRONG SUPPORT of SB56

LATE

Hearing: March 2, 2021 at 9:25 am Via videoconference

With the second highest rate of homelessness and the highest unemployment rate in the country, this is not a time to cut social services to fill the budget hole.

Domestic violence, substance abuse, sex abuse treatment, and emergency homeless services for families – all have had their budgets cut or are now facing cuts, as are services for homeless and runaway youth and housing services for persons living with HIV.

The tax proposals in SB56 will bring in needed revenue but will not hurt those at the lower end of the income scale. This bill targets only the wealthiest residents and profitable corporations in Hawaiʻi, thus making our taxes more equitable. Currently Hawaii's lowest-income residents pay 15% in state and local taxes, while wealthiest residents pay only 8.9%. That's simply not right.

By making our tax system fairer, the state will increase revenue and save services that are a lifeline to so many individuals and families, needed even more in this pandemic.

Please pass SB56. I know it's very difficult for elected officials to pass tax increases, but our inequitable tax system, looming budget deficits, and escalating demand for social services, demand it.

SB-56
Submitted on: 3/1/2021 11:45:26 AM
Testimony for WAM on 3/2/2021 9:25:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Bethan Pualani Baptista	Individual	Support	No

Comments:

Dear Legislators,

I humbly submit a letter of support for the bill SB56. This bill is a stepping stone for fairness in taxation. Please support this measure and let the people of Hawaii know that you value fairness in taxation and will do all that you can to make taxation equitable. In anticipation of your support I thank you in advance. Please help us receive the continued support for keeping more money in our families for basic household necessities and health care for our families.

Mahalo Nui,

Bethan P Baptista

LATE

SB-56
Submitted on: 3/1/2021 1:51:23 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrew Crossland	Individual	Oppose	No

Comments:

Aloha Sir / Madam,

Tax rates should not be increased for Hawaii individuals or businesses. All efforts should be focused on relief for Hawaii businesses and individuals, not further tax burdens that will only result in negative economic outcomes. Instead, the government of Hawaii should focus on easing the tax load in all possible areas, making it easier for businesses and individuals to thrive, thus generating more employment and even greater new tax revenues without any tax rate increases.

I strongly testify against this Bill and all other Bills that would increase taxes on Hawaii businesses and individuals.

Mahalo for your kokua,

Andy

LATE

SB-56
Submitted on: 3/1/2021 2:34:52 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randolph Moore	Individual	Support	No

Comments:

I strongly encourage your spport of SB 56. Beacuse of the pandemic, state tax revenues are down and the need for state services is up. A double-whammy.

SB 56 will increase my taxes. But I can afford it. If those who can afford higher taxes don't pay more, who should?

Mahalo for your consideration.

LATE

SB-56
Submitted on: 3/1/2021 4:39:06 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
noel kent	Individual	Support	No

Comments:

For many years, state and local taxes in Hawai'i as a percentage of income have unfairly burdened those in the lower income categories.   This has increased already gaping class differences in our society and deprived many citizens of resources they dearly need. SB56, by raising taxes on higher earnings makes the system much fairer and taxes those who can afford to pay but who havent until now. This same bill, by raising corporate taxes and taxes on capital gains, also contributes to tax fairness. The gain in revenues for our government at a time of fiscal crisis will also contribute to protecting key social and educational programs. Please pass SB56.

Noel Kent Professor Emeritus

LATE

SB-56
Submitted on: 3/1/2021 5:39:41 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John Fitzpatrick	Individual	Support	No

Comments:

Aloha Honorable Senators,

I am in strong support of SB 56 because we have incredible deficits to fill and time after time it has all fallen on the working class and poor to suffer through economic fall outs and to hold our society together whether we are bus drivers, grocery clerks, nurses and teachers to name a few. I am a teacher and I have been asked by the governor at least 3 times to give up 10-20% of my salary to ballance the budget while the wealthy that can actually afford to invest in our society have barely been asked to sacrifice anything.

This bill begins to ask the wealthy to sacrifice financially like the rest of us are sacrificing everyday to pull Hawaii through this pandemic. I encourage you to vote yes on this bill and ask everyone to sacfifice during these trying times.

Mahalo,
Fitz

LATE

SB-56
Submitted on: 3/1/2021 5:48:28 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

I encourage you to support this measure which is a multi tax fairness strategy - targeted at the wealthest residents and profitable corporations in Hawaii -- to raise $763.4 million in new revenues. That can help make a serious dent in our projected shortfall over the next 2 years and help convince the governor to avoid damaging cuts to public services.

Thank you.

Elizabeth Nelson

Kaneohe

LATE

SB-56
Submitted on: 3/1/2021 6:10:42 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Rodwell	Individual	Support	No

Comments:

I thoroughly support this Bill.

SB-56
Submitted on: 3/1/2021 6:31:43 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Lawrence S Franco	Individual	Support	No

Comments:

I am on favor of tax fairness. When individuals or corporations are not paying their fair share to sustain the cost of operating State government in Hawaii, taxes need to be raised for those who can pay more for the priviledge of living in Hawaii.

LATE

SB-56
Submitted on: 3/1/2021 7:25:15 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Letitia Hickson	Individual	Support	No

Comments:

I strongly support SB56. Hawai'i does not have an equitable tax system. Higher-income earners are benefitting from lower tax brackets designed to benefit lower- and middle-income residents. Higher-income residents are also benefitting from a rate on capital gains that is lower than the rate on ordinary working people's income. Only eight other states have a similarly low rate on capital gains.

The state is desperately in need of additional revenue. Cutting community services will increase the burden on those who are suffering the most, ad curring spending will only lead to further economic downturn.

SB56 is an important step in establishing equity in Hswaii's tax system. The cost is low and would be shouldered by those most able to afford it, The benefit is high and will be realized by all of us as a community.

SB-56
Submitted on: 3/1/2021 9:55:49 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Seikai Darcy	Individual	Support	No

Comments:

This is exciting and important legislation!

Please support SB 56!

With much appreciation,

Lisa Darcy

Maui County resident

LATE

SB-56
Submitted on: 3/1/2021 10:19:43 PM
Testimony for WAM on 3/2/2021 9:25:00 AM

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

Comments:

I support SB56! I was shocked to learn that families who earn less than $20,000 per year pay 15% of their income in state and local taxes while those who make over $450,000 pay less—only about 9%. It is a privilege to pay taxes and contribute to our community. Those lucky enough to be doing well in this economy should pay their fair share!

We've seen the gap between the poor and rich widen greatly during the COVID-19 pandemic, but the virus is not to blame. It is our politics and systems in place that only benefit a select few.

Lawmakers should ask those who can afford it to pay a little more in taxes to help close the deficit without slashing critical government spending.

I am not well versed in tax talk or policy, I just make sure my taxes are filed and paid, but reviewing some of the public testimony for this bill, it was interesting to see who was in opposition and in support. Many of those opposed to SB56 seem to protect personal interests. Many of those in support of SB56 seem to be concerned about the welfare of others, acknowledging the struggle of low-income (still tax-paying) citizens. I hope that we will see more fairness and equity with the passing of this bill.

Thank you for your consideration.