

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
Ka 'Oihana 'Auhau
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 493, Relating to Taxation

BEFORE THE:

House Committee on Economic Development

DATE: Friday, February 3, 2023

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 423

Chair Holt, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation (“Department”) offers the following comments regarding H.B. 493 for your consideration.

H.B. 493 amends section 235-55.85, Hawaii Revised Statutes (HRS), to increase the refundable food/excise income tax credit. Specifically, this measure increases the credit per exemption by an additional \$50 and makes increases to some of the adjusted gross income (AGI) limits. The following table reflects the proposed changes to AGI and credit per exemption:

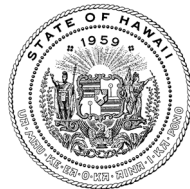
Single Filing Status		Head of Household/ Married Filing Separate/Joint Filing Status	
AGI	Credit per qualified exemption to which taxpayer is entitled	AGI	Credit per qualified exemption to which taxpayer is entitled
Under \$5,000	\$160	Under \$5,000	\$160
\$5,000 under \$10,000	\$150	\$5,000 under \$10,000	\$150
\$10,000 under \$15,000	\$135	\$10,000 under \$15,000	\$135
\$15,000 under \$20,000	\$120	\$15,000 under \$20,000	\$120
\$20,000 under \$40,000	\$105	\$20,000 under \$30,000	\$105
\$40,000 and over	\$0	\$30,000 under \$40,000	\$95
		\$40,000 under \$70,000	\$85
		\$70,000 and over	\$0

This measure is effective upon approval and applies to taxable years beginning after December 31, 2022.

Due to the number of bills with tax law changes that have been introduced this year, the Department may not have the resources to implement all measures passed this session in time for tax year 2023. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

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

JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

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

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

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

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
ON
HOUSE BILL NO. 493

February 3, 2023
10:00 a.m.
Room 423 and Videoconference

RELATING TO TAXATION

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

House Bill No. 493 amends the income brackets and credit amounts of the Refundable Food/Excise Tax Credit. Rather than taking a piecemeal approach, B&F strongly believes that the holistic approach in the Green Affordability Plan, House Bill No. 1049, is a more suitable option in providing needed financial relief to Hawai'i's residents.

Thank you for your consideration of our comments.



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

To: House Committee on Economic Development

Re: **HB 493 – Relating to Taxation**

Hawai'i State Capitol, Via Videoconference & Conference Room 423

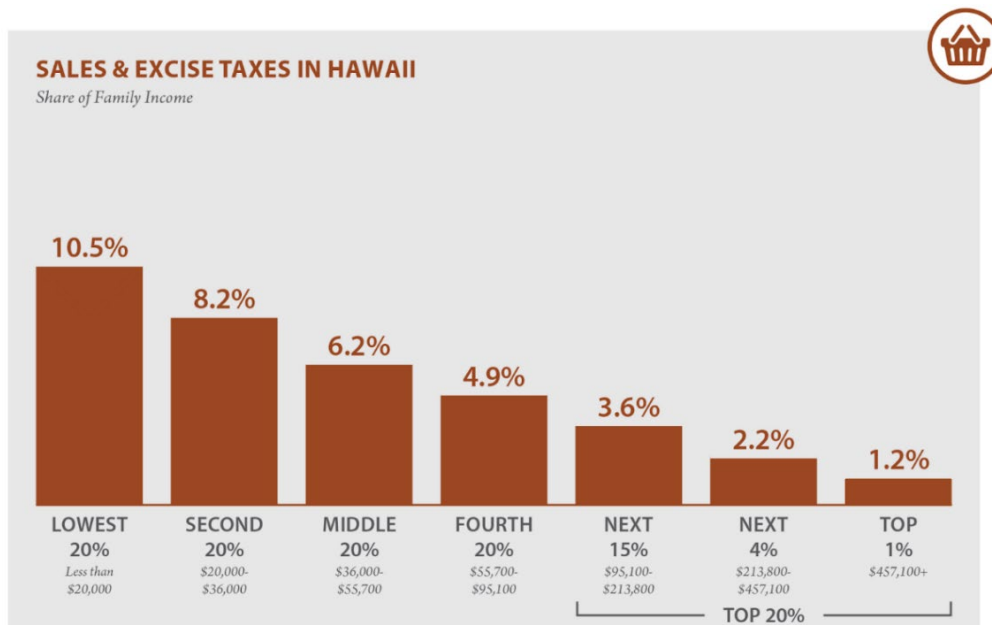
February 3, 2023, 10:00 AM

Dear Chair Holt, Vice Chair Lamosao, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am testifying in **in SUPPORT of HB 493**, relating to taxation. This bill amends the income brackets and credit amounts of the refundable food/excise tax credit.

It is well known that Hawai'i has the highest cost of living in the nation,¹ and one of the main contributing factors is our high cost of food. Meanwhile, Hawai'i is one of only 13 states that taxes groceries.²

Our state's General Excise Tax (GET) is applied to nearly all goods and services in Hawai'i. As a result, it hits our low-income and working-class families harder because they spend almost all of their earnings on items and services that are taxed by the GET. That means that Hawai'i families who earn less than \$20,000 per year pay almost nine times as much of their income in the GET than those who make over \$450,000.³



¹ Bureau of Economic Analysis, <https://www.bea.gov/data/prices-inflation/regional-price-parities-state-and-metro-area>

² Tax Foundation, <https://taxfoundation.org/sales-tax-grocery-tax-exemptions/>

³ Institute on Taxation and Economic Policy, <https://itep.org/whopays/hawaii/>



Hawai'i's Refundable Food Excise Tax Credit is meant to refund the some of the GET that lower to middle income people pay on their groceries. The less a worker earns, the more they can get back. And the larger a family is, the more credits they can claim.

This tax credit was created in 2007, and the amounts that families could get back were updated to catch up with inflation in 2015. But the income eligibility cut-offs have not been updated since 2007, which means that fewer and fewer of our low-income and working-class families can claim the credit. As the Department of Taxation states, "Increasing incomes mean fewer people claim the Food/Excise Tax Credit over time."⁴

This bill would increase the amount the taxpayers can get from this tax credit, as well as raise the income thresholds. Families who are struggling to make ends meet in Hawai'i need and deserve this help.

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

Thank you,

Nicole Woo

Director of Research and Economic Policy

⁴ Department of Taxation, https://tax.hawaii.gov/blog/blog04_increasing-incomes-mean-fewer-claim-food-excise-tax-credit/

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase Refundable Food/Excise Tax Credit

BILL NUMBER: HB 493

INTRODUCED BY: LAMOSAO, AMATO, CHUN, COCHRAN, GATES, HOLT, HUSSEY-BURDICK, ICHIYAMA, KAHALOA, KAPELA, KILA, KITAGAWA, KOBAYASHI, LOWEN, MARTEN, MATAYOSHI, MIZUNO, NISHIMOTO, POEPOE, SAYAMA, TAM, TARNAS, TODD

EXECUTIVE SUMMARY: Amends the income brackets and credit amounts of the refundable food/excise tax credit.

SYNOPSIS: Amends HRS section 235-55.85 to increase the food/excise tax credit based on the taxpayer's AGI:

For single taxpayers:

Adjusted gross income	Tax credit
Under \$5,000	\$160
\$ 5,000 under \$10,000	150
10,000 under 15,000	135
15,000 under 20,000	120
20,000 under 40,000	105
40,000 and over	0

For heads of household, married individuals filing separate returns, and married couples filing joint returns:

Adjusted gross income	Tax credit
Under \$5,000	\$160
\$ 5,000 under \$10,000	150
10,000 under 15,000	135

15,000 under 20,000	120
20,000 under 30,000	105
30,000 under 40,000	95
40,000 under 70,000	85
70,000 and over	0

EFFECTIVE DATE: Taxable years beginning after December 31, 2022.

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

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

Second, the credit comes in a tax refund which is paid, at the earliest, in the early part of the year after the tax return filer needs the relief. A person who qualifies for the credit in 2023, for example, won't get a check until early 2024.

Third, as a policy matter, lawmakers might prefer that the recipient of the refund not use the money obtained on certain things, illegal drugs for example. But the tax system contains no way of restricting the uses of a refund check; other departments do have systems in place to give some assurance that the payment will go toward legitimate living expenses such as groceries (EBT, for example).

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

Digested: 2/1/2023



TESTIMONY IN SUPPORT OF HB 493

TO: Chair Holt, Vice-Chair Lamosao, & Committee Members

FROM: 'Ilima DeCosta
Community Engagement Coordinator

DATE: February 3, 2023 (10:00 AM)

Hawai'i Health & Harm Reduction Center (HHRC) supports HB 493. This bill would adjust the state tax food/excise tax credit schedule and allow more Hawai'i residents to become eligible for a tax credit.

Hawai'i is 1 of only 8 states that currently taxes food, with [five](#) states recently passing legislation to eliminate the tax on food items. Absent a total elimination of the general excise tax on food items, Hawai'i residents living marginally are often forced to choose between food and other household essentials, including rent and utilities.

Passage of HB 493 would increase the number of Hawai'i residents who would qualify for the credit and provide needed relief from the exorbitant cost of food.

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

HHRC urges passage of HB 493.

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

HB-493

Submitted on: 2/1/2023 8:00:01 PM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Lynn Murakami Akatsuka	Individual	Support	Written Testimony Only

Comments:

I support the passage of HB 493 that will help Hawaii residents.

Thank you for the opportunity to testify in support of HB 493.

HB-493

Submitted on: 2/2/2023 12:16:33 AM

Testimony for ECD on 2/3/2023 10:00:00 AM

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

Comments:

While the cost of food has continued to place a growing burden on Hawai'i's working families, the Food/Excise Tax Credit has not been updated since 2015. Another update is more than warranted given the rising cost of living. Tax credits are better, more targeted ways to deliver relief to the families that truly need it when compared to sweeping GET exemptions that also benefit the rich and punch sizable holes into state budgets that prevent government from making the investments in our future that it needs to be making. Please support HB493.

HB-493

Submitted on: 2/3/2023 9:25:45 AM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Andrew Crossland	Individual	Support	Written Testimony Only

Comments:

I support this Bill.