JOSH GREEN, M.D.
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

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

STATE OF HAWAIʻI
DEPARTMENT OF BUDGET AND FINANCE
Ka ʻOihana Mālama Moʻohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAIʻI 96810-0150

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

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1049, H.D. 2

April 3, 2023
9:40 a.m.
Room 211 and Videoconference

RELATING TO INCOME TAX

The Department of Budget and Finance (B&F) strongly supports this Administration bill. However, because House Bill (H.B.) No. 1049, H.D. 2, makes significant changes to the Administration's proposal, including removing the changes to the taxable income bracket and income tax rate, personal exemption, and standard deduction amounts, we prefer the bill as it was originally submitted.

As introduced, H.B. No. 1049, the Green Affordability Plan (GAP), addressed Hawaiʻi's high cost of living by lowering individual income taxes for Hawaiʻi residents as follows:

- Indexing individual income tax brackets, personal exemption amount and standard deduction amounts to inflation – all taxpayers benefit from this.
- Doubling the personal exemption amount to $2,288 – all taxpayers benefit from this.
- Increasing the standard deduction amount to $5,000 for single filers and $10,000 for joint filers – all taxpayers who do not itemize deduction benefit from this.
- Increasing the amount of qualified expenses for the child and dependent care tax credit to 50% for income up to $150,000 (credit decreases by 5% for every additional

$15,000 of income up to $225,000) with a maximum allowable expense of $10,000 for one child and $20,000 for two or more children – working families with children benefit from this.

- Increasing the earned income tax credit from 20% to 30% of the federal earned income tax credit – low-income working families benefit from this.
- Doubling the refundable food/excise tax credit amounts and increasing the income threshold for eligible households to $40,000 for single filers and $60,000 for joint filers – lower income taxpayers benefit from this.
- Increasing the maximum low-income renters tax credit amount to $350 per exemption and creating additional income-tiered amounts, and increasing the income threshold to $40,000 for single filers and $80,000 for joint filers – lower income renters benefit from this.
- Establishing a new, nonrefundable educator tax credit of up to $500 per year for school supplies purchased by K-12 teachers – all teachers benefit from this.

B&F strongly believes that the GAP is a targeted, cost-effective approach to provide needed financial relief to Hawai‘i's residents. The GAP's primary focus is supporting Asset Limited, Income Constrained, Employed (ALICE) and working class families but all Hawai‘i taxpayers will receive some benefits from this bill.

In terms of the original H.B. No. 1049's impact on the general fund financial plan, the Department of Taxation estimates that general fund tax revenues will be reduced by $312.7 million in FY 24; $335.8 million in FY 25; $357.2 million in FY 26; $375.7 million in FY 27; $395.5 million in FY 28; and $416.5 million in FY 29. On its face, these estimated revenue losses are large; however, the Council on Revenues' (COR) general fund revenue projections are more than sufficient to accommodate the GAP bill and other Administration bills submitted to the Legislature this session, as well as the Administration's budget messages that were transmitted to the Legislature on February 13, 2023 and March 10, 2023.

Attached is an updated general fund financial plan that incorporates the COR's March 2023 revenue projection changes and costings for the Administration's legislative package and budget messages. The top part of the plan above the first dotted line is the financial plan for the December 19, 2022 FB 2023-25 Executive Biennium Budget, which is based on the COR's September 2022 revenue projections.

The middle part of the plan between the two dotted lines reflects:

- Net impact of COR revenue projection changes based on its January 5, 2023 meeting;
- Estimated revenue losses from the Administration's legislative package (mainly from the GAP bill);
- Total general fund adjustments to the operating and capital improvement program (CIP) budgets from the Administration's first budget message;
- Total general fund appropriations contained in the Administration's legislative package (Note: The $674.5 million reduction in FY 23 is offset by a $674.5 million increase in FY 24 to address the federal Elementary and Secondary School Emergency Relief proportional spending maintenance of effort requirement in FY 23);
- Revenues over (under) expenditures for the respective fiscal years with all of the adjustments mentioned above; and
- Beginning and ending balances for the respective fiscal years.

The bottom part of the plan between the two dotted lines reflects:

- Net impact of COR revenue projection changes based on its March 7, 2023 meeting;
- Total general fund adjustments to the operating and CIP budgets from the Administration's second budget message;
- Revenues over (under) expenditures for the respective fiscal years with all of the adjustments mentioned above; and
- Beginning and ending balances for the respective fiscal years.

As can be seen, the ending balances (above the bottom most dotted line) are healthy throughout FB 2023-25 and the planning period ending in FY 29.

Thank you for your consideration of our comments.

Attachment

ATTACHMENT

MULTI-YEAR FINANCIAL SUMMARY
GENERAL FUND
FISCAL YEARS 22 - 29
(in millions of dollars)

	Adj.Act.* FY 22	Estimated FY 23	Estimated FY 24	Estimated FY 25	Estimated FY 26	Estimated FY 27	Estimated FY 28	Estimated FY 29
REVENUES:								
Executive Branch:	29.1%	6.5%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Tax revenues	9,358.8	9,967.2	10,365.9	10,728.7	11,104.2	11,492.8	11,895.1	12,311.4
Nontax revenues	823.4	727.9	742.4	760.5	776.3	790.8	792.8	792.7
Judicial Branch revenues	29.4	32.1	29.3	29.3	29.3	29.3	29.3	29.3
Other revenues	(0.1)	(314.1)	71.0	0.0	0.0	0.0	0.0	0.0
TOTAL REVENUES	10,211.5	10,413.1	11,208.6	11,518.4	11,909.7	12,312.9	12,717.1	13,133.4
EXPENDITURES								
Executive Branch:								
Operating	7,665.8	9,184.3	9,850.3	9,656.9	9,795.9	9,857.0	10,031.3	10,145.0
CIP	0.0	0.5	324.9	295.4	295.4	295.4	295.4	295.4
Specific appropriation/CB	1,079.2	1,767.6	-	-	-	-	-	-
Other expenditures/adjustments	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Sub-total - Exec Branch	8,745.0	10,957.4	10,180.1	9,957.3	10,096.3	10,157.4	10,331.7	10,445.4
Legislative Branch	42.4	44.6	44.9	44.9	44.9	44.9	44.9	44.9
Judicial Branch	166.0	174.1	184.7	188.9	188.9	188.9	188.9	188.9
OHA	66.3	2.3	3.0	3.0	3.0	3.0	3.0	3.0
Counties	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Lapses	(177.2)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)
TOTAL EXPENDITURES	8,842.4	11,098.5	10,332.8	10,114.2	10,253.2	10,314.3	10,488.6	10,602.2
REV. OVER (UNDER) EXPEND.	1,369.1	(685.5)	875.8	1,404.3	1,656.5	1,998.6	2,228.5	2,531.2
CARRY-OVER BALANCE (DEFICIT)								
Beginning	1,249.9	2,619.0	1,933.5	2,809.3	4,213.6	5,870.1	7,868.7	10,097.3
Ending	2,619.0	1,933.5	2,809.3	4,213.6	5,870.1	7,868.7	10,097.3	12,628.4
Net impact of COR changes, 1.5.23 meeting		222.0	6.1	7.0	6.4	7.1	6.2	6.2
Green Administration Adjustments:								
Revenue bills			(296.9)	(314.4)	(341.2)	(367.5)	(390.6)	(413.5)
Budget Adj - Operating (Message #1)			743.1	678.0	228.0	228.0	228.0	228.0
Budget Adj - CIP (Message #1)			51.1	(1.4)	0.0	0.0	0.0	0.0
Appropriation Bills		(325.0)	490.2	11.3	8.2	8.2	8.2	8.2
REV. OVER (UNDER) EXPEND.	1,369.1	(138.5)	(699.5)	409.0	1,085.6	1,402.0	1,608.0	1,887.7
CARRY-OVER BALANCE (DEFICIT)								
Beginning	1,249.9	2,619.0	2,480.5	1,781.0	2,190.0	3,275.6	4,677.6	6,285.6
Ending	2,619.0	2,480.5	1,781.0	2,190.0	3,275.6	4,677.6	6,285.6	8,173.3
Net impact of COR changes, 3.7.23 meeti	0.0	(320.6)	(439.4)	(454.5)	(470.5)	(486.9)	(503.9)	(521.5)
Green Administration Adjustments:								
Budget Adj - Operating (Message #2)			5.0	8.1	8.1	8.1	8.1	8.1
Budget Adj - CIP (Message #2)			71.7	14.1	0.0	0.0	0.0	0.0
REV OVER EXPEND	1,369.1	(459.0)	(1,215.6)	(67.7)	606.9	907.0	1,096.0	1,358.1
CARRY-OVER BALANCE (DEFICIT)								
Beginning	1,249.9	2,619.0	2,159.9	944.3	876.6	1,483.5	2,390.5	3,486.5
Ending	2,619.0	2,159.9	944.3	876.6	1,483.5	2,390.5	3,486.5	4,844.5
EBRF (adds $500M in FY23, Act 115/22; adds $500M in FY24 as included in the FB 23-25 Executive Budget Request)	325.8	972.8	1,502.2	1,552.2	1,602.4	1,654.2	1,707.4	1,762.2
EBRF fund balance as % of prior yr revenues	3.62%	9.53%	14.13%	14.22%	14.29%	14.29%	14.28%	14.29%

* unaudited

Notes:

Due to rounding, details may not add to totals.

The budgetary General Fund resources, expenditures and balances above are presented on a modified cash-basis. The State's normal practice is to utilize this modified cash-basis methodology for budgetary and financial planning purposes. Due to a combination of timing issues with enactment of various laws and accounting system limitations, certain transactions authorized for a fiscal year were recorded in the following fiscal year by the Department of Accounting and General Services. However, the financial plan records appropriations in the fiscal year for which the appropriation was authorized. In contrast, the State's audited financial statements are prepared on a modified accrual basis. Consequently, the modified cash basis information presented in this table is not directly comparable to the modified accrual basis information presented in the State's audited financial statements, and the differences in reporting may vary substantially.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
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PHONE NO: (808) 587-1540
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 1049, H.D. 2, Relating to Income Tax

BEFORE THE:
Senate Committee on Ways and Means

DATE: Monday, April 3, 2023
TIME: 9:40 a.m.
LOCATION: State Capitol, Room 211

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

The Department of Taxation ("Department") supports H.B. 1049, H.D. 2, an Administration measure, and offers the following comments for your consideration.

Section 1: Tax Credit for Teacher Expenses

Section 1 of the bill creates a nonrefundable income tax credit for individuals employed by the Department of Education, a charter school, or a private school in the State as a prekindergarten through twelfth-grade teacher who work at least 900 hours during the taxable year. The amount of the tax credit shall be equal to 80 percent of the amount expended for “qualifying expenses” in a taxable year. The credit is capped at $500 per taxable year per qualifying taxpayer.

Section 2: Cost-of-Living Adjustment Factor

Section 2 of the bill amends section 235-1, Hawaii Revised Statutes (HRS), by adding a definition for “cost-of-living adjustment factor,” which is used to index the income thresholds for the child and dependent care tax credit and household renters credit to inflation.

<u>Section 3: Refundable Credit for Child and Dependent Care Expenses</u>

Section 3 of the bill, on page 4, amends section 235-55.6, HRS, which provides a refundable tax credit to individuals equal to the applicable percentage of employment-related expenses. The applicable percentage is based on the taxpayer's adjusted gross income (AGI), and the total amount of employment-related expenses that may be claimed is currently capped at $2,400 for one qualifying dependent or $4,800 for two or more qualifying dependents.

The bill increases the applicable percentage of employment-related expenses that may be claimed for the credit, as follows:

<table>
<tr><th colspan="4">Applicable Percentage of Employment-Related Expenses</th></tr>
<tr><th colspan="2">Current</th><th colspan="2">HB 1049, H.D. 2</th></tr>
<tr><td>AGI</td><td>Applicable Percentage</td><td>AGI</td><td>Applicable Percentage</td></tr>
<tr><td>Not over $25,000</td><td>25%</td><td>Not over $150,000</td><td>50%</td></tr>
<tr><td>Over $25,000 but not over $30,000</td><td>24%</td><td rowspan="5">Reduced by 1% for every $3,000, or fraction thereof, above the annual threshold amount, until the percentage is not less than 25%</td><td rowspan="5">49.999% to 25.001%</td></tr>
<tr><td>Over $30,000 but not over $35,000</td><td>23%</td></tr>
<tr><td>Over $35,000 but not over $40,000</td><td>22%</td></tr>
<tr><td>Over $40,000 but not over $45,000</td><td>21%</td></tr>
<tr><td>Over $45,000 but not over $50,000</td><td>20%</td></tr>
<tr><td>Over $50,000</td><td>15%</td><td>Over $225,000</td><td>25%</td></tr>
</table>

Additionally, the measure adds that for each tax year beginning after December 31, 2023, the threshold amount will be indexed to inflation using a cost-of-living adjustment factor.

The bill also increases the cap on employment-related expenses that may be claimed, as follows:

Maximum Employment-Related Expenses		
	Current	HB 1049, H.D. 2
One qualifying individual	$2,400	$10,000
2 or more qualifying individuals	$4,800	$20,000

<u>Section 4: Refundable Tax Credit for Household Renters</u>

Section 4 of the bill, on page 18, amends section 235-55.7, HRS, which currently provides a refundable tax credit to taxpayers with Hawaii AGI of less than $30,000 who occupy and pay rent for real property in the State for their residence or residence of their immediate family.

The bill (1) makes eligibility for the credit dependent on federal AGI instead of Hawaii AGI; (2) increases the minimum annual rental payment requirement from $1,000 to $10,000; (3) requires married persons to file a joint return; (4) no longer excludes rental property that is partially or wholly exempted from real property tax; and (5) increases the tax credit from $50 per exemption to $350 per qualified exemption, reduced by a reduction factor based on filing status for every dollar of taxpayer's AGI that exceeds the threshold amount. The changes are as follows:

Credit per Exemption				
	Single	**Joint/Surviving Spouse**	**Head of Household**	**Credit per Exemption**
(a) AGI Threshold Amount	Under $20,000	Under $40,000	Under $30,000	$350
(b) For each $1 greater than (a) multiply by (c)	$20,000 under $45,000	$40,000 under $80,000	$30,000 under $67,635	From $349 to $1
(c) Reduction Factor	0.014	0.007	0.0093	
	$45,000 and over	$80,000 and over	$67,635 and over	$0

Additionally, the bill adds that for each tax year beginning after December 31, 2023, the threshold amounts will be indexed to inflation using a cost-of-living adjustment factor.

<u>Effective Date</u>

The measure has a defective effective date of June 30, 3000 and shall apply to taxable years beginning after December 31, 2022.

<u>Department's Comments</u>

The Department continues to support the Administration's initiative to lower the cost of living for working families in Hawaii and this bill's targeted approach at providing tax relief.

The Department notes that it can implement this bill for tax years beginning after December 31, 2022.

The Department estimates a revenue loss to the general fund as follows ($ millions):

Proposal	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Teacher's Supply Tax Credit	-5.4	-5.5	-5.7	-5.9	-6.2	-6.4
Tax Credit for Household Renters	-13.4	-13.2	-13.1	-13.2	-13.3	-13.4
Child and Dependent Care Tax Credit	-47.0	-51.0	-63.4	-73.0	-77.2	-80.1
Total	**-65.8**	**-69.7**	**-82.2**	**-92.1**	**-96.7**	**-99.9**

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

HSTA
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

Osa Tui, Jr.
President

Logan Okita
Vice President

Lisa Morrison
Secretary-Treasurer

Ann Mahi
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON WAYS & MEANS

RE: HB 1049 HD2 - RELATING TO INCOME TAX

MONDAY, APRIL 3, 2023

OSA TUI, JR., PRESIDENT
HAWAI'I STATE TEACHERS ASSOCIATION

Chair Dela Cruz and Members of the Committee:

The Hawai'i State Teachers Association **supports HB 1049, HD2,** relating to income tax.

In a recent survey last month to its members across the islands, Hawai'i State Teachers Association found the survey respondents reported spending an average of $953 of their own money a year on various classroom supplies. Educators who answered the survey said they spent anywhere from $75 to $4,000 annually out of their own funds on various classroom supplies, conferences and many other expenses.

An O'ahu high school teacher reported spending hundreds in personal money every year on basics, because "sometimes parents are unable to provide classroom supplies, so pencils, paper, composition books, etc."

An educator at a Hilo-area intermediate school listed annual personal spending of $1,000 on "typical classroom supplies: tablets, folders, binders, binder paper, construction paper, pencils, pens, tissue paper, paper towel, manila folders, sheet protectors. I also purchase snacks on a monthly basis and use it as a reward for my students. Chips, cookies, granola."

Another O'ahu teacher reported spending between $1,000 to $1,500 a year on "subscriptions to educational apps and sites, art supplies, books for class library, school supplies for kids who cannot afford or parents don't buy, cleaning supplies, science experiment supplies, field trip fees for children who cannot afford it, lei for speakers/visitors, parking fees for workshops, professional development, recess equipment, and snacks for hungry children who miss 'free' breakfast on campus because they are tardy, etc."

A teacher on Maui reported spending $2,000 to $3,000 out of her own pocket each year on "books for classroom library, prizes for classroom store, decorations for classroom, student Christmas gifts, student end-of-the-year gifts, art supplies, classroom treats, teacher supplies, classroom supplies."

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A Kauaʻi teacher reported spending $3,000 a year on lab supplies, project supplies for class and science fairs, snacks for students, professional development and conferences, classroom/school supplies, and furniture.

With the nation's lowest cost of living adjusted salaries, increased healthcare costs, and high housing costs, teachers are struggling here. Their students' families are struggling, and teachers are spending more and more out of their own pockets for their students. In the case of classroom supplies, it's true that teachers "do it for the kids," purchasing materials out of their own paychecks as sometimes just the waiting for departmental or purchase order approval would often disrupt planned curricula and, in turn, student learning. Teachers won't abide that. Most times, the funds they need are not even available, even if their administrator would love to give it to them.

Notably, most teachers do not earn enough to claim the benefits of tax itemization–they cannot, for example, take mortgage deductions for homes that they cannot afford to buy.

The other problems this bill addresses also need to be heard and this bill passing can help solve them, as nearly half of children in Hawaiʻi live in households experiencing financial hardship. While almost 1 in 8 are in poverty, and an additional one-third of families in Hawaiʻi are not officially poor, but still do not earn enough to afford the basic life essentials. Many working-age families are choosing to move to the mainland because of the high cost of living here. There are a number of social services to support struggling families in poverty, but working class families above poverty who still can't afford the basics often don't qualify for public benefits. That's where tax credits come in. They help people keep more of their hard-earned money, and when targeted for lower- to middle-income families, help reduce financial hardship.

Thus, this bill also expands and improves important tax credits for working families, such as the Child and Dependent Care Tax Credit (CDCTC).

Working families pay 15% of their incomes in state and local taxes; incomes that are already deeply strained by the high cost of living here. (By contrast, the wealthiest earners pay only 9% of their abundant incomes.) When you are barely making ends meet, that 15% does not leave a whole lot leftover.

It's tough to make ends meet in Hawaiʻi. Teachers understand. Teachers should also be credited for personally purchasing much needed school supplies for our students. Yes, this should not be happening, our public schools, including our public charter schools, which should be funded better, but they are not at this time. Our families in Hawaiʻi are struggling. Accordingly, the Hawai'i State Teachers Association asks your committee to **support** this bill.

E X E C U T I V E   C H A M B E R S
KE KEʻENA O KE KIAʻĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIAʻĀINA

Senate Committee on Ways and Means
Monday, April 3, 2023
9:40 a.m.
State Capitol, Conference Room 211 and Videoconference

In Support
H.B. No. 1049, H.D. 2, Relating to Income Tax

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

The Office of the Governor supports H.B. No. 1049, H.D. 2, Relating to Income Tax. This measure retains several key provisions in the Green Affordability Plan, or GAP, to improve the lives of families and individuals in our State who are coping with the difficult cost of living and quality of life challenges. The provisions in this measure—tax credit for teacher expenses and adjustments to the dependent care credit and household renters credit by a cost-of-living adjustment factor—are part of a multi-pronged approach that addresses financial hardship and inequality in our State. We support these key provisions.

This measure recognizes that Hawaii has the highest cost of living in the country at nearly twice the national average and that our high cost of living is hurting families and individuals and community well-being. H.B. No. 1049, H.D. 2 offers several tax benefits that are aimed at improving the lives of individuals and our overall economy. The intent of this measure is to get money into the pockets of working families and individuals so they can purchase essential goods and services. Working and low-income households will benefit from this legislative proposal.

Our Administration recognizes the importance of this and other measures, such as H.B. No. 954, H.D. 1, Relating to Taxation, that are making their way through the legislative session to help Hawaii's families and individuals with the high cost of living in our State. As we near closer to the end of session, we look forward to ongoing work with the Legislature to achieve legislation that will provide tax and other financial relief to our residents.

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

JOSH GREEN, M.D.
GOVERNOR

KEITH T. HAYASHI
SUPERINTENDENT

STATE OF HAWAI`I
DEPARTMENT OF EDUCATION
KA ʻOIHANA HOʻONAʻAUAO
P.O. BOX 2360
HONOLULU, HAWAI`I 96804

Date: 04/03/2023
Time: 09:40 AM
Location: CR 211 & Videoconference
Committee: Senate Ways and Means

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: HB 1049, HD2 RELATING TO INCOME TAX.

Purpose of Bill: Adds new tax credit for teacher's expenses. Adjusts annually for tax years beginning after December 31, 2023, the dependent care credit and household renters credit by a cost-of-living adjustment factor. Effective 6/30/3000. (HD2)

Department's Position:
The Hawaii State Department of Education (Department) supports HB 1049 HD 2. The Department appreciates efforts to address costs incurred by "qualified taxpayers" employed by the Department for certain "qualifying expenses" through a new tax credit. However, determining whether each employee meets the work hours criteria of at least nine hundred hours during a school year could be difficult.

If the bill passes, the Department defers to the Department of Taxation for its proper implementation.

Thank you for the opportunity to provide testimony on HB 1049 HD 2 relating to tax credits.

JOSH GREEN, M.D.
GOVERNOR

LATE

YUUKO ARIKAWA-CROSS
DIRECTOR

STATE OF HAWAI'I
Executive Office on Early Learning
2759 South King Street
HONOLULU, HAWAI'I 96826

April 2, 2023

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

FROM: Yuuko Arikawa-Cross, Director
Executive Office on Early Learning

SUBJECT: **Measure:** H.B. No. 1049 H.D. 2 – RELATING TO INCOME TAX
Hearing Date: Monday, April 3, 2023
Time: 9:40 am
Location: Conference Room 211

EXECUTIVE OFFICE ON EARLY LEARNING'S POSITION: Support

EOEL supports H.B. No. 1049 H.D. 2 and defers to the Department of Taxation. This measure seeks to improve the lives of residents across the State, focusing especially on families and individuals experiencing the most difficulty with the rising cost of living.

EOEL appreciates the clarification of pre-kindergarten teachers employed by the Department of Education (HIDOE), charter school, or a private school as a “qualifying taxpayer”. This clarification would benefit professionals in the field of early learning and provide beneficial relief for the valuable work they provide our youngest children, families, and community at large.

We also appreciate other tax credits in the bill for necessary expenses such as child and dependent care, housing, food and health care. Each of these components are necessary for a family's financial security and stability, and the additional support these may provide residents yields tremendous benefits particularly in households who have children.

We thank the Legislature for their commitment to supporting a multi-pronged and comprehensive approach to offset the high cost of living on residents across the State. Thank you for the opportunity to provide testimony.

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ALFRED L. CASTLE
Executive Director and Treasurer

EXPRESSING CASTLE FAMILY VALUES THROUGH A CENTURY OF GIVING
100 YEARS

THE SAMUEL N. AND MARY CASTLE FOUNDATION

and the
HENRY & DOROTHY CASTLE MEMORIAL FUND

March 29, 2023

Members of the Senate Committee on
Ways and Means

From: Al Castle, Executive Director, S.N. & Mary Castle Foundation
Re: H.B. 1049 HD2 Relating to Income tax

The Samuel N. & Mary Castle Foundation supports HB 1049 HD2 Relating to Income Tax. HB 1049 is part of Governor Green's legislative package. This bill provides a variety of critically important tax credits to help working families.

Many working families struggle with meeting their basic needs: rent, food, health care, child care, etc. Providing working families with tax credits to Improve their economic stability will enable them and their young children to have a brighter start.

Your consideration is greatly appreciated.

Alfred L. Castle

Alfred L. Castle
Executive Director

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Teacher Tax Credit, Increase Dependent Care and Renters' Credits and Index for Cost of Living

BILL NUMBER: HB 1049 HD 2 [GOV-01]

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Adds new tax credit for teacher's expenses. Adjusts annually for tax years beginning after December 31, 2023, the dependent care credit and household renters credit by a cost-of-living adjustment factor.

SYNOPSIS:

New Common Definition

Adds a new definition to HRS section 235-1 of "Cost-of-living adjustment factor" as a factor calculated by adding 1.0 to the percentage change in the Urban Hawaii Consumer Price Index for all items, as published by the United States Department of Labor, from July of the prior calendar year to July of the current calendar year; provided that if the Urban Hawaii Consumer Price Index is discontinued, the Chained Consumer Price Index for all urban areas for all items, as published by the United States Department of Labor, shall be used to calculate the cost-of-living adjustment factor.

Tax Credit for Teacher Expenses

Adds a new section to HRS chapter 235 to allow qualifying taxpayers to claim a tax credit of 80% of qualifying expenses, up to $500 per year. The credit shall be deductible from the taxpayer's income tax liability for the taxable year the credit is properly claimed.

Defines "qualifying taxpayer" as an individual employed by the department of education, a charter school, or a private school in the State as a prekindergarten or kindergarten through twelfth-grade teacher for at least nine hundred hours during the tax year.

Defines "qualifying expenses" as expenses paid or incurred by a qualifying taxpayer in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the qualifying taxpayer in the classroom.

Specifies that no other tax credit or deduction may be claimed for Hawaii income tax purposes for the certain expenses used to claim this tax credit for the taxable year.

The credit is not refundable but may be carried forward until exhausted.

Claims for the credit, including any amended claims, must be filed on or before the end of the 12th month following the close of the taxable year. Failure to do so will result in waiver of the credit.

Requires the director of taxation to prepare any necessary forms. Allows the department to require the taxpayer to furnish reasonable substantiation and adopt necessary rules pursuant to HRS chapter 91 to carry out this section.

Credits for Tax Relief to Lower-Income Households

Amends section 235-55.6, HRS (credit for expenses for household and dependent care services necessary for gainful employment), to change the applicable percentage to 50% minus one percentage point for each $3,000 or fraction thereof by which the taxpayer's AGI exceeds the threshold amount, with a floor of 25%. The threshold amount is $150,000 initially, and is annually adjusted by the cost-of-living adjustment factor described above. The limit on expenses is increased to $10,000 for one qualifying individual or $20,000 for two or more qualifying individuals. There is also an earned income limitation that is not changed by the bill.

Also adds a debarment period of: (1) 2 years if the taxpayer's claim for this credit is disallowed, or (2) 10 years if the taxpayer's claim for this credit is disallowed due to fraud.

Amends section 235-55.7, HRS (credit for household renters) to increase the credit per exemption from a flat $50 to a variable amount up to $350 based on federal adjusted gross income:

Taxpayer Filing Status	For taxpayer(s) above federal AGI of	The credit would be (not less than zero)
Married Filing Joint or Surviving Spouse	$40,000	$350 – 0.007(AGI – $40,000)
Head of Household	$30,000	$350 – 0.0093(AGI – $30,000)
Single	$20,000	$350 – 0.014(AGI – $20,000)

For taxpayers below the AGI threshold, the credit would be $350.

The threshold for credit eligibility is increased to taxpayers paying more than $10,000 in rent (up from $1,000).

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: As introduced, this bill was an Administration bill sponsored by the Office of the Governor and is designated GOV-01 (23) and was called the centerpiece of the Governor's tax relief agenda. Pieces of this bill have been placed in other vehicles, namely HB 954 and HB 493.

Tax Credit for Teacher Expenses

This measure proposes a tax credit of $500 or 80% of certain out-of-pocket expenses incurred by a teacher. The credit proposed in this measure would be granted without regard to a taxpayer's need for tax relief. It should be remembered that using the tax system to achieve social goals, as this measure proposes, is an inefficient means of accomplishing such goals.

Most of us have heard stories about teachers in the public school system who have been forced to use their own funds for classroom materials, and we know that isn't right. But the problem is with the bureaucratic system of requesting the funds and having the system take as much as six months to approve the money. The money has been appropriated, and it is the system that is frustrating. Thus, instead of using the tax system to "compensate" these teachers, first consideration should be given to "fixing the system."

The suggestion has been made time and time again to give teachers debit cards of some type for the classroom supplies budget under EDN 100. The cards could be credited with a predetermined amount and could be encoded so that only defined classroom supplies could be purchased with that debit card. Such a system already has been employed to administer the state's food stamp program, so why can't a similar system be established for classroom supplies rather than mucking up the tax system and ignoring the budgeting and appropriation processes?

Instead of just throwing money at a problem, in this case a tax credit, lawmakers should demand that the department fix the problem with the money that is there. It is the bureaucracy that needs to be addressed. Since the tax credit is an indirect additional burden on all remaining taxpayers as it shifts the burden to those not so favored, this proposal amounts to a tax increase and steals money from other programs.

Other technical considerations that lawmakers should consider if the bill is to go forward are:

There appears to be no requirement that the expense be unreimbursed. To prevent unintended benefit, reimbursed amounts should not be creditable and there should be recapture consequences if credited amounts are reimbursed.

Credits for Tax Relief to Lower-Income Households

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

We in Hawaii have several disparate programs and tax credits aimed at poverty relief. This measure adjusts two of them: tax credit allowed to household renters (HRS section 235-55.7) and credit for those with dependent care expenses necessary for gainful employment (HRS section 235-55.6). Other credits that fall into this category are the food/excise tax credit (HRS section 235-55.85) and the earned income tax credit (HRS section 235-55.75). Many of these credits have non-duplication provisions and all have strict time limits on when they may be claimed upon pain of credit forfeiture. Apparently, lawmakers of the past had many different ideas on how to address the problem of poverty in Paradise but couldn't figure out which program to go with, so they adopted them all. The principal disadvantage of this is that people can and do get confused over which credits they can and can't claim, and as a result are exposed to credit disallowance, penalties, and other undesirable consequences. We note that this bill appears to make the two credits affected somewhat more complex than the table lookups provided for in existing law. Woe be to any taxpayer who is attempting to claim either or both of these credits without a computer!

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

Digested: 3/31/2023

CATHOLIC CHARITIES HAWAIʻI

TESTIMONY IN SUPPORT OF HB 1049 HD2: RELATING TO INCOME TAX

TO: Senate Committee on Ways and Means
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaiʻi
Hearing: Monday, 4/3/23; 9:40 AM; Room 211 & via videoconference

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

We appreciate the opportunity to provide testimony **in Support of HB 1049 HD2,** which adds a new tax credit for teachers' expenses and adjusts the dependent care credit and the low-income renters tax credit. I am Rob Van Tassell, with Catholic Charities Hawai`i.

Catholic Charities Hawai`i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai`i for over 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai`i.

We support the tax credit for our teachers who often use their own funds to create better educational experiences for their students. We urge the legislature to recognize their dedication and approve this tax credit.

We must also take action to help Hawaii's many renters who are struggling under the double whammy of high inflation on food and other essentials as well as increasing rents. This tax credit can address the high cost of living for so many in Hawai`i. In fact, it is the third most commonly used tax credit among Hawai`i residents. This credit has not been increased since 1989 and this adjustment is long overdue.

We also urge that you include an automatic cost-of-living adjustment in this renters credit proposal to ensure that it will not take another 30+ years to adjust this important credit. Catholic Charities Hawai`i served over 20,000 people in 2022, most of whom were renters. We consider this a Social Justice issue since rents impact greatly on family stability, educational stability, possible homelessness, etc. We are greatly concerned about increasing homelessness among the kupuna in our community, mainly due to increasing rents. Many long term elderly renters are coming to CCH for help since they cannot afford rising rents. This tax credit and an automatic cost-of-living adjustment to keep our families and elders in stable housing is critical for the welfare of our State.

We support the dependent care tax credit to help families to cover the high costs of child care and other care to loves ones, including kupuna. Child care costs have skyrocketed to an average of $13,000/year! Our population is aging. Families need support to continue providing care which may impact on their work and incomes.

We urge your support. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 if you have any questions.

CLARENCE T. C. CHING CAMPUS • 1822 Keʻeaumoku Street, Honolulu, HI 96822
Phone (808)527-4813

Testimony to the Senate Committee on Ways and Means

Monday, April 3, 2023

9:40 a. m.

State Capitol Conference Room 211 and via videoconference

Re: HB 1049 HD 2 SD 1 Relating to Income Tax

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

I am Gary Simon, a member of the board of the Hawaii Family Caregiver Coalition, whose mission is to improve the quality of life of those who give and receive care by increasing community awareness of caregiver issues through continuing advocacy, education, and training.

The Hawaii Family Caregiver Coalition strongly supports HB 1049 HD 2, which annually adjusts the dependent care tax credit by a cost-of-living adjustment factor.

Th tax credit provides welcome financial relief to working caregivers.

We urge you to support HB 1049 HD 2 and we urge you to recommend its passage.

We thank you for seriously considering the bill.

Very sincerely,

Gary Simon

Email gsimon@aarp.org

April 3, 2023

TO: Senator Donovan Dela Cruz, Chair
Senator Gil Keith-Agaran, Vice Chair
and Members of the Senate Committee on Ways and Means

FROM: Kerrie Urosevich, Co-Chair
Commit to Keiki

RE: H.B. 1049 HD2
Relating to Income Tax

Commit to Keiki SUPPORTS HB 1049 HD2 Relating to Income Tax. HB 1049 is part of Governor Green's legislative package. This bill provides a variety of tax credits to help working families.

Many working families struggle with meeting their basic needs - rent, food, health care, child care, etc. Providing working families with tax credits to improve their economic stability will enable them and their young children to have a brighter start.

Thank you for allowing Commit to Keiki to provide testimony on this important measure.

Commit to Keiki, a project of the Early Childhood Action Strategy, is a public-private collaborative to ensure that Hawaiʻi's youngest children (birth to 5 years old) and their families have a brighter start. Early Childhood Action Strategy is a project under Collaborative Support Services, Inc. Led by a diverse Steering Committee, with representatives from Hawaiʻi business, education, early intervention, nonprofit and philanthropic organizations, Commit to Keiki serves as a trusted partner and reliable resource for information on issues related to Hawaiʻi's youngest keiki and families.

earlychildhood ACTION STRATEGY
TAKING ACTION FOR HAWAII'S CHILDREN

Date: April 1, 2023

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

From: Early Childhood Action Strategy

Re: **Support for HB 1049, Relating to Income Tax**

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

ECAS supports passage of HB 1049. This bill will would add new tax credits that would aid low income working families. Hawaii has the highest cost of living in the nation, and **nearly half of Hawaiʻi's residents are struggling (2020 Alice in Hawaii Report).**

Today, almost a third (28.7%) of Hawaiʻi's households have difficulty paying for their usual household expenses and one in ten respondents (9.3%) report sometimes or often not having enough to eat (U.S. Census Household Pulse Survey, January 16, 2023).

Too many workers in Hawai`i are struggling to make ends meet. Many are working several jobs to juggle their family's basic expenses. Meaningful income support and tax relief for low-income families will help to strengthen families, create more stable communities, support the development of a strong and stable workforce, and will help to create the conditions that lead to more positive child outcomes.

Recommendations
HB 1049 would implement improvements to our tax structure that would both help struggling working families and increase equity in our tax code. We support passage of the bill, and we support an adjustment that will make the reform even more effective and ensure that benefits are targeted to the lowest income taxpayers.

- Implement an income cap for the CDCTC to target benefits to low- and moderate-income households. To drive benefits to low- and moderate-income households, the legislature should consider adjusting eligibility to taper off to a cap of 300 to 400 percent of the poverty level. In 2020, for a family of four, annual income at 300 percent of poverty was $90,400.

Thank you for this opportunity to provide testimony in support of this important measure.

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawaiʻi Appleseed Center for Law and Economic Justice
In Support of HB 1049 – Relating to Income Tax
Senate Committee on Ways and Means
Monday April 3, 2023, 9:40 AM, conference room 211

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committees:

We would like to express our **support** of HB 1049, which would implement a host of tax reforms that would be of particular help to struggling working families in Hawaiʻi.

We commend the work and thinking behind the bill and would support passing it because it would be a significant improvement for Hawaiʻi workers whose wages aren't enough to cover the cost of living. It would also bring greater balance to our tax system, in which struggling workers pay a larger proportion of their income in taxes than the wealthiest taxpayers. But we would also like to recommend additional improvements to ensure that the benefits are better targeted to strengthen our economy, our community, and the people who have the greatest need for relief.

Hawaiʻi's working families are struggling more than ever to make ends meet, causing tens of thousands of cost-strapped residents to leave the state each year. A record 44% of Hawaiʻi's population cannot afford housing, child care, transportation, food, and other basic necessities.[1] Drastic action is required to reverse this trend and make Hawaiʻi a place where all residents can thrive and support their families for generations to come. Immediate solutions are necessary to achieve this vision, and Hawai`i's income tax system is an effective way to deliver targeted assistance to local families.

We appreciate the opportunity to share the below highlights of how HB 1049 will help to meet those needs, and recommendations for improvements.

The Highlights of HB 1049

On the whole, Hawaiʻi' Appleseed supports the tax relief measures within HB 1049. We would like to highlight the proposed expansion to the Household Renters Credit in particular.

Household Renters Credit

We support HB 1049's proposal to increase the income limits and credit size of the Household Renters Credit. The lack of affordable rentals is one of the principal drivers behind the high cost of living in Hawaiʻi. Demonstrating this point, 20% of Hawaiʻi's renter households are extremely low income, and

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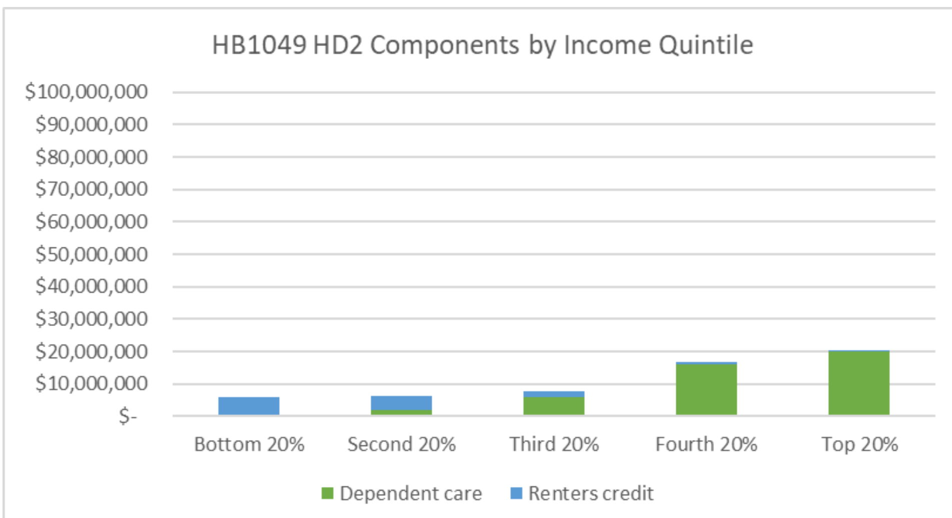
[1] "ALICE in Hawaiʻi: 2022 Facts and Figures," Aloha United Way, 2022.
https://www.auw.org/sites/default/files/pictures/ALICE%20in%20Hawaii%20-%202022%20Facts%20and%20Figures%20Full%20Report.pdf

66% of these households face a severe cost burden with their rent.[2] By expanding the Household Renter's Credit, lawmakers can help to keep more local renters in stable, long-term housing.

Recommendations

HB 1049 would put into place powerful improvements to our tax structure that would both help struggling working families and increase equity in our tax code. While we support passage of the bill, we recommend adjustments that will make the reforms proposed even more effective and ensure that the benefits are targeted to the lowest-income taxpayers.

- **Implement an income cap for the CDCTC target benefits to low- and moderate-income households**.



Currently, Hawai‘i's CDCTC tends to benefit higher-income families, and this would still hold true for HB 1049's revised CDCTC. Following the language of this bill, the CDCTC would largely benefit taxpayers in the fourth and fifth income quintiles. In addition, HB 1049 would only enforce an income threshold instead of a strict income cap to qualify for the CDCTC. To drive benefits to low- and moderate-income households, the legislature should consider adjusting eligibility for the CDCTC to taper off to an income limit at 300 to 400 percent of the poverty level. In 2020, for a family of four, annual income at 300 percent of poverty was $90,400 and 400 percent was $120,500 while the average median income was $101,600.

- **Consider creating a state level Child Tax Credit or "Keiki Credit" to offset the high cost of raising children in Hawaii.** Building on the success of the federal expansion of the child tax credit through the American Rescue Plan, Hawai‘i should consider passing a state level child tax credit that complements the federal CTC and EITC. During the pandemic, the expanded federal CTC lifted almost 3 million children out of poverty during the 2021 expansion. While the federal government has failed to renew this highly effective expansion, Hawai‘i has an opportunity to help fill the gap left by federal inaction and invest in the financial security of our keiki and

[2] https://nlihc.org/housing-needs-by-state/hawaii

working families by creating a Hawai‘i state child tax credit. Language for creating a Hawai‘i CTC can be found in HB233.

HB 1049 will help working households meet critical needs for child care and other necessities, and it will help reduce inequity in our tax system. However, it can be improved to better target tax relief, further boosting equity and the state's ability to preserve revenue that can be invested in housing, child care and other social infrastructure that increases affordability for residents.

Thank you for your consideration of HB 1049.

HCAN Speaks! Hawai'i Children's Action Network

Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: Senate Committee on Ways and Means
Re: **HB 1049, HD2 - Relating to Income Tax**
Hawaiʻi State Capitol & Via Videoconference
April 3 2023, 9:40 AM

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

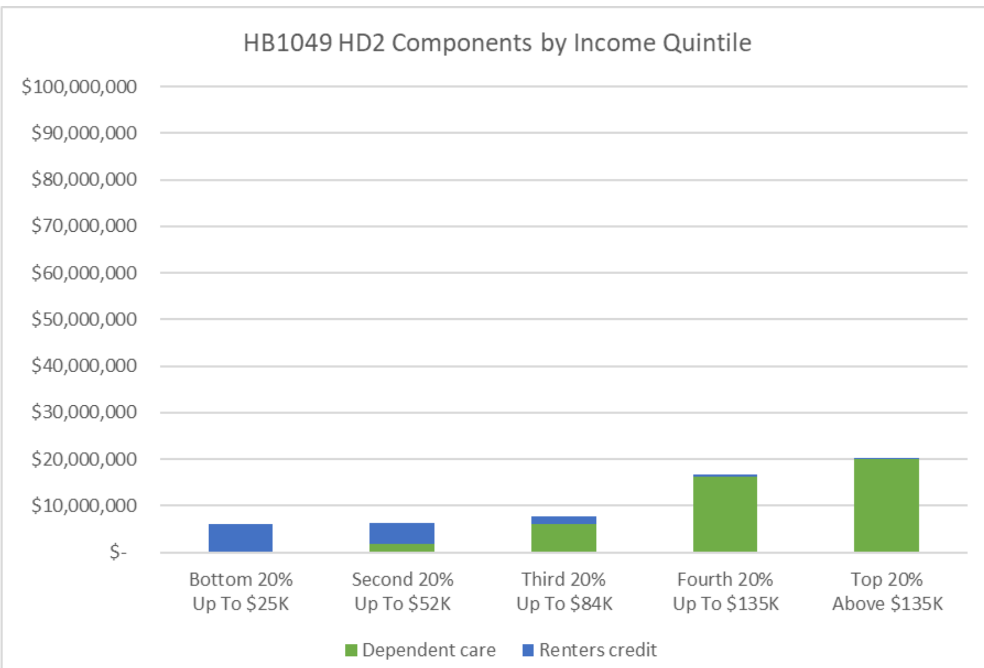
On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing **in SUPPORT of HB 1049, HD2.** This bill adds a new tax credit for teacher's expenses and makes adjustments to the Child and Dependent Care Tax Credit (CDCTC) and the Low-Income Household Renters' Credit (LIHRC).

This bill would boost tax credits that help working families make ends meet. Nearly half of children in Hawaiʻi live in households experiencing financial hardship. While almost 1 in 8 are in poverty, an additional one-third of families in Hawaii aren't officially poor but still don't earn enough to afford the basic life essentials.[1]

There are a number of social services to support struggling families in poverty, but working class families just above poverty often don't qualify for public benefits, while they still can't afford the basics. As a result, many families are moving out of state.

That's where tax credits come in. They help people keep more of their money, and when targeted for lower- to middle-income families, help reduce financial hardship.

The chart below shows how much the CDCTC and LIHRC changes in this bill would benefit families at different income levels, with the lowest-income families represented in the first column and those at the top in the fifth column:



[1] https://www.auw.org/sites/default/files/pictures/ALICE-in-Focus-Children-Hawaii%20%283%29.pdf

The CDCTC is currently capped at 25% of care expenses and $2,400 for one child or dependent, or $4,800 for two children or dependents. With the average cost of child care in Hawaiʻi exceeding $13,000 per year, families need more support.[2] This bill would expand the reach of the CDCTC to more families, increase the portion of care expenses that they can claim, and more than double how much they can get – up to $5,000 per child.

Helping families afford to enroll their keiki in child care programs also reaps benefits for their parents and our community in other ways:

- Full-time child care programs allow parents to obtain stable employment, which increases the economic well-being of the family as a whole.
- Additionally, early learning programs facilitate the academic and social development of young children and should be supported. Research on the benefits of quality early learning programs indicates that for every $1 invested in such opportunities, society saves $4 to $8 on remedial classes, special education, welfare programs, and criminal justice costs.

It is also well known that Hawaiʻl has the highest housing costs in the nation. According to the National Low-Income Housing Coalition, the "housing wage" needed to afford a one-bedroom apartment in Hawaiʻi in 2022 was $31.15. Meanwhile, the median wage for in the state didn't even come close, at $24.26 per hour. [3]

The high cost of housing is a major reason why Hawaiʻi's Department of Business, Economic Development and Tourism finds that a single parent with one child, and with employer-provided health insurance, needed to earn more than $31 an hour "to meet their basic needs" in 2020, which is nearly $36 in 2023.[4]

The LIHRC was created in 1977 to provide tax relief to low- and moderate-income renter households in our state. In 1981, the credit amount was set at $50 per exemption. In 1989, the income eligibility cut off was set at $30,000, which was just above the median household income at the time. Neither of those levels have budged in more than three decades.[5]

This bill updates the renters' credit to recover ground lost to decades of inflation by increasing the income eligibility limit and the maximum value of the credit. It also provides higher credit values and eligibility limits for heads of households and married filers. This is especially helpful to families with children.

For example, **a single mom with two children who earns $35,000 per year is not eligible for the current renters' credit, due to her income being above the outdated eligibility limit. If this bill were to become law, she would be able to claim more than $900 for her family**. That could make a huge difference for them, possibly enabling them to make their rent and stay housed.

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

Thank you,
Nicole Woo, Director of Research and Economic Policy

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[2] https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/
[3] https://reports.nlihc.org/oor/hawaii
[4] https://files.hawaii.gov/dbedt/annuals/2021/2021-read-self-sufficiency.pdf
[5] https://files.hawaii.gov/tax/stats/stats/credits/2020credit.pdf

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The State Legislature
The Senate Committee on Ways and Means
Monday, April 3, 2023
Conference Room 211, 9:40 a.m.

TO: The Honorable Donovan Dela Cruz, Chair
FROM: Keali'i S. López, State Director
RE: Strong Support for H.B. 1049, HD2 Relating to Income Tax

Aloha Chair Dela Cruz and Members of the Committee:

My name is Keali'i Lopez and I am the State Director for AARP Hawai'i. AARP is a nonpartisan, social impact organization that advocates for individuals aged 50 and older. We have a membership of nearly 38 million nationwide and nearly 140,000 in Hawaii. We advocate at the state and federal level for the issues that matter most to older adults and their families.

AARP is in strong support of HB. 1049, HD 2 relating to the dependent care credit and income tax credit for household renters.

SECTION 3. §235-55.6 Expenses for household and dependent care services necessary for gainful employment.
AARP supports the efforts in this bill to expand the Child and Dependent Tax Credit. While many family caregivers provide care to loved ones who are not dependents, the increase to the existing credit would help to alleviate some of the financial challenges some family caregivers in Hawai'i experience when providing care for loved ones while also working.

Family caregivers are truly the backbone of our long-term care system. AARP's recently published Valuing the Invaluable report found that 154,000 residents of Hawai'i provide unpaid care for a loved one. These unpaid family caregivers provide nearly 144 million hours of care each year, valued at an estimated $2.6 billion annually. This bill is critical to supporting Hawaii's 154,000 family caregivers.

Family caregivers do this work often with many physical, emotional, and financial challenges, and often while balancing caregiving with work and other personal responsibilities. On average, family caregivers spend 26% of their income on caregiving activities. Nearly eight in 10 caregivers report having routine out-of-pocket expenses related to looking after their loved one. Increasing the dependent care tax credit up to $10,000 for one qualified dependent and up to $20,000 for two or more qualified dependents will be a welcome relief to caregivers.

HB1049, HD2 helps older adults and their family caregivers to benefit from respite care, while alleviating some of the financial challenges associated with those essential services. This assists them to maintain employment and care for their own needs while ensuring their older loved ones can remain in their homes and communities, where most want to be, and helping to alleviate the isolation and loneliness that many experience.

SECTION 4. §235-55.7 Income tax credit for household renters
AARP is in strong support of modifying the income tax credit for household renters. However, we respectfully recommend the following edits to:

"§235-55.7 Income tax credit for [~~low-income~~] household renters." to read:

> (c) Each taxpayer [~~with an adjusted gross income of less than $30,000~~] who has paid more than [~~$1,000~~] $10,000 in rent or if the taxpayer pays more than 30% of their adjusted gross income in rent during the taxable year for which the credit is claimed may claim a household renters tax credit [~~of $50~~] as determined in subsection (d), multiplied by the number of qualified exemptions to which the taxpayer is entitled; provided that married couples shall file a joint return; provided further that each taxpayer sixty-five years of age or over may claim double the tax credit; [~~and~~] provided further that a resident individual who has no income or no income taxable under this chapter may also claim the tax credit as set forth in this section.

The reason for the recommended amendment is because HUD defines cost-burdened families as those "who pay more than 30 percent of their income for housing" and "may have difficulty affording necessities such as food, clothing, transportation, and medical care." Severe rent burden is defined as those paying more than 50 percent of one's income on rent.

According to Habitat for Humanity's 2022 State of Home Affordability in Hawai'i, 1 in 6 households spend more than half of their income on housing. According to the same report, 80% of the renters earning less than $50,000 are rent burdened, paying more than 30% of their income on housing. And 57% of the renters are severely rent burdened, paying more than 50% of their income in housing. Therefore, AARP's amendments would be more aligned in helping Hawaii's households who are more rent burdened.

Furthermore, AARP/Statista analysis reports that close to 1,000 older adults (55+) are expected to be evicted in 2023 and more than 1,500 older (55+) are expected to experience homelessness in 2023 in Hawai'i. According to National Low Income Housing Coalition's (NLIHC) 2022 Hawaii Housing Profile, 37% of the extremely low-income renter households consists of seniors.

H.B. 1049, HD2 with its dependent care credit and income tax credit for household renters goes far in making a difference for cost burdened renters and family caregivers. AARP applauds the Legislature and Governor Green for demonstrating their commitment to Hawaii's working families.

Thank you for the opportunity to testify in strong support H.B. 1049, HD2.

holomua
COLLABORATIVE

OUR MISSION
To support and advance public policies that make Hawai‘i affordable for all working families.

OUR VISION
Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai‘i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai‘i can thrive.

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HolomuaCollaborative.org

Committee: **Senate Committee on Ways and Means**
Bill Number: **HB 1049, HD2, Relating to Income Tax**
Hearing Date and Time: **April 3, 2023 at 9:40am (Room 211)**
Re: **Testimony of Holomua Collaborative in support**

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

We write in support of HB 1049, HD2, Relating to Income Tax. The purpose of HB 1049, HD2 is to add a new tax credit for teacher's expenses and adjust annually for tax years beginning after December 31, 2023, the dependent care credit and household renters credit by a cost-of-living adjustment factor.

Holomua supports innovative initiatives that help make Hawai‘i affordable for all working families. We are especially interested in fostering cross-sector collaboration and supporting policies that are evidence-based. The bill’s multi-faceted approach is an effective way to simultaneously target different segments of the State’s population. It does this in a way that primarily assists people in the lowest income brackets while providing some relief to everyone, and we support all three of its main elements.

<u>Tax credit for teachers</u>
According to the State Teachers Association, Hawai‘i teachers spend an average of $953 out-of-pocket on school supplies, while teachers with a bachelor’s degree earn around $38,000 to $72,000.[1] And as noted last year by the National Education Association, well over 90 percent of teachers spend their own money on school supplies, and even with economic assistance, having to pay for their own supplies adds to educator fatigue and worsens their own economic picture.[2] With these dynamics in mind, this tax credit is sensible policy to provide some relief to help keep local teachers in the profession.

<u>Child and dependent care tax credit</u>
The cost of full-time child care has risen. This cost increase should be reflected in the tax credits allowed for expenses for household and dependent care services. This would help support the early learning programs that facilitate the academic and social development of young children. Full-time care programs also help parents obtain and retain stable employment, which increases the economic well-being of the whole family.

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[1] “Lawmakers want to help teachers recoup some of the money they spend on supplies,” March 1, 2023 on Hawai‘i News Now (https://www.hawaiinewsnow.com/2023/03/01/lawmakers-considering-bill-that-would-bring-relief-hawaii-teachers/).

[2] “Out-of-pocket spending on school supplies adds to strain on educators,” October 14, 2022, National Education Association (https://www.nea.org/advocating-for-change/new-from-nea/out-pocket-spending-school-supplies-adds-strain-educators).

The child and dependent care tax credit helps offset the cost of child and dependent care for many working families, the majority of whom pay more for child care than for any other single household expense.[3] For a short time, families nationwide enjoyed an enhanced *federal* child and dependent care tax credit as part of the American Rescue Plan. Unfortunately, that expansion of the tax credit was allowed to expire at the end of 2021. The federal expansion helped people pay for child and dependent care, which meant it helped them find work or continue working. The expiration of that expanded benefit means countless families–including in Hawaiʻi–will now have a harder time finding care.

By filling the gap left when the federal expansion expired, this expanded state child and dependent care tax credit will increase workers' access to care services. This allows them to maintain the jobs that provide financial security for their families. It also means employers will have more comfort, knowing the people who work for them will likely be able to stay in their jobs rather than having to leave work to care for their children or other dependents.

Additionally, the child and dependent tax credit is widely utilized. According to the State Department of Taxation (DOTAX)[4], the child and dependent care tax credit is normally the third most claimed tax credit. It fell to fourth place in 2020 as more parents stayed home during the pandemic. In 2020, there were 15,547 claims worth $5.3 million for this credit, a 40.2% reduction from the 2019 amount of $8.7 million. According to DOTAX, the drop in the tax credit claims in 2020 was likely the result of the shutdown of child care centers and telework policies implemented during the Covid-19 pandemic, which led to less childcare spending by taxpayers. But as more people go back to the office, we can expect that the need for the credit will rise. As a result, this is a good time to increase the value of the child and dependent care tax credit.

<u>Renters tax credit</u>
As of late last year, Honolulu was the third most expensive place to rent in the country, with the median rent for a two-bedroom unit coming out to about $2,500 per month.[5]

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[3] "The Expanded Child and Dependent Care Tax Credit Can Reduce Families' Child Care Burden," Child Trends, February 10, 2022 (https://www.childtrends.org/blog/the-expanded-child-and-dependent-care-tax-credit-can-reduce-families-child-care-burden)

[4] "COVID-19 reduced the usage of the Child Care Tax Credit," DOTAX, November 2022 (https://tax.hawaii.gov/blog/blog11-child-care-tax-credit/)

[5] See "As Housing prices soar, Honolulu becomes the third most expensive place to rent in the country," Hawaiʻi News Now, August 2, 2022 (https://www.hawaiinewsnow.com/2022/08/03/analysis-honolulu-is-now-nations-third-most-expensive-place-rent/).

holomua
COLLABORATIVE

On Maui, rent prices spiked over the first few months last year, with Maui seeing a 41% surge in asking prices compared with the same time last year, according to a report from University of Hawaiʻi Economic Research Organization.[6] The lack of affordable rentals is one of the principal drivers behind the high cost of living in Hawaiʻi, with 20% of Hawaii's renter households extremely low income and 66% of these households facing a cost burden with their rent.[7] By expanding the renters credit lawmakers can help to keep more local renters in stable, long-term housing.

<u>State child tax credit</u>
Finally, we respectfully recommend that if HB 233 does not proceed as an independent vehicle to establish a state child tax credit, that its provisions be added to this measure. Establishing a state child tax credit for Hawaii's working families would fill an important gap. To address child poverty, the American Rescue Plan Act of 2021 increased the *federal* child tax credit from $2,000 to $3,600 for qualifying children under the age of six and $3,000 for other qualifying children under the age of 18. It also allowed the credit to be distributed monthly. But even though these provisions lifted millions of families and their children out of poverty, they expired at the end of 2021. Since then, at least twelve states have enacted their *own* child tax credit. We urge Hawai'i to do the same.

For the above reasons we support HB 1049, HD2 and appreciate the opportunity to testify.

Sincerely,

Joshua Wisch

Josh Wisch
President & Executive Director

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[6] "Report shows rent prices spiked 41% on Maui; residents worry about finding a place," May 12, 2022 in Maui Now (https://mauinow.com/2022/05/12/report-show-rent-prices-spiked-41-on-maui-residents-worry-about-finding-a-place/).

[7] https://nlihc.org/housing-needs-by-state/hawaii

TESTIMONY IN SUPPORT OF HB 1049 HD2

TO: Chair Dela Cruz, Vice-Chair Keith-Agaran, & Members, Senate Committee on Ways and Means
FROM: Ryan Kusumoto, President & CEO
DATE: April 3, 2023 at 9:05 AM

Parents and Children Together (PACT) <u>supports HB 1049 HD2</u> Relating to Income Tax, which provides and enhances a variety of tax credits to help working families and a new tax credit for teacher's expenses.

Founded in 1968, PACT is a statewide community-based organization providing a wide array of innovative and educational social services to families in need. Assisting more than 15,000 people across the state annually, we help identify, address, and successfully resolve challenges through our 20 programs. Among our services are early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, childhood sexual abuse supportive group services, child and adolescent behavioral health programs, sex trafficking intervention, poverty prevention and community building programs.

PACT's mission is to work together with Hawai'i's children, individuals, and families to create safe and promising futures. Financial challenges presented by the cost of living in Hawai'i clearly create many barriers and keep many people living at the edge of homelessness despite their employment. Continuing to work on improving our system of taxation so that it doesn't work against the basic needs of community members is very important.

Thank you for the opportunity to testify. Please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.

LATE

HB 1049, HD2, RELATING TO INCOME TAX

APRIL 3, 2023 · SENATE WAYS AND MEANS COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Support.

RATIONALE: Imua Alliance **supports** HB 1049, HD2, which adds new tax credit for teacher's expenses and adjusts annually for tax years beginning after December 31, 2023, the dependent care credit and household renters credit for cost-of-living.

According to the National School Supply and Equipment Association, public school teachers annually spend $1.6 billion of their discretionary income on supplementary school supplies and instructional materials. **On average, teachers surveyed spent a total of nearly $500 on school supplies and instructional materials, with more than 10 percent spending over $1,000 of personal income each school year to educate their keiki.** Those figures likely rose during the COVID-19 pandemic, as teachers were forced to purchase cleaning supplies and personal protective equipment for themselves, their students, and their classrooms, since PPE supplies were not always obtainable from the Hawai'i Department of Education.

That trend is, if anything, worse in Hawai'i, which consistently ranks at the bottom in national teacher compensation studies. Pay cuts, rising health care costs, adjusted insurance co-pays, and the loss of the state's $1,690-per-special-education-teacher classroom supply fund have all aggravated the financial burden borne by teachers' pocketbooks. In a recent survey conducted by HSTA, 47 percent of respondents cited personal expenditures between $250 and $500 each year on classroom supplies, with many claiming expenditures in excess of $1,000. Lawmakers must take action to lighten their financial load.

Ensuring that educators have more money in their pocketbooks effectively increases their purchasing power, puts money back into the local economy, and incentivizes the teaching profession at a time when our state's high cost- of-living and low adjusted-average income compel many would-be teachers to choose more highly compensated professions (or, even worse, leave the state altogether). Today, approximately half of Hawai'i's teachers leave our state's classrooms every five years. Therefore, to recruit and retain quality teachers for our schools, we should provide fiscal incentives that offset our state's exorbitant and every-increasing cost-of-living for supplies that support the learning growth of our keiki.

Moreover, nearly half of children in Hawaiʻi live in households experiencing financial hardship. While almost 1 in 8 are in poverty, an additional one-third of families in Hawaii aren't officially poor but still don't earn enough to afford the basic life essentials. Many working-age families are choosing to move to the mainland because of the high cost of living here. There are a number of social services to support struggling families in poverty. Yet, working class families above poverty who still can't afford the basics often don't qualify for public benefits. That's where tax credits come in. They help people keep more of their hard-earned money, and when targeted for lower- to middle-income families, help reduce financial hardship.

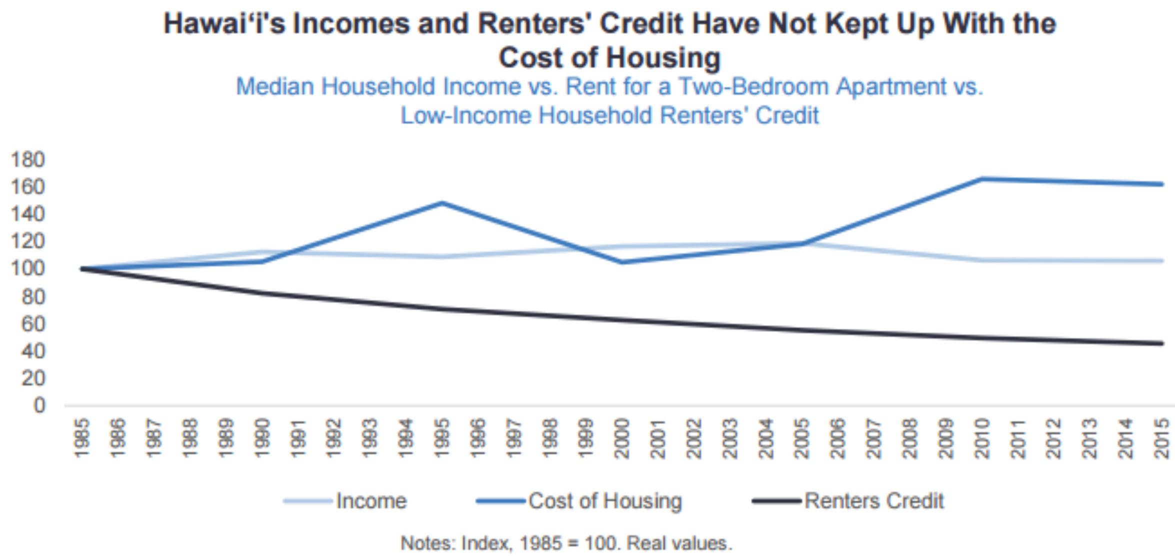
The cost of full-time childcare in Hawai'i has skyrocketed. Accordingly, we need to increase the income tax credits allowed for expenses for child and dependent care services to ensure that these credits reflect the economic reality of working families. The CDCTC is currently capped at 25% of care expenses and $2,400 for one child/dependent or $4,800 for two children/dependents. It also phases out as incomes rise. **With the average cost of childcare in Hawaiʻi exceeding $13,000 per year, families need more support.** Thus, policymakers should expand the reach of the CDCTC to more families and increase the portion of care expenses that they can claim.

Helping families afford to enroll their keiki in childcare programs also reaps benefits for their parents and our community in other ways. Full-time childcare programs allow parents to obtain stable employment, which increases the economic well-being of the family as a whole. Furthermore, early learning programs facilitate the academic and social development of young children and should be supported. Research on the benefits of quality early learning programs indicates that for every $1 invested in such opportunities, society saves $4 to $8 on remedial classes, special education, welfare programs, and criminal justice costs.

Finally, Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. **Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2022* report found that a full-time worker would need to earn $40.63/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015.** Average rent for a two-bedroom unit surpassed $2,000 in recent years, with minimum wage workers needing to log 123 hours per week to afford a modest one-bedroom apartment at fair market value and 161 hours per week to afford a two-bedroom–a number that is equivalent to working over 23 hours a day with no days off year-round.

One out of every four households in Hawai'i report that they are "doubling up" or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, over 60 percent of households are severely cost-burdened, meaning that they pay more than 30 percent of their income on housing, a number that rises to over 80 percent of extremely low-income households. Notably, housing costs increased during the pandemic. In Honolulu, median single-family home prices reached a record of $1.15 million in April of 2022, driven largely by sales to residential property investors. Unsurprisingly, our state is experiencing population decline. Hawai'i saw domestic out-migration increase for a sixth consecutive year in 2022, as our high cost of living continued to push people to the mainland.

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



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

LATE

HOUSE BILL 1049, HD2, RELATING TO TAXATION.

APRIL 3, 2023 · SENATE WAYS AND MEANS COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** for HB 1049, HD2, which adds new tax credit for teacher's expenses and adjusts annually for tax years beginning after December 31, 2023, the dependent care credit and household renters' credit by a cost-of-living adjustment factor.

According to the National School Supply and Equipment Association, public school teachers annually spend $1.6 billion of their discretionary income on supplementary school supplies and instructional materials. **On average, teachers surveyed spent a total of nearly $500 on school supplies and instructional materials, with more than 10 percent spending over $1,000 of personal income each school year to educate their keiki.** Those figures likely rose during the COVID-19 pandemic, as teachers were forced to purchase cleaning supplies and personal protective equipment for themselves, their students, and their classrooms, since PPE supplies were not always obtainable from the Hawai'i Department of Education.

That trend is, if anything, worse in Hawai'i, which consistently ranks at the bottom in national teacher compensation studies. Pay cuts, rising health care costs, adjusted insurance co-pays, and the loss of the state's $1,690-per-special-education-teacher classroom supply fund have all aggravated the financial burden borne by teachers' pocketbooks. In a recent survey conducted by HSTA, 47 percent of respondents cited personal expenditures between $250 and $500 each year on classroom supplies, with many claiming expenditures in excess of $1,000. Lawmakers must take action to lighten their financial load.

Ensuring that educators have more money in their pocketbooks effectively increases their purchasing power, puts money back into the local economy, and incentivizes the teaching profession at a time when our state's high cost- of-living and low adjusted-average income compel many would-be teachers to choose more highly compensated professions (or, even worse, leave the state altogether). Today, approximately half of Hawai'i's teachers leave our state's classrooms every five years. Therefore, to recruit and retain quality teachers for our schools, we should provide fiscal incentives that offset our state's exorbitant and every-increasing cost-of-living for supplies that support the learning growth of our keiki.

Moreover, nearly half of children in Hawaiʻi live in households experiencing financial hardship. While almost 1 in 8 are in poverty, an additional one-third of families in Hawaii aren't officially poor but still don't earn enough to afford the basic life essentials. Many working-age families are choosing to move to the mainland because of the high cost of living here. There are a number of social services to support struggling families in poverty. Yet, working class families above poverty who still can't afford the basics often don't qualify for public benefits. That's where tax credits come in. They help people keep more of their hard-earned money, and when targeted for lower- to middle-income families, help reduce financial hardship.

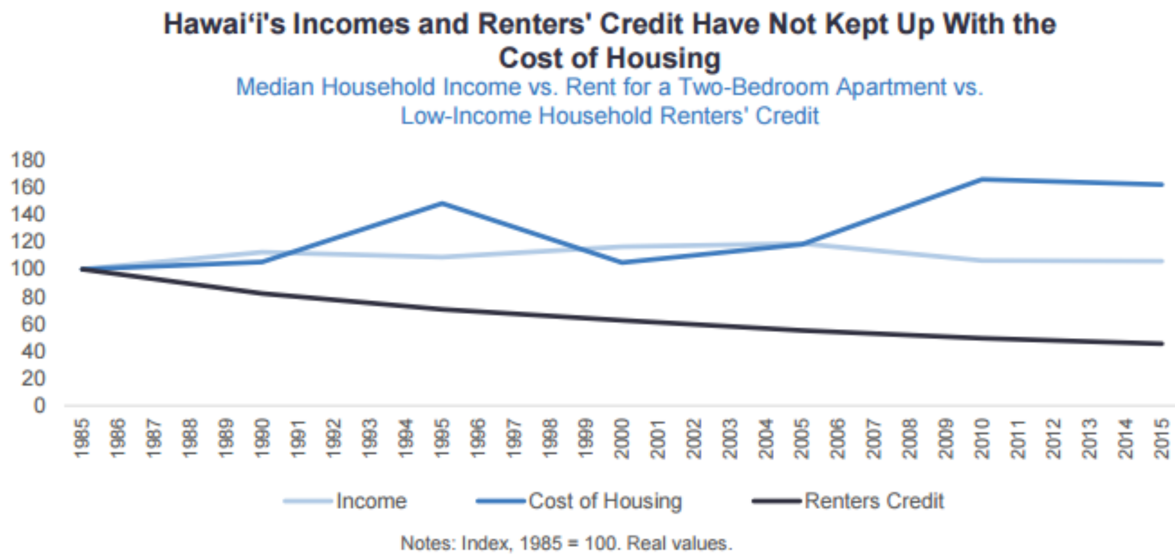
The cost of full-time childcare in Hawai'i has skyrocketed. Accordingly, we need to increase the income tax credits allowed for expenses for child and dependent care services to ensure that these credits reflect the economic reality of working families. The CDCTC is currently capped at 25% of care expenses and $2,400 for one child/dependent or $4,800 for two children/dependents. It also phases out as incomes rise. **With the average cost of childcare in Hawaiʻi exceeding $13,000 per year, families need more support.** Thus, policymakers should expand the reach of the CDCTC to more families and increase the portion of care expenses that they can claim.

Helping families afford to enroll their keiki in childcare programs also reaps benefits for their parents and our community in other ways. Full-time childcare programs allow parents to obtain stable employment, which increases the economic well-being of the family as a whole. Furthermore, early learning programs facilitate the academic and social development of young children and should be supported. Research on the benefits of quality early learning programs indicates that for every $1 invested in such opportunities, society saves $4 to $8 on remedial classes, special education, welfare programs, and criminal justice costs.

Finally, Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. **Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2022* report found that a full-time worker would need to earn $40.63/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015.** Average rent for a two-bedroom unit surpassed $2,000 in recent years, with minimum wage workers needing to log 123 hours per week to afford a modest one-bedroom apartment at fair market value and 161 hours per week to afford a two-bedroom–a number that is equivalent to working over 23 hours a day with no days off year-round.

One out of every four households in Hawai'i report that they are "doubling up" or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, over 60 percent of households are severely cost-burdened, meaning that they pay more than 30 percent of their income on housing, a number that rises to over 80 percent of extremely low-income households. Notably, housing costs increased during the pandemic. In Honolulu, median single-family home prices reached a record of $1.15 million in April of 2022, driven largely by sales to residential property investors. Unsurprisingly, our state is experiencing population decline. Hawai'i saw domestic out-migration increase for a sixth consecutive year in 2022, as our high cost of living continued to push people to the mainland.

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



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

LATE

United Way
Aloha United Way

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

Wednesday, March 3, 2023, 9:40 AM, Conference room 211

Position: In Support of HB 1049 HD2 – Relating to Income Tax

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

Aloha United Way and the ALICE Initiative strongly support bill HB1049 HD2 and the package of tax credits and adjustments included, as it supports the ALICE policy agenda to increase economic stability for households in Hawaii.

ALICE stands for Asset Limited, Income Constrained, Employed and refers to households who are employed but whose incomes are not sufficient to meet basic costs. **The "ALICE in Hawaii 2022 Report" found that a full 44% of Hawaii's households live below the ALICE Threshold,** and the number who fell into poverty increased from 9% to 15% in just 4 years, fueled by a quickly rising cost of living that is driving local families from the State.

Permanent, refundable tax credits like a robust EITC or dependent tax credit are powerful and well proven tools to quickly reduce the number of keiki living in poverty, reduce economic struggle for families, and slow Hawaii's outmigration of working families.

This package of tax credits can go a long way to putting a meaningful amount of money back into the pockets of working families to cover essentials like childcare, housing and food. It targets those who need relief most, and provides extra help for renters and families with children- groups the 2022 ALICE in Hawaii report show are more impacted by Hawaii's rising cost of living.

Tax credit packages have a long history of quickly reversing economic hardship. We believe this package is the strongest and most impactful way to help thousands of households avoid falling into poverty or leaving the State, and the cumulative effect will be a measurable increase in economic stability in Hawaii. **Aloha United Way and the ALICE Initiative strongly support HB1049 HD2. We appreciate your action and support.**

Hawaii's working families cannot wait.

Suzanne Skjold

Suzanne Skjold
Chief Operating Officer
Aloha United Way

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HB-1049-HD-2
Submitted on: 3/31/2023 12:08:47 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Caroline Kunitake	Individual	Support	Written Testimony Only

Comments:

I support HB1049 HD2. Please support this bill.

HB-1049-HD-2
Submitted on: 3/31/2023 12:16:13 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Cards Pintor	Individual	Support	Written Testimony Only

Comments:

Aloha,
I support this bill.
Mahalo nui,
Cards Pintor

HB-1049-HD-2
Submitted on: 3/31/2023 2:49:15 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Barbara J. Service	Individual	Support	Written Testimony Only

Comments:

Aloha!

Please approve HB1049 SD2, to increase the dependent care tax credit. This will ease some of the financial strain on caregivers/caretakers of children and dependent adults.

Mahalo for the opportunity to testify!

Barbara J. Service MSW

Child Welfare Supervisor (ret.)

Kupuna Advocate

HB-1049-HD-2

Submitted on: 3/31/2023 4:35:12 PM

Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Karen L Worthington	Individual	Support	Written Testimony Only

Comments:

Testimony in support of HB 1049 HD2 RELATING TO INCOME TAX, with changes

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

Thank you for considering HB1049 HD2, which would create a new tax credit to offset expenses incurred by our teachers while providing our keiki with quality education, and expand the dependent care and low-income renter's income tax credit. Both of these credits would be worthy supplements to Hawaiʻi's suite of tax tools to alleviate the high cost-of-living in our state.

Our teachers work hard to educate the next generation of our people, often dipping into their own personal funds to purchase supplies they need to do their jobs, all while struggling with chronically low-wages compared to the high cost of living here. They deserve some help.

The dependent care tax credit helps families cover the cost of providing care to loved ones, including kupuna. Hawaiʻi's elderly population will continue to expand in share over the next decade requiring additional resources to be directed toward care support and infrastructure.

However, under the bill's current language, households with incomes up to $225,000 can still receive a 20% refundable dependent care credit for costs up to $10,000. To drive benefits to low- and moderate-income households, where the need is greatest, the legislature should consider adjusting eligibility to taper off to a cap of 300–400% of the poverty level. In 2020, for a family of four, annual income at 300% of poverty was $90,400, while 400% was $120,500. The average median income was $101,600.

The renter's credit, meanwhile, was created in the 1970s to alleviate the already-then high cost of housing. Over the past 50 years, this is the cost that has grown the fastest for Hawaiʻi's people. The credit, however, hasn't been updated since 1989, rendering it largely ineffective in achieving its goal. An update is sorely needed and long overdue.

Unfortunately, without continuous updates to the renter's credit, it is likely to fall behind again, and soon. It would be smart to build an automatic cost-of-living adjustment into the renter's credit proposal to ensure that it continue to adequately provide sufficient relief to struggling renters.

I appreciate your consideration of this critical bill.

Best regards,
Karen Worthington, Kula, Hawaii 96790

HB-1049-HD-2
Submitted on: 3/31/2023 5:44:50 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Alicia Gaskin	Individual	Support	Written Testimony Only

Comments:

I Support this Bill

HB-1049-HD-2
Submitted on: 3/31/2023 7:46:56 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Kathy Shimata	Individual	Support	Written Testimony Only

Comments:

Mahalo for considering HB1049 HD2, which would create a new tax credit to offset expenses incurred by our teachers while providing our keiki with quality education, and expand the dependent care and low-income renter's income tax credit. Both of these credits would be worthy supplements to Hawai'i's suite of tax tools to alleviate the high cost-of-living in our state.

Our teachers work hard to educate the next generation of our people, often dipping into their own personal funds to purchase supplies they need to do their jobs, all while struggling with chronically low-wages compared to the high cost of living here. They deserve some help.

The dependent care tax credit helps families cover the cost of providing care to loved ones, including kupuna. Hawai'i's elderly population will continue to expand in share over the next decade requiring additional resources to be directed toward care support and infrastructure.

However, under the bill's current language, households with incomes up to $225,000 can still receive a 20% refundable dependent care credit for costs up to $10,000. To drive benefits to low- and moderate-income households, where the need is greatest, the legislature should consider adjusting eligibility to taper off to a cap of 300–400% of the poverty level. In 2020, for a family of four, annual income at 300% of poverty was $90,400, while 400% was $120,500. The average median income was $101,600.

The renter's credit, meanwhile, was created in the 1970s to alleviate the already-then high cost of housing. Over the past 50 years, this is the cost that has grown the fastest for Hawai'i's people. The credit, however, hasn't been updated since 1989, rendering it largely ineffective in achieving its goal. An update is sorely needed and long overdue.

Unfortunately, without continuous updates to the renter's credit, it is likely to fall behind again, and soon. It would be smart to build an automatic cost-of-living adjustment into the renter's credit proposal to ensure that it continue to adequately provide sufficient relief to struggling renters.

Mahalo for the opportunity to weigh-in on this important measure.

Kathy Shimata

Honolulu 96822

HB-1049-HD-2
Submitted on: 4/1/2023 9:08:15 AM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Stella Ong	Individual	Support	Written Testimony Only

Comments:

I support this bill because we are in need of financial support for child and dependent care services so that my spouse and I are able to do our work for the community with a piece of mind. We want our children and other kids in the community to be in the care of good hands without having to worry about costs.

HB-1049-HD-2
Submitted on: 4/1/2023 11:14:54 AM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Dan Gardner	Individual	Support	Written Testimony Only

Comments:

Dear Senate Way and Means Committee - I am asking for your vigorous support for HB 1049 HD2. It would do a number of very positive things to help Hawaii's tax payers, especilly at the low and middle income levels. It would increase the dependent care tax credit up to $10,000 for those who normally must pay a large portion of their dependent's care - on average over $7,000. Their care giver efforts allow their loved ones to stay at home. This ulltimately reduces the tax burdne for all our State's tax payer's. It also would help accommodate some of our Teacher's out-of-pocket expenses in buying school supplies for their students. Finally, it would both increase the Standard Deduction and also index the current tax brackets for us all. Given Hawaii's very high cost of living and the current inflationary challenges, this legislation makes good sense. Please provide your continued support for this critical initiative. Thank you, Dan Gardner

SENATE COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

HEARING: Monday, April 3, 2023, 9:40 AM

Re: HB 1049, HD2 RELATING TO INCOME TAX

Aloha Chair Dela Cruz Sand Committee Members. My name is Linda Dorset, a senior resident of Wailuku, Maui. I thank you for the opportunity to submit written testimony regarding the above referenced legislation. I am in strong support of the provisions of HB. 1049, HD 2 relating to the dependent care credit, which increases the dependent care tax credit up to $10,000.

Family caregivers often pay out of pocket for their dependent's care, which on average, amounts to $7,242 annually on care-related expenses. Family caregivers take care their loved ones so they can remain at home as long as possible. This work often involves many physical, emotional, and financial challenges, and often while balancing caregiving with work and other personal responsibilities. And they face rapidly escalating expenses including equipment, transportation and home modifications

You should also consider that family caregivers save our state money by keeping their loved ones out of taxpayer-supported nursing facilities. AARP's just released "Valuing the Invaluable" report estimates about 154,000 caregivers in Hawaii put in 144 million hours of caregiving annually, worth $2.6 billion if they were paid.

I feel this tax increase is a small investment to save the state much more money.

COMMITTEE ON WAYS AND MEANS

Hearing: Monday, April 3, 2023, 9:40 a.m.
Conference Room 211 & Videoconference
State Capitol
415 South Beretania Street

TESTIMONEY IN SUPPORT OF HB 1049, HD2
RELATING TO INCOME TAX

THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2023

To: Sen. Donavan M.Dela Cruz, Chair; Sen. Gilbert S.C. Keith-Agaran, Vice Chair; Committee on Ways and Means

Thank you for the opportunity to submit written testimony in **strong support** of **HB 1049, HD2,** Relating to Income Tax (re: dependent care credit). (1) Caregivers spend an average of $7,200 annually on care related expenses; (2) Increases the dependent care tax credit up to $10,000 to caregivers who often payout of pocket for their dependent's care and (3) Most loved ones want to remain in their homes and this credit will help caregivers to maintain employment and care for their own needs.

HB 1049, HD2: Adds new tax credit for teacher's expenses. Adjusts annually for tax years beginning after December 31, 2023, the dependent care credit and household renter's credit by a cost-of-living adjustment factor. Effective 6/30/3000 (HD2)

I urge you to support **HB 1049, HD2**.

Anna Filler
Senatorial District 12,
Email: afiller@twc.com

April 1, 2023

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

RE: HB1049, SD 2 – Relating to Income Tax

Hearing Date: April 3, 2023 – 9:40 AM
Conference Room 211
Hawaii State Capitol Building

Most Honorable Senators Dela Cruz, Chair; Keith-Agaran, Vice-Chair; and members of the committee:

I am writing in support of HB1049, SD2 - providing a tax credit up to $10,000 for teacher's expenses, household and dependent care service expenses and household renters.

Over 150,000 family caregivers in Hawaii carry the physical and financial burden of caring for their elders and other members of their family who are physically challenged – utilizing personal funds to support this endeavor. This selfless contribution currently saves the state billions of dollars in free labor, but currently caregivers have no reimbursement for their personal financial burden.

HB1049,SD2 would address the financial burden of caregivers with a tax credit. This legislation would also provide a tax credit to teachers and an adjustment of the renter's tax credit that hasn't been updated for decades.

Thank you for the opportunity to provide testimony in favor of this important measure.

Respectfully,
Christine Olah
Resident, State of Hawaii

Kevin L. Johnson, Ko Olina, Hawai'i

Hawai'i Legislature
Senate Committee on Ways and Means
Monday, April 3, 2023, Conference Room 211, 9:40 a.m.

TO: The Honorable Donovan M. Dela Cruz, Chair
RE: Support for HB 1049, HD 2, Relating to Income Tax

Thank-you for this opportunity to voice my **Strong Support of HB 1049, HD 2, Relating to Income Tax.** While I support the entire measure, I would like to specifically address the **Tax Credit for Caregivers.**

Family caregivers take care of loved ones often at their own expense. This in-home care provides increased quality of life if not quantity of life for the folks in their care. Non-institutionalized individuals also offer added benefit to the State by putting less of a strain on the healthcare system. They thrive rather than simply survive.

Providing this care places a myriad of burdens on the caregivers. Though they do it as an act of love, the reality is, it comes at great expense. The direct cost of such care, be it equipment, medications, supplies, etc. is obvious, but the indirect cost may be even more.

Many caregivers must limit or even abandon their own careers to provide this care. The physical and mental toll it takes, while less obvious, can also place additional financial obstacles. An investment by the State to offset some of these expenses is more than warranted by the long-term savings to the healthcare system.

For these reasons I offer **Strong Support for the Tax Credit for Caregivers** within my **Support of HB 1049, HD2, Relating to Income Tax.**

Sincerely,

Kevin L. Johnson

HB-1049-HD-2
Submitted on: 4/2/2023 8:23:00 AM
Testimony for WAM on 4/3/2023 9:40:00 AM

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

Comments:

- The cost of full-time child care in Hawai'i has skyrocketed. With the average cost of child care in Hawaiʻi exceeding $13,000 per year, families need more support.
- We need to increase the income tax credits allowed for expenses for child and dependent care services to ensure that these credits reflect the economic reality of working families.
- Helping families afford to enroll their keiki in child care programs also reaps benefits for their parents and our community in other ways.
- Full-time child care programs allow parents to obtain stable employment, which increases the economic well-being of the family as a whole.

Mahalo!

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 11:11:14 AM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Marcia Kemble	Individual	Support	Written Testimony Only

Comments:

Please help give much-needed financial help to Hawaii caregivers! Mahalo.

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 11:31:44 AM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Esther Ueda	Individual	Support	Written Testimony Only

Comments:

Please support HB1049 HD2 Relating to Income Taxes.

My testimony is in support of the provisions related to providing a tax credit for dependent care credit.

Caring for a loved one at home can be expensive and difficult, but many seniors would prefer to be at home and age in place, for as long as possible. Also care facilities can be very expensive.

The proposed tax credit would help caregivers care for a loved one at home.

Please support this provision.

Esther Ueda

HB-1049-HD-2
Submitted on: 4/2/2023 12:33:56 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

LATE

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

Comments:

Support

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 1:19:39 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

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

Comments:

Mahalo for considering HB1049 HD2, which would create a new tax credit to offset expenses incurred by our teachers while providing our keiki with quality education, and expand the dependent care and low-income renter's income tax credit. These credits would be worthy supplements to Hawai‘i's suite of tax tools to alleviate the high cost-of-living in our state.

Our teachers work hard to educate the next generation of our people, often dipping into their own personal funds to purchase supplies they need to do their jobs, all while struggling with chronically low-wages compared to the high cost of living here. They deserve some help.

The dependent care tax credit helps families cover the cost of providing care to loved ones, including kupuna. Hawai‘i's elderly population will continue to expand in share over the next decade requiring additional resources to be directed toward care support and infrastructure.

However, under the bill’s current language, households with incomes up to $225,000 can still receive a 20% refundable dependent care credit for costs up to $10,000. To drive benefits to low- and moderate-income households, where the need is greatest, the legislature should consider adjusting eligibility to taper off to a cap of 300–400% of the poverty level. In 2020, for a family of four, annual income at 300% of poverty was $90,400, while 400% was $120,500. The average median income was $101,600.

The renter's credit, meanwhile, was created in the 1970s to alleviate the already-then high cost of housing. Over the past 50 years, this is the cost that has grown the fastest for Hawai‘i's people. The credit, however, hasn't been updated since 1989, rendering it largely ineffective in achieving its goal. An update is sorely needed and long overdue.

Unfortunately, without continuous updates to the renter's credit, it is likely to fall behind again, and soon. It would be smart to build an automatic cost-of-living adjustment into the renter's credit proposal to ensure that it continue to adequately provide sufficient relief to struggling renters.

Mahalo for the opportunity to weigh-in on this important measure.

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 1:32:25 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Emily Garland	Individual	Support	Written Testimony Only

Comments:

Mahalo for considering HB1049 HD2, which would create a new tax credit to offset expenses incurred by our teachers while providing our keiki with quality education, and expand the dependent care and low-income renter's income tax credit. These credits would be worthy supplements to Hawaiʻi's suite of tax tools to alleviate the high cost-of-living in our state.

Our teachers work hard to educate the next generation of our people, often dipping into their own personal funds to purchase supplies they need to do their jobs, all while struggling with chronically low-wages compared to the high cost of living here. They deserve some help.

The dependent care tax credit helps families cover the cost of providing care to loved ones, including kupuna. Hawaiʻi's elderly population will continue to expand in share over the next decade requiring additional resources to be directed toward care support and infrastructure.

However, under the bill’s current language, households with incomes up to $225,000 can still receive a 20% refundable dependent care credit for costs up to $10,000. To drive benefits to low- and moderate-income households, where the need is greatest, the legislature should consider adjusting eligibility to taper off to a cap of 300–400% of the poverty level. In 2020, for a family of four, annual income at 300% of poverty was $90,400, while 400% was $120,500. The average median income was $101,600.

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Unfortunately, without continuous updates to the renter's credit, it is likely to fall behind again, and soon. It would be smart to build an automatic cost-of-living adjustment into the renter's credit proposal to ensure that it continue to adequately provide sufficient relief to struggling renters.

Mahalo for the opportunity to weigh-in on this important measure.

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 4:17:17 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

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

Comments:

This bill would help support needed tax reforms.

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 7:02:43 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Chris Barzman	Individual	Support	Written Testimony Only

Comments:

Full-time child care programs allow parents to obtain stable employment, which increases the economic well-being of the family as a whole.

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 9:38:28 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Regina Blanchard-Walker	Testifying for Hawai?i Children's Action Network Speaks!	Support	Written Testimony Only

Comments:

I support this bill.

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 10:13:29 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Marion McHenry	Individual	Support	Written Testimony Only

Comments:

- The cost of full-time child care in Hawai'i has skyrocketed. With the average cost of child care in Hawaiʻi exceeding $13,000 per year, families need more support.
- We need to increase the income tax credits allowed for expenses for child and dependent care services to ensure that these credits reflect the economic reality of working families.
- Helping families afford to enroll their keiki in child care programs also reaps benefits for their parents and our community in other ways.
- Full-time child care programs allow parents to obtain stable employment, which increases the economic well-being of the family as a whole.

LATE

HB-1049-HD-2
Submitted on: 4/2/2023 10:48:01 PM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Cory Harden	Individual	Comments	Written Testimony Only

Comments:

Aloha legislators,
Mahalo for considering HB1049 HD2, which would create a new tax credit to offset expenses incurred by our teachers, and expand the dependent care and low-income renter's income tax credit.
Teachers deserve help.
Families caring for loved ones also deserve help. As you know, Hawai‘i's elderly population will continue to expand over the next decade. But please adjust eligibility to taper off to a cap of 300–400% of the poverty level
The renter's credit update is sorely needed and long overdue. But please add an automatic cost-of-living adjustment.
mahalo,
Cory Harden

LATE

HB-1049-HD-2
Submitted on: 4/3/2023 6:47:02 AM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Gail Lakritz	Individual	Support	Written Testimony Only

Comments:

The State of Hawaii has long taken the position that elderly should age at home where and when possible. With our boomer population now nearing 80, we are seeing an increased need for seniors who require assistance to go about their daily activities. With aging at home, comes the responsibility of family to care for the needs of their elderly relatives. This becomes a financial and emotional burden on any society that requires two incomes to support a household.

Any person who is the family caregiver to an elderly, or disabled, person should know that their good and valuable work is not going to put financial strain on the entire family. I urge this committee to pass HB. 1049 that gives an increased tax credit of $10,000 to caregivers.

Our elderly are precious. Our caregivers allow all of us to enjoy the precious gifts our elderly give us while allowing the caregiver to remain a contributing member of the workforce. HB 1049 will go a long way in ensuring we all benefit from the work our caregivers perform.

Respectfully submitted,

Gail Lakritz.

LATE

HB-1049-HD-2
Submitted on: 4/3/2023 9:50:28 AM
Testimony for WAM on 4/3/2023 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Nanea Lo	Individual	Support	Written Testimony Only

Comments:

Hello,

Thanks

for considering HB1049 HD2, which would create a new tax credit to offset expenses incurred by our teachers while providing our keiki with quality education, and expand the dependent care and low-income renter's income tax credit. These credits would be worthy supplements to Hawai‘i's suite of tax tools to alleviate the high cost-of-living in our state.

Our teachers work hard to educate the next generation of our people, often dipping into their own personal funds to purchase supplies they need to do their jobs, all while struggling with chronically low-wages compared to the high cost of living here. They deserve some help.

The dependent care tax credit helps families cover the cost of providing care to loved ones, including kupuna. Hawai‘i's elderly population will continue to expand in share over the next decade requiring additional resources to be directed toward care support and infrastructure.

However, under the bill’s current language, households with incomes up to $225,000 can still receive a 20% refundable dependent care credit for costs up to $10,000. To drive benefits to low- and moderate-income households, where the need is greatest, the legislature should consider adjusting eligibility to taper off to a cap of 300–400% of the poverty level. In 2020, for a family of four, annual income at 300% of poverty was $90,400, while 400% was $120,500. The average median income was $101,600.

The renter's credit, meanwhile, was created in the 1970s to alleviate the already-then high cost of housing. Over the past 50 years, this is the cost that has grown the fastest for Hawai‘i's people. The credit, however, hasn't been updated since 1989, rendering it largely ineffective in achieving its goal. An update is sorely needed and long overdue.

Unfortunately, without continuous updates to the renter's credit, it is likely to fall behind again, and soon. It would be smart to build an automatic cost-of-living adjustment into the renter's credit proposal to ensure that it continue to adequately provide sufficient relief to struggling renters.

me ke aloha ‘āina,

Nanea Lo