EXECUTIVE CHAMBERS
KE KEʻENA O KE KIAʻĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIAʻĀINA

Senate Committee on Ways and Means
Thursday, March 28, 2024
9:50 A.M.
State Capitol, Conference Room 211 and Videoconference

In strong support of
H. B. No. 2404, H.D. 1 Relating to Income Tax

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Senate Ways and Means:

The Office of the Governor strongly supports H.B. No. 2404 H.D. 1, Relating to Income Tax.

H.B. No. 2404 H.D. 1 would reduce the cost of living by providing tax relief to low- and middle-income households and working families.

The Governor is in strong support of legislation that would be directed at helping Asset Limited, Income Constrained, Employed (ALICE) households. With our recent rises in inflation many families are struggling.

The high cost of living in the State has made it extremely difficult for working families and individuals to afford necessities. This bill will allow for cost-of-living adjustments to the individual income tax brackets, personal exemption amounts, and standard and itemized deduction amounts will help account for inflation. Moreover, amending the child and dependent care tax credit will provide tax relief to working families, promote preschool education, and promote labor participation by working parents.

Hawai'i has the highest cost of living in the country at nearly twice the national average and our high cost of living is hurting families, individuals, and our community well-being.

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

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
Ka ʻOihana ʻAuhau
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 2404, H.D. 1, Relating to Income Tax

BEFORE THE:
Senate Committee on Ways and Means

DATE: Thursday, March 28, 2024
TIME: 9:50 a.m.
LOCATION: State Capitol, Room 211

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

The Department of Taxation ("Department") supports H.B. 2404, H.D. 1, an Administration measure, but requests an amendment to section 1 of the bill, as further detailed below.

Section 1: Income Limitations on Itemized Deductions and Deduction of State and Local Taxes

Section 1 of the bill amends section 235-2.4(c), Hawaii Revised Statutes (HRS), by increasing the income limitations for itemized deductions to align with the applicable amounts under section 68(b)(1) of the Internal Revenue Code (IRC) that were operative for federal tax year 2013:

Income Limitations for Itemized Deductions	Current
Joint/Surviving Spouse	$300,000
Head of Household	$275,000
Single	$250,000
Married Filing Separate	$150,000

Section 1 of the bill also amends section 235-2.4(k), HRS, by eliminating the federal adjusted gross income (AGI) limitations on the deduction for certain state, local, and other taxes.

Section 2: Income Tax Brackets

Section 2 of the bill amends the income tax brackets under section 235-51, HRS, with unspecified rates.

Section 3: Refundable Credit for Household and Dependent Care Expenses

Section 3 of the bill amends section 235-55.6, HRS, which provides a refundable tax credit to individuals equal to an applicable percentage of employment-related expenses. The applicable percentage is based on the taxpayer's AGI, and the total claims of employment-related expenses are capped at $10,000 for one qualifying dependent, or $20,000 for two or more qualifying dependents (as enacted under Act 163, Session Laws of Hawaii 2023).

The bill amends the applicable percentage of employment-related expenses eligible for the credit based on AGI by unspecified amounts.

The bill also adds a new subsection (f) to disallow the dependent care credit if a final administrative or judicial decision is made that the taxpayer committed fraud with respect to the credit (ten taxable years) or for any other such ruling (two taxable years).

Effective Date

The measure is effective on July 1, 3000 and applies to taxable years beginning after December 31, 2023, with the amendments to HRS § 235-55.6(a) in section 3 of the bill to be repealed on December 31, 2027.

Department's Comments

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

The Department, however, requests that the amendment in section 1 of the bill to section 235-2.4(k), HRS, which eliminates the limit on deductions for state and local taxes, be removed. Specifically, the Department recommends deleting paragraph 2 in section 1 of the bill, beginning on page 1, line 13, and continuing to page 2, through line 19. After further analysis, the Department determined that the proposed amendment to § 235-2.4(k) will have a much greater revenue impact than originally anticipated.

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

Mitchell D. Roth
Mayor

William H. Farr
Executive on Aging

County of Hawai'i

OFFICE OF AGING

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March 27, 2024

Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice-Chair
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Re: Support of HB2404 HD1, RELATING TO INCOME TAX
9:50 A.M., March 28, 2024, Conference Room 211 & Videoconference

Dear Senator Dela Cruz and Members of the Senate Committee on Ways and Means:

The unpaid family caregiver provides the backbone of the long-term care system in Hawai'i. The many hours of care that range from bathing and dressing, the preparation of meals, and medical visits are but a few of the daily tasks that caregivers provide, along with making home modifications to accommodate the recipient. These tasks enable caregivers to continue to provide the care needed for the recipient to remain at home, age in place, and avoid the high cost of institutional care.

As my wife and I, being caregivers ourselves, for her mother 91 years old, with English not her first language, early stages of dementia, and recently fell and broke her hip. To caring for her younger brother, 52 years old and disabled, both who live with us, we experience firsthand the 24/7 requirements of providing for their care. We also absorb the $10,000 cost to modify our home to continue to provide for their care. We do all of this while we both continue to be employed full-time. Therefore, we know firsthand the benefit the passage of HB2404 HD1 would be to all caregivers who provide care, and who would qualify under this bill.

As an Area Agency on Aging, the Hawai'i County Office of Aging fully supports the passage of HB2404 HD1. The income tax credit provided by HB2404 HD1 will help ease the financial expenses that unpaid caregivers incur on a daily basis for their loved ones.

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

William H. Farr

William "Horace" Farr
Executive on Aging
Hawaii County Office of Aging

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

I am testifying on behalf of Hawaiʻi Appleseed to offer **comments** on HB 2404, which contains a number of changes that would affect the amount of income taxes assessed on taxpayers in Hawaiʻi.

We believe that income tax relief <u>can</u> be an excellent tool for helping working families achieve economic prosperity. In particular, federal tax credits such as the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) have alleviated poverty for millions of people across the United States.

However, it is important to target tax relief to the populations that truly need it. Consequently, any significant reductions to the state income taxes levied in Hawaiʻi should prioritize residents who are in poverty or otherwise lack financial stability. We stand in support of several provisions in HB 2404 that lift up this demographic, such as the recommended fixes to the Household and Dependent Care Services Tax Credit.

This tax credit, which was already passed by the legislature in 2023, reimburses taxpayers for a percentage of cost of caring for their dependents. Given the high cost of care—whether it is for young children or dependents who cannot care for themselves—the credit would provide a massive benefit to many working families. We request that the Committee restore HB 2404's original language around the Household and Dependent Care Services Tax Credit, which set the maximum reimbursement rate at 50 percent below the income threshold of $150,000.

In addition, we urge this committee to reconsider HB 2404's proposed amendments to state and local tax (SALT) deductions. This bill would remove the income limit for these deductions, allowing single taxpayers earning over $100,000 and joint filers earning over $200,000 to deduct Analysis from the Institute on Taxation and Economic Policy shows that HB 2404's would primarily benefit the wealthiest taxpayers in Hawaiʻi. In fact, 41% of the total tax cut would go to the top 1% of income earners. On average, each taxpayer in the top 1% would receive almost $12,000 in income tax relief. On the other hand, low- to middle-income taxpayers—those earning up to about $90,300 dollars—would receive <u>zero</u> benefit from these changes.

Mahalo for your consideration.

Testimony to the Senate Committee on Ways and Means
Thursday, February 28, 2024
9:50 a. m.
State Capitol Conference Room 211 and via videoconference

Re: HB 2404 HD 1 Relating to Income Tax

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

I am Gary Simon, a member of the board of the Hawaiʻi 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. I am testifying as an individual who has worked in healthcare for over thirty-five years, and I am offering testimony on behalf of the Hawaiʻi Family Caregiver Coalition.

The Hawaiʻi Family Caregiver Coalition strongly supports HB 2404 HD 1, which provides a tax credit for family caregivers. We respectfully urge the legislature to include AARP Hawaii's proposed amendments that will benefit more family caregivers.

The amended bill will provide financial relief for Hawaii's 154,000 unpaid family caregivers. The tax credit will help defray the thousands of dollars that many families spend each year in out-of-pocket caregiver costs.

We urge you to support the tax credit for non-paid family caregivers and HB 2404 HD 1, and we urge you to recommend its passage.

Mahalo for seriously considering the bill.

Very sincerely,

Gary Simon

Gary Simon
Hawaiʻi Family Caregiver Coalition
Email gsimon@aarp.org

LEAGUE OF WOMEN VOTERS OF HAWAII

Committee on Ways and Means
Chair Donovan DelaCruz, Vice Chair Sharon Moriwaki

Thursday March 28, 2024 9:50 am Room 211 & Videoconference
HB2404 HD1 — RELATING TO INCOME TAX

TESTIMONY
Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair DelaCruz, Vice Chair Moriwaki, and Committee Members:

The League of Women Voters of Hawaii comments on HB2404 HD1 which amends income tax brackets; temporarily amends the applicable percentage of the employment-related expenses for which the child and dependent care income tax credit may be claimed; permanently provides for a disallowance period when there is a final decision finding that the claim was due to fraud or disallowing the credit; and amends state conformity with certain federal deductions.

The League of Women Voters believes that federal fiscal policy should provide for adequate and flexible funding of federal government programs through an equitable tax system that is progressive overall and that relies primarily on a broad-based income tax. The Hawaii State League supports applying these principles to State of Hawaii taxes.

We strongly supported HB2404 in its original form, and we are deeply disappointed with HD1. HB2404 was an excellent bill which could have partially leveled the impact of taxes on Hawaii's poorer and wealthier taxpayers. HD1 shows the classic signs of a bill almost certainly destined to fail. The other legislative bodies which will consider it will be too pressed for time, and lack the expertise in tax and fiscal policy and detail, to insert thoughtful and policy-based dollar and percentage amounts into this stripped bill. The defective date also does not presage successful passage.

This Ways and Means Committee is however perfectly positioned to redress these problems and re-insert amounts and percentages in keeping with the progressive intent of HB2404. We strongly encourage this Committee to do so. Taking action like this can encourage a public disheartened by the failure of too many bills written in the interest of benefits to the public rather than special interests, this year and last.

Thank you for the opportunity to submit testimony.

League of Women Voters of Hawaii
P.O. Box 235026 ◆ Honolulu, HI 96823
Voicemail 808.377.6727 ◆ my.lwv.org/hawaii ◆ voters@lwvhi.org

HPCA
HAWAI'I PRIMARY CARE ASSOCIATION

Testimony to the House Committee on Ways and Means
Thursday, March 28, 2024; 9:50 a.m.
State Capitol, Conference Room 211
Via Videoconference

RE: HOUSE BILL NO. 2404, HOUSE DRAFT 1, RELATING TO INCOME TAX.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** House Bill No. 2404, House Draft 1, RELATING TO INCOME TAX.

By way of background, the HPCA represents Hawaii's Federally Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines to over 150,000 patients each year who live in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

This bill, as received by your Committee, would:

(1) Make a one-time adjustment to income tax brackets;

(2) Increase the applicable percentage of the employment-related expenses for which the Child and Dependent Care Income Tax Credit may be claimed; and

(3) Conform state tax laws to certain federal deductions.

This measure would take effect on July 1, 3000.

Earlier this Regular Session, the HPCA testified in support of House Bill No. 1769, a measure that would have established a refundable tax credit for nonpaid family caregivers. In our testimony, we cited an excerpt of a letter to the editor submitted by Kealii Lopez, AARP Executive Director, that appeared in the Honolulu Star Advertiser on March 31, 2023:

> *". . . Family caregivers in Hawaii work tirelessly without pay to keep parents and spouses at home, or out of costly nursing homes. If you are a family caregiver or know someone who is, then you know it takes an emotional toll, but it also has a real financial cost. They sacrifice income, job security, and their savings.*
>
> *More than three out of every four caregivers pay out of pocket for care-related expenses like equipment, transportation, and home modifications. It adds up fast. On average, family caregivers spend 26% of their income on caregiving activities. Plus, many family caregivers must cut back their work hours or even leave the workforce to care for loved ones, which can create a huge loss in income on top of any existing financial challenges related to caregiving expenses. It also puts their career advancement and retirement savings at risk.*
>
> *While family caregivers are facing these personal financial burdens, they are saving our state money by keeping their loved ones out of taxpayer-supported nursing facilities. The economic value of unpaid care provided by family caregivers in the U.S. every year is approximately $600 billion – about the same as the profits of our 20 largest companies combined. . . "*
>
> [**See**, https://www.staradvertiser.com/2023/03/31/editorial/island-voices/column-how-do-you-repay-family-caregivers-start-with-a-tax-credit/]

The HPCA agrees with Ms. Lopez that Hawaii's family caregivers play an enormous role in protecting and preserving the unique way of life which we all hold so dear. Likewise and more importantly, family caregivers improve the quality of life and health care outcomes of our citizens. Because of this, it is not only fitting, but essential that government does what it can to assist caregivers in this essential responsibility.

Accordingly, the HPCA strongly stands united with AARP and the members of the Kupuna Caucus in support of tax relief for family caregivers. That is why we urge your favorable consideration of the proposed amendments offered by AARP on this bill.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiipca.net.

TAX FOUNDATION OF HAWAII

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

SUBJECT: INCOME TAX; Standard Deduction; Itemized Deduction; Income Tax Brackets; Personal Exemption; Child and Dependent Care Tax Credit; Conformity with Federal Deductions

BILL NUMBER: HB 2404 HD 1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Amends income tax brackets. Temporarily amends the applicable percentage of the employment-related expenses for which the child and dependent care income tax credit may be claimed and permanently provides for a disallowance period when there is a final administrative or judicial decision finding that the claim was due to fraud or disallowing the credit. Amends state conformity with certain federal deductions.

SYNOPSIS:

Pease Limitation and Itemized Deductions

Amends section 235-2.4(c), HRS, regarding conformity to section 68 of the IRC, which phases out itemized deductions when adjusted gross income is over a certain threshold (called the Pease limitation). Under current law, the thresholds used are the federal thresholds that were in use in 2009. The bill proposes to use the federal thresholds of 2013 (Although the Tax Cuts and Jobs Act suspended the Pease limitation for the years to which the Tax Cuts and Jobs Act applied, Hawaii did not conform to that suspension.)

Amends section 235-2.4(k), HRS, regarding conformity to section 164 of the IRC, which grants an itemized deduction for state and local taxes paid. Under current law, the deduction is unavailable to corporations; however, this prohibition has had little or no practical effect because Department of Taxation Announcement No. 2011-20 stated that corporations could deduct such taxes as ordinary and necessary business expenses under the State's conformity to IRC section 162. Also under current law, the deduction becomes unavailable to individuals with a federal adjusted gross income of $100,000 (single or married filing separately), $150,000 (head of household), or $200,000 (married filing jointly). The bill removes these thresholds, allowing individuals to deduct state and local taxes paid (except that if a credit for taxes paid to another state has been claimed, those taxes cannot also be deducted).

Bracket and Personal Exemption Relief

Amends section 235-51, HRS, tax bracket amounts for individuals, by $ _____ and _____%

Child and Dependent Care Tax Credit

Amends the applicable percentage of employment related expenses in section 235-55.6(a)(2), HRS to equal ___% reduced by one percentage point for each $ $ ___ or fraction thereof, by which the taxpayer's adjusted gross income exceeds the threshold amount ($ $____); provided the applicable percentage shall not be reduced below ___%.

Defines "threshold amount" as $ _____ for taxable years beginning after December 31, 2023.

Adds section 235-55.6(f), to add 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. During the debarment period the credit cannot be claimed.

EFFECTIVE DATE: July 1, 3000, applies to taxable years beginning after December 31, 2023; provided that on December 31, 2027, amendments to the Child and Dependent Care tax credit in section 235-55.6(a), HRS, shall be repealed and section 235-55.6(a) shall be reenacted in the form in which it read before effective date of this Act.

STAFF COMMENTS: This bill is an Administration bill sponsored by the Office of the Governor and is designated GOV-01 (24). Or, at least, that is what it used to be.

Bracket Relief (?)

This bill, before amendment by House Finance, attempted to bring broad-based tax relief to Hawaii individual taxpayers. Now, the changes to the rates and brackets are blanked out and thus difficult to discuss (note that trust, estate, and corporate tax rates and brackets are unaffected). Any relief is welcome because Hawaii taxpayers have been "bracket creeped" for a long time. To explain this, here is our weekly commentary from June 29, 2014:

> **We've Been Bracket Creeped!**
>
> Every year the IRS adjusts more than forty tax provisions for inflation. This is done to prevent what is called "bracket creep." This is the phenomenon by which people are pushed into higher income tax brackets or have reduced value from credits or deductions due to inflation instead of any increase in real income.
>
> The IRS uses the Consumer Price Index (CPI) to calculate the past year's inflation and adjusts income thresholds, deduction amounts, and credit values accordingly.
>
> In 2014, the top marginal income tax rate of 39.6 percent will hit taxpayers with an adjusted gross income of $406,751 and higher for single filers and $457,601 and higher for married filers.

> The standard deduction, which all taxpayers can claim if they want it, increased by $100 from $6,100 to $6,200 for singles. For married couples filing jointly, it increased by $200 from $12,200 to $12,400. The personal exemption amount, which is available for all persons living in a household including the filer, increased by $50 to $3,950.
>
> What does Hawaii do? For some reason, in 1978 when Hawaii adopted its present system of conforming to the federal Internal Revenue Code, inflation adjustments were left off the table. At that time, it took a lot of work and money to change our hard-coded computer systems to accept different rates and different threshold amounts. Over a long period of time, people's income rose, but our tax thresholds didn't.
>
> As a result, today a single person making an amount equal to the federal poverty level, assuming they took one personal exemption (presently $1,144) and the standard deduction (now $2,200), would be taxed at our fourth tax bracket with a rate of 6.4%. Our top income tax rate, not counting the "temporary" rate increases adopted in 2009 and scheduled to sunset next year, is 8.25%.
>
> What does that mean? We've been bracket creeped!
>
> Being bracket creeped means that we are taxing the poor deeper into poverty. Fixing the issue, however, is not so simple because if we simply fixed the rates to tax lower income dollars at a lower rate, those rates would affect almost the entire population of our state and would result in massive revenue loss if we don't do it right. If we are going to do this right, we need to re-engineer our brackets to give relief to the people who need it, to be revenue neutral or close to it for those in the middle, and maybe ask a little more of the people now exposed to the 9%, 10%, and 11% rates. That would bring back the "progressivity," the principle of imposing the tax based on the ability to pay that has been slowly, but surely, vanishing from our income tax system as a result of bracket creep.
>
> As to the 9%, 10%, and 11% rates, we need to remember that we taxpayers were promised back in 2009, that these rates would be temporary. The mindless thing to do would be to leave the existing brackets in place and make the higher rates permanent – and I'm sure there will be bills introduced in the 2015 legislative session to do just that. Lawmakers can and should be smarter about this issue, and hopefully they can deal with poverty relief at the same time they consider appropriate levels for the personal exemption, standard deduction, and the state's tax bracket structure.
>
> Because if they don't, we can just call them bracket creeps.

Yamachika, "We've Been Bracket Creeped!"[1] (June 29, 2014).

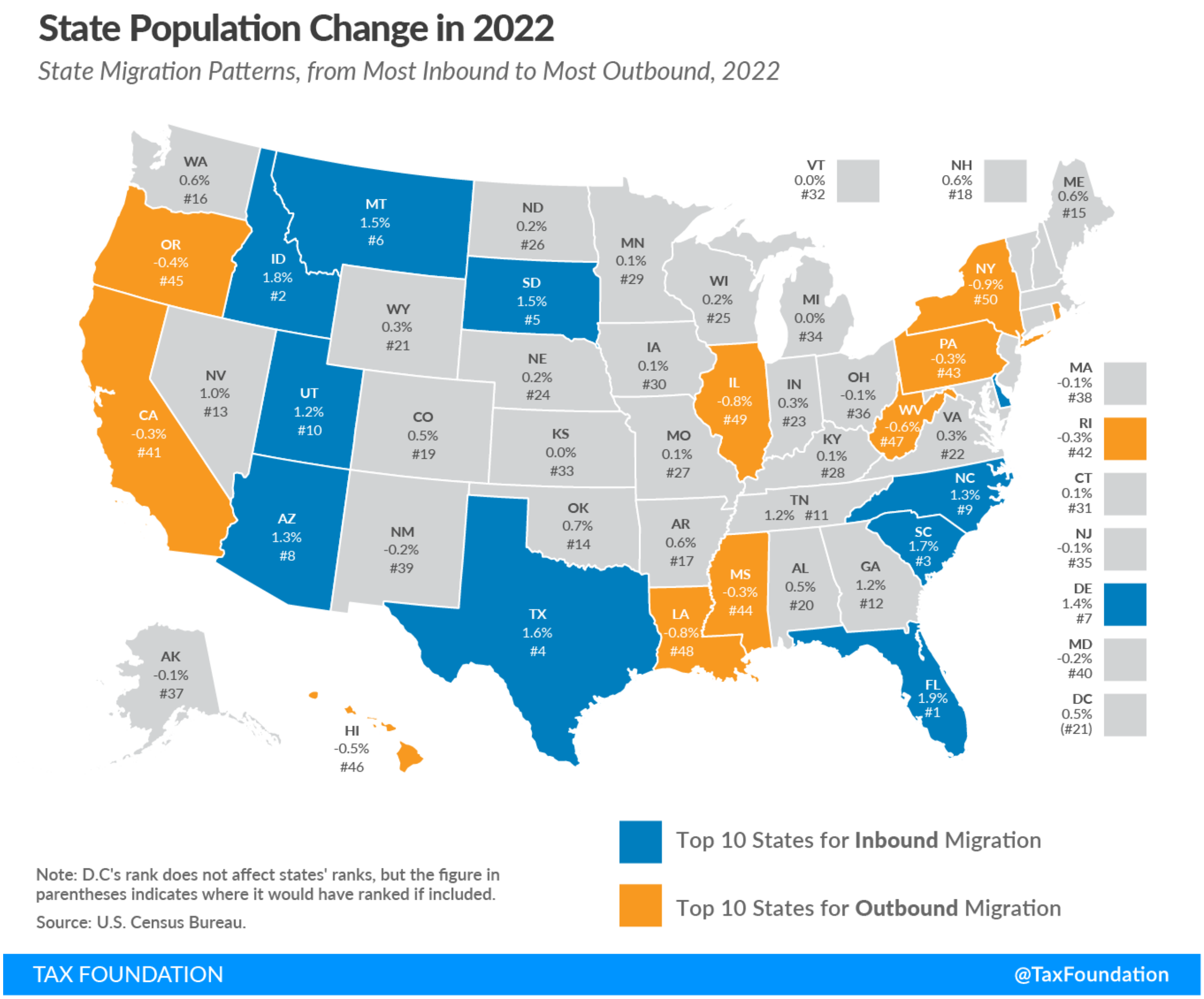
[1] https://www.tfhawaii.org/wordpress/blog/–2014/06/weve-been-bracket-creeped/

Since the time this article was written, we've made permanent the then-temporary 9%, 10%, and 11% tax rates, and we have been bracket creeped even further. Today, a family of four making the Federal Poverty Line amount for Hawaii, which is $35,880 for 2024 according to the U.S. Department of Health and Human Services[2], would be in the *fifth* state tax bracket. Thus, the Legislature should consider consolidating some of the lower brackets, which are virtually meaningless today although they may have had some significance in the 1960's when they were first introduced into the Hawaii tax law.

Tax relief is not only welcome but needed. When people are squeezed economically by the cost of living, taxes, and inefficient bureaucracy, they can and do vote with their feet – by getting on planes, for example. Data from the Census Bureau show what we have suspected all along, that our population has been, and still is, going down. A press release from the Census Bureau on Dec. 21, 2021[3] states that of the ten states that lost the most population between July 1, 2020 and 2021, Hawaii was No. 4 on the list, losing 0.7%.

The national Tax Foundation, analyzing the data, found that Americans were on the move in 2022 and chose low-tax states over high-tax ones. Fritts, "Americans Moved to Low-Tax States in 2022,"[4] (Jan. 10, 2023). Tax relief, therefore, might help to slow or reverse the population trend.

[2] https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines
[3] https://www.census.gov/newsroom/press-releases/2021/2021-population-estimates.html
[4] https://taxfoundation.org/state-population-change-2022/



(Per https://github.com/TaxFoundation/brand-assets, the Tax Foundation permits the limited fair use of its assets by third parties for the purposes of identifying the Tax Foundation and its work in public discourse. These assets may not be used for commercial or fraudulent purposes.)

Child and Dependent Care Tax Credit

While guardrails have been proposed for fraudulent and judicial and administrative disallowance of credits, the proposed amendments to this refundable tax credit appears to increase the availability and amount of the credit. As proposed the minimum credit, regardless of adjusted gross income is ___% of employment related expenses, currently 15%. The maximum amount of credit is ___%, currently 25%. One possible issue is that the new formula is not a table lookup formula and will be more complex for taxpayers to understand and for the Department to administer.

We in Hawaii have several disparate programs and tax credits aimed at poverty relief. They include the EITC, the food/excise tax credit (HRS section 235-55.85), the household and dependent care credit (HRS section 235-55.6), and the credit for low-income household renters (HRS section 235-55.7). The credits have non-duplication provisions and 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 could expose themselves to credit disallowance, penalties, and other undesirable consequences.

Even at the federal level, according to IRS Acting Commissioner Doug O'Donnell in January, "many people miss out on the credit because they don't know about it or don't realize they're eligible." [5]. Multiply that by about four or so in Hawaii to account for the other disparate credits, and it's tough to avoid taxpayer confusion and the resulting unfairness.

Digested: 3/25/2024

[5] IR-2023-16

TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAI'I

COMMITTEE REFERRAL: WAM

MARCH 28, 2024

HB 2404, HD1, RELATING TO INCOME TAX

POSITION: COMMENTS

The Democratic Party of Hawai'I provides the following **comments** on HB 2404, HD 1, relating to income tax. Pursuant to the "Economic Justice and Labor" section of the official Democratic Party of Hawai'i platform, the party supports "policies that circulate currency through our economy, helping businesses to thrive, including tax policy that lessens the tax burden of low- and middle-income earners and increases the tax burden of high-income earners and the wealthy. We support government investments of tax revenue in community development, government anti-poverty programs, and the transition to a sustainable, green economy."

We strongly support section 3 of this measure, which would significantly strengthen the child and dependent care tax credit. The average cost of full-time child care in Hawai'i currently exceeds $13,000 per year for working families. That figure is only getting higher with each passing year, as inflation increases.

Thus, the rising cost of child care should be reflected in the income tax credits allowed for expenses for household and dependent care services, which include child care services. Such services facilitate the academic and social development of young children and allow parents to obtain stable employment, thereby increasing the economic well-being of working families.

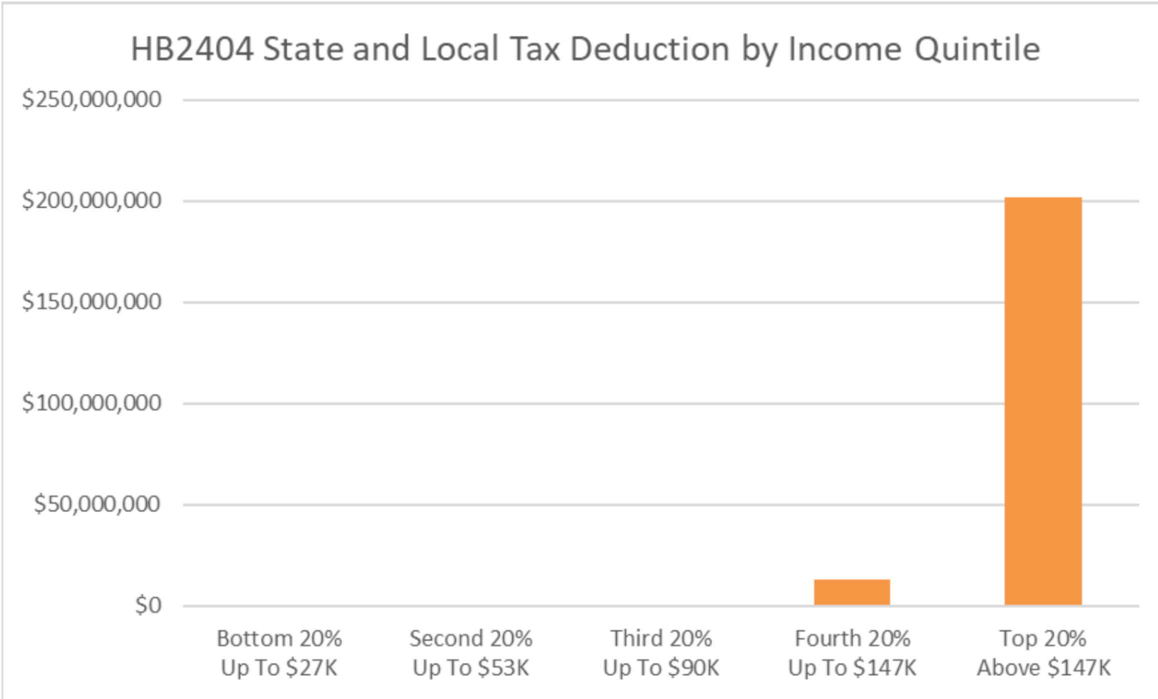
Act 163, Session Laws of Hawai'i 2023 (Act 163) partially strengthened the household and dependent care services tax credit by raising the amount of the employment-related expenses incurred during any taxable year that may be taken into account for the purposes of the credit.

Yet, Act 163 did not increase the maximum percentage of household and dependent care expenses that may be claimed for the purposes of the tax credit. Without adjusting the maximum percentage of expenses that taxpayers can claim, the increases to the claimable amounts of the household and dependent care services tax credit provide limited benefit to working families.

Public officials repeatedly stated in local media stories that they intended to provide approximately $47,000,000 worth of financial relief to working families through the household and dependent care services tax credit under Act 163. The Hawai'i Department of Taxation later estimated the cost of the provisions of Act 163 to be worth only about $9,500,000 of tax relief. **This discrepancy can be rectified by amending the tax credit to increase the percentage of child and dependent care expenses for which the credit may be applied, thereby fulfilling the legislature's original intent for Act 163.**

That said, we have deep reservations about the amendments proposed in section 1 of this bill, which would eliminate the limit on deductions for state and local taxes. Today, only taxpayers earning less than $100,000 for a single filer, $150,0000 for a head of household, and $200,000 for a married couple are eligible to deduct their state and local taxes on their itemized personal income tax deductions.

Eliminating these thresholds would engender a massive, unnecessary, and costly tax break for Hawai'i's wealthiest people, with those in the top 1 percent–who earn an average of $1.5 million per year–receiving a tax cut of nearly $12,000. An analysis of the eradication of the SALT limits compiled by the Hawai'i Children's Action Network produced the following results.



Accordingly, **<u>we urge your committee to amend this bill by removing the erasure of the SALT deduction limits from the proposal.</u>**

We further believe that this bill's adjustment of the personal income tax brackets to account for inflation is a sound philosophy–and one that is already practiced by the federal government–that will ensure the value of rising incomes is not diminished when taxpayers are pushed into higher tax brackets. **<u>The original version of this bill also included automatic inflation adjustments for the standard deduction and personal exemption. We would like to see those add back into this bill.</u>**

Mahalo nui loa,

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HAWAI'I ALLIANCE for PROGRESSIVE ACTION

Senate Committee on Ways and Means

Hawai'i Alliance for Progressive Action (HAPA) Support: HB2404

Thursday, March 28, 2024 9:50 a.m. Conference Room 211

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Honorable Members of the Committee,

I am writing on behalf of the Hawaiʻi Alliance for Progressive Action to express our stance on HB2404, particularly in relation to its various sections and their implications on income tax. Our organization supports measures that promote fairness and equity within the tax system while addressing the needs of the middle and lower-income families.

Regarding Section 1 of HB2404, we urge opposition to its provisions concerning itemized and State and Local Taxes (SALT) deductions. While we recognize the intent to ease the burden on taxpayers, we believe that the proposed adjustments disproportionately benefit high-income earners. Increasing the income thresholds for full itemized deductions and eliminating caps on SALT deductions would constitute a significant tax giveaway, primarily benefiting the wealthiest individuals. Given the substantial costs associated with these measures, over $200 million annually, we believe that these resources could be better allocated to initiatives that directly support working families and address pressing social needs.

Conversely, we lend our support to Sections 2 and 3 of HB2404. Section 2 proposes a one-time increase to the income levels of personal income tax brackets, a measure that would provide relief to a broader segment of taxpayers. Additionally, Section 3 suggests increasing the percentage of expenses eligible for the child and dependent care tax credit, an initiative that directly assists families with caregiving responsibilities. These provisions align with our organization's values of promoting economic justice and supporting working families.

In summary, while we appreciate efforts to reform Hawaii's income tax system, we urge careful consideration of the distributional impacts of proposed measures. By prioritizing fairness and equity, we can ensure that tax policies effectively serve the needs of all residents, particularly those most vulnerable to economic hardship.

Thank you for considering our perspective on this matter.

Mahalo for your consideration,

Anne Frederick
Executive Director

The Hawaiʻi Alliance for Progressive Action (HAPA) is a public non-profit organization under Section 501(c)(3) of the Internal Revenue Code. HAPA's mission is to catalyze community empowerment and systemic change towards valuing ʻaina (environment) and people ahead of corporate profit.

HCAN Speaks!
Hawai'i Children's Action Network

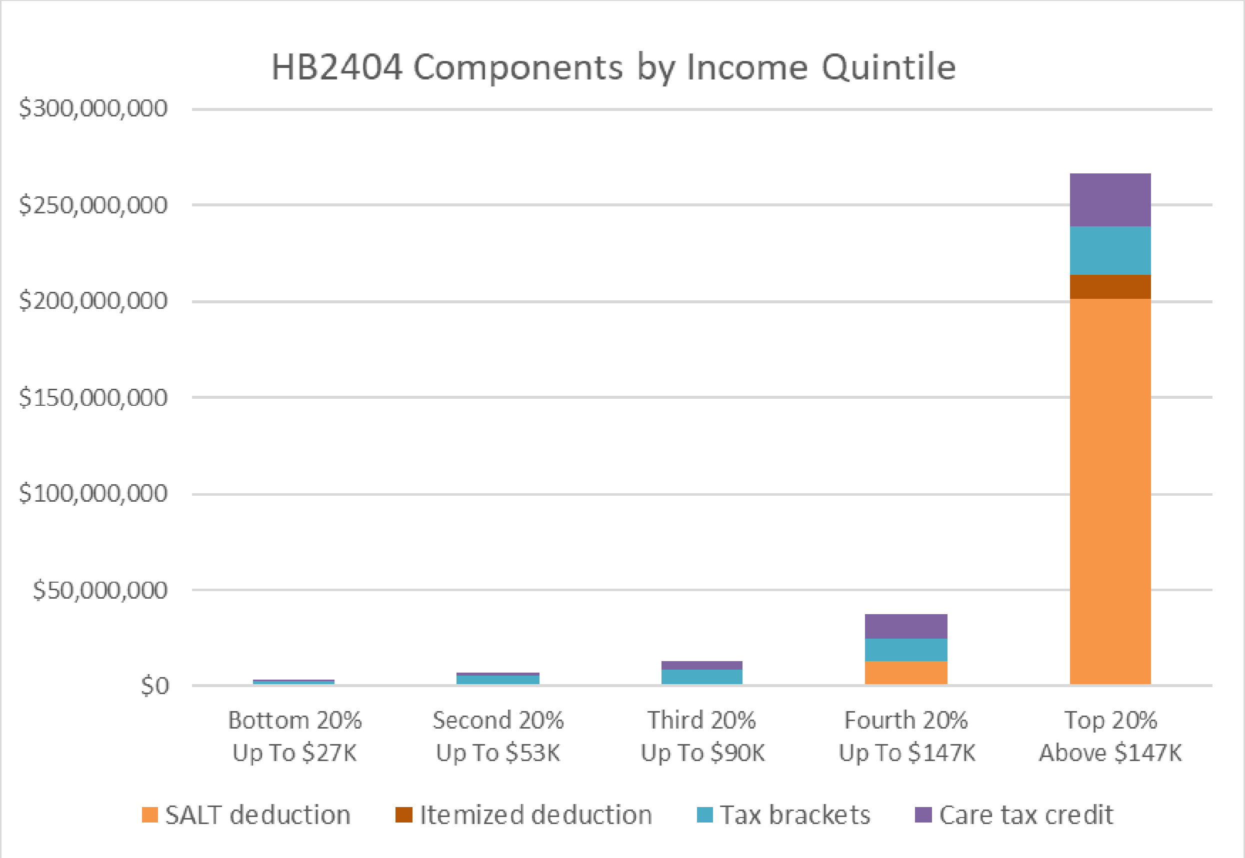
Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: Senate Committee on Ways and Means
Re: **HB 2404 HD1 – Relating to Income Tax**
Hawaiʻi State Capitol & Via Videoconference
March 28, 2024, 9:50 AM

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members,

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in **SUPPORT with a suggested amendment to HB 2404 HD1**. While the tax relief provided by Sections 2 and 3 of this bill would help the middle class, the **more than $200 million in tax breaks provided in Section 1 would go almost entirely to those in the top 20 percent of the income scale**. Especially in a tight budget season, Hawaiʻi can't afford tax giveaways to those at the top, so we suggest the deletion of Section 1 from this bill.

Please see the chart below, which shows how the tax benefits of HB 2404 HD1 would be distributed across the income spectrum, based on the numbers in the original version of HB 2404[1]:



[1] Unpublished analysis of HB 2404 by the Institute on Taxation and Economic Policy, March 2024. See spreadsheet attached to end of this testimony. Learn about ITEP's Tax Microsimulation Model at https://itep.org/itep-tax-model/

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Section 1 of this bill would:

- Lift the current income cap that restricts the deduction of state and local taxes (SALT) that are claimed on their federal returns to those earning less than $100K for singles and $200K for couples filing jointly, at a cost of $214 million per year[2] (colored **orange** in the chart above) and
- Increase the income threshold for taxpayers to claim the full amount of their itemized deductions from $166,800 to $300,000 for couples filing jointly and from $83,400 to $250,000 for singles, at a cost of $13 million per year (**red** in the chart above).

Both provisions of Section 1 benefit only the wealthiest households in our state. For example, the average income of those who would benefit from the lifting of the cap on the SALT deduction is nearly $330,000. **Those in the top one percent, who make an average of $1.5 million per year, would get a tax break from the SALT deduction of nearly $12,000 each.**[3] The top one percent alone would get more two-fifths of this tax break (41.42%), for a total of over $88 million.

In contrast, Section 2 of this bill would benefit more than 90 percent of taxpayers, by providing a one-time increase to the income levels of the personal income tax brackets, at a cost of $53 million per year, if they were set at the levels specified in the original version of this bill (**blue** in the chart above). **Currently we are all subject to "hidden" tax increases every year**[4], as incomes rise with inflation up into higher tax brackets. The federal government and most states automatically adjust income tax brackets in order eliminate that "hidden" annual tax increase.[5] While the original version of this bill also provided automatic annual inflation adjustments, this version does not.

Section 3 of this bill would increase the percentage of expenses that may be claimed with the child and dependent care income tax credit (CDCTC), at a cost of $47 million per year, if they were set at the levels specified in the original version of this bill (**purple** in the chart above). **The CDCTC helps working parents keep more of their hard-earned money**. A main source of financial hardship is the skyrocketing cost of child and dependent care in Hawai'i. With the median cost of preschool exceeding $13,000 per year,[6] families need more support.

Last year, you and your fellow lawmakers took an important first step to boost the CDCTC. You increased the maximum *amount* of care expenses that taxpayers can claim. To allow more families to benefit from the increase that you passed last session, we also need to increase the *percent* that can be claimed. **This bill would raise the cap on the amount of care expenses that can be claimed, enabling more working families to access the new higher amounts of the credit that you passed last year.**

[2] Unpublished analysis of HB2404 by the Institute on Taxation and Economic Policy, March 2024. See spreadsheet at the end of this testimony.
[3] Ibid.
[4] https://itep.org/indexing-income-taxes-for-inflation-why-it-matters/
[5] https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2024
[6] https://www.dol.gov/agencies/wb/topics/childcare/price-by-age-care-setting

If you and your fellow lawmakers would like to reduce the cost of this section by reducing the amount of tax increase that would go to those at the top, please see the table below. The alternative formula phases out the tax benefits of Section 3 more quickly than in the original version of this bill would:

Child and Dependent Care Tax Credit Formulas

HB2404		Alternative		Current law	
threshold $150K at 50%		threshold $100K at 50%		threshold $25K at 25%	
reduced by 1pp for each $3K		reduced by 5pp for each $10K		reduced by varied pp for each $5K	
not below 25% (at $225K)		not below 15% (at $170K)		not below 15% (at $50K)	
Income	Percent	Income	Percent	Income	Percent
150,000	50	100,000	50	25,000	25
165,000	45	110,000	45	30,000	24
180,000	40	120,000	40	35,000	23
195,000	35	130,000	35	40,000	22
210,000	30	140,000	30	45,000	21
225,000	25	150,000	25	50,000	20
		160,000	20	>50,000	15
		170,000	15		

Please also see the following pages, which are the unpublished analysis of HB 2404 from the Institute on Taxation and Economic Policy[7] that are the basis of the cost estimates and distributional impacts referenced in this testimony.

Mahalo for the opportunity to provide this testimony. We urge you to pass this bill with our suggested amendment.

Thank you,

Nicole Woo
Director of Research and Economic Policy

[7] Learn about ITEP's Tax Microsimulation Model at https://itep.org/itep-tax-model/

Hawaii Gov. Green's PIT Proposals

All State Residents, 2024 Incomes

2024 Income	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Bottom 80%	Top 20%	All Residents
	Detailed Income Distribution							80/20 Summary		Total
Income Range Start	Below	$27,200	$53,400	$90,300	$147,200	$297,700	$678,200	Below	$147,200	
Income Range End	$27,200	$53,400	$90,300	$147,200	$297,700	$678,200	And Above	$147,200	And Above	
Average Income	$14,200	$39,300	$71,000	$119,500	$196,700	$405,600	$1,503,000	$61,000	$303,600	$107,800

A) Allows all filers regardless of income to deduct state and local taxes (SALT) included on their federal return in their

Notes: Under current law, only single filers earning <$100K, MFJ earning <$200K, and HoH earning <$150K would be able to take this deduction. Also note that this impact is prior to changes to the itemized deduction phaseout that occurs before provison B is in place below.

Total Tax Change (1000s): ($214,000)

	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Bottom 80%	Top 20%	All Residents	Additional Detail
Tax Change as % of Income	0.00%	0.00%	0.00%	-0.07%	-0.19%	-0.59%	-0.79%	0.03%	0.44%	-0.26%	
Average Tax Change	$0	$0	$0	-$85	-$373	-$2,383	-$11,842	$21	$1,347	-$284	
Share of Resident Tax Cut	0.00%	0.00%	0.00%	5.85%	19.58%	33.14%	41.42%	5.85%	94.15%	100.00%	*Average Income of*
% with Tax Cut	0.00%	0.00%	0.00%	18.51%	41.74%	92.80%	98.90%	4.61%	54.76%	14.52%	*Residents Receiving*
Cut as % of Income for Those with Cut	0.00%	0.00%	0.00%	0.35%	0.42%	0.63%	0.79%	0.35%	0.62%	0.59%	*Tax Cut*
Avg. Tax Cut for Those with Cut	$0	$0	$0	-$457	-$894	-$2,568	-$11,974	-$457	-$2,460	-$1,958	$329,500
Share of Resident Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Average Income of*
% with Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Residents Receiving*
Increase as % of Income for Those with Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Tax Increase*
Avg. Tax Increase for Those with Increase	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

B) Increasing the itemized deduction phaseout threshold to federal law 2013 levels

Notes: See table to the right for comparisons between current law and the new threshold

Total Tax Change (1000s): ($13,000)

	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Bottom 80%	Top 20%	All Residents	Additional Detail
Tax Change as % of Income	0.00%	0.00%	0.00%	0.00%	-0.01%	-0.06%	-0.02%	0.00%	0.03%	-0.02%	
Average Tax Change	$0	$0	$0	-$1	-$28	-$237	-$328	$0	$84	-$17	
Share of Resident Tax Cut	0.00%	0.00%	0.00%	0.71%	24.52%	55.47%	19.30%	0.71%	99.29%	100.00%	*Average Income of*
% with Tax Cut	0.00%	0.00%	0.00%	1.42%	31.72%	87.53%	88.21%	0.35%	45.65%	9.35%	*Residents Receiving*
Cut as % of Income for Those with Cut	0.00%	0.00%	0.00%	0.03%	0.04%	0.07%	0.03%	0.03%	0.04%	0.04%	*Tax Cut*
Avg. Tax Cut for Those with Cut	$0	$0	$0	-$43	-$87	-$271	-$372	-$43	-$185	-$181	$407,400
Share of Resident Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Average Income of*
% with Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Residents Receiving*
Increase as % of Income for Those with Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Tax Increase*
Avg. Tax Increase for Those with Increase	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

C) New income tax brackets, assuming A is in place.

Notes: See table to the right for more details on the new bracket.

Total Tax Change (1000s): ($53,000)

Tax Change as % of Income	-0.10%	-0.09%	-0.08%	-0.07%	-0.06%	-0.06%	-0.05%	0.08%	0.06%	-0.07%
Average Tax Change	-$15	-$37	-$59	-$78	-$110	-$229	-$796	$47	$168	-$71

Share of Resident Tax Cut	4.12%	10.34%	16.46%	21.74%	23.29%	12.85%	11.20%	52.66%	47.34%	100.00%	*Average Income of*
% with Tax Cut	64.32%	81.99%	81.35%	92.25%	95.96%	96.74%	98.96%	79.99%	96.27%	82.22%	*Residents Receiving*
Cut as % of Income for Those with Cut	0.13%	0.11%	0.10%	0.07%	0.06%	0.06%	0.05%	0.09%	0.06%	0.07%	*Tax Cut*
Avg. Tax Cut for Those with Cut	-$23	-$45	-$72	-$85	-$115	-$237	-$804	-$59	-$175	-$86	$121,900

Share of Resident Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Average Income of*
% with Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Residents Receiving*
Increase as % of Income for Those with Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Tax Increase*
Avg. Tax Increase for Those with Increase	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

D) Child and Dependent Care Tax Credit, assumes A - C are in place

Notes: See table to the right for more information on the changes.

Total Tax Change (1000s): ($47,000)

Tax Change as % of Income	-0.01%	-0.03%	-0.04%	-0.07%	-0.09%	-0.06%	-0.01%	0.05%	0.06%	-0.06%
Average Tax Change	-$1	-$10	-$28	-$89	-$173	-$243	-$125	$32	$185	-$62

Share of Resident Tax Cut	0.25%	3.21%	9.08%	28.24%	41.72%	15.49%	2.01%	40.78%	59.22%	100.00%	*Average Income of*
% with Tax Cut	0.04%	1.41%	0.96%	4.95%	6.98%	10.14%	4.02%	1.84%	7.46%	2.93%	*Residents Receiving*
Cut as % of Income for Those with Cut	10.53%	1.81%	3.61%	1.58%	1.18%	0.60%	0.34%	1.84%	0.88%	1.12%	*Tax Cut*
Avg. Tax Cut for Those with Cut	-$2,212	-$711	-$2,951	-$1,799	-$2,481	-$2,393	-$3,114	-$1,743	-$2,474	-$2,113	$189,300

Share of Resident Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Average Income of*
% with Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Residents Receiving*
Increase as % of Income for Those with Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Tax Increase*
Avg. Tax Increase for Those with Increase	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Combined impact of all provisions

Notes:

Total Tax Change (1000s): ($327,000)

Tax Change as % of Income	-0.11%	-0.12%	-0.12%	-0.21%	-0.35%	-0.76%	-0.87%	0.16%	0.59%	-0.40%	
Average Tax Change	-$16	-$47	-$87	-$252	-$684	-$3,092	-$13,090	$100	$1,784	-$434	
Share of Resident Tax Cut	0.71%	2.14%	3.98%	11.44%	23.54%	28.18%	30.01%	18.26%	81.74%	100.00%	*Average Income of Residents Receiving Tax Cut*
% with Tax Cut	64.32%	81.99%	81.35%	92.25%	96.23%	97.59%	99.78%	79.99%	96.68%	82.30%	
Cut as % of Income for Those with Cut	0.14%	0.14%	0.15%	0.23%	0.36%	0.78%	0.87%	0.19%	0.60%	0.43%	
Avg. Tax Cut for Those with Cut	-$24	-$57	-$107	-$274	-$711	-$3,168	-$13,119	-$126	-$1,845	-$527	$122,200
Share of Resident Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*Average Income of Residents Receiving Tax Increase*
% with Tax Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Increase as % of Income for Those with Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Avg. Tax Increase for Those with Increase	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Source: Institute on Taxation and Economic Policy, March 2024

GRASSROOT
INSTITUTE OF HAWAII

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Removing barriers to Hawaii's prosperity

March 28, 2024, 9:50 a.m.
Hawaii State Capitol
Conference Room 211 and Videoconference

To: Senate Committee on Ways and Means
Sen. Donovan M. Dela Cruz, Chair
Sen. Sharon Y. Moriwaki, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

Comments on HB2404 HD1 — RELATING TO INCOME TAX

Aloha Chair Yamashita, Vice-Chair Kitagawa and other members of the Committee,

The Grassroot Institute of Hawaii would like to offer its comments on HB2404 HD1, which would amend the state income tax brackets in an as-yet undefined way.

Due to the use of blank amounts and thresholds in the current version of this bill, it is difficult to comment on its potential impact, whereas the previous version of HB2404 stated clearly how it would have indexed to inflation Hawaii's individual income tax brackets, personal exemptions and standard deductions.

Lowering income taxes across the board would be the best approach to promoting broad economic growth in the state. However, even if the Committee is not contemplating a comprehensive income tax cut, we urge you to reinstate the language that indexed tax brackets, personal exemptions and standard deductions to inflation. It is a comparatively small reform that would ensure all Hawaii taxpayers receive some degree of income tax relief.

When inflation is high, as it was in 2021 and 2022, some employers give their employees raises to offset inflation; however, Hawaii's income tax structure almost guaranteed that some of those raises would be taxed at higher rates as individuals move into higher tax brackets.

Hawaii's high tax rates and compressed brackets don't help. A review from the state Department of Taxation found that a Hawaii household making the median income of $88,005 pays $5,086 in income taxes each year.

This makes Hawaii the second highest-taxed state in terms of what a household earning the median income must pay in income taxes — behind only Oregon, which has no sales tax.[1]

Further, Hawaii's high tax burden contributes to the state's cost of living, which is a key factor in Hawaii's population decline. Tens of thousands of Hawaii residents have moved to the mainland over the past six years[2] — and mainly to states without income taxes, such as Washington, Nevada, Texas and Florida.[3] Their departure from the islands is not only emotionally distressing, but economically depressing as well.

Research shows that lowering income taxes — which this bill has the potential to accomplish — has a number of benefits. The national Tax Foundation compiled a list of studies finding that income taxes tend to lower gross domestic product, decrease unemployment and increase wages.[4]

Reinstating the deleted provision would ensure that the income tax structure changes as inflation increases, giving everyone a little tax relief each year, to help offset the higher cost of living.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

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[1] Seth Colby, "Comparing Hawaii's Income Tax Burden to Other States," Hawaii Department of Taxation, June 2023. When comparing Hawaii with other states, it must be understood that Hawaii's education system is funded at the state level, without county property taxes.

[2] Maria Wood, "Where People from Hawaii Are Moving to the Most," 24/7 Wall Street, Jan. 23, 2022.

[3] Katherine Loughead, "How Do Taxes Affect Interstate Migration?" Tax Foundation, Oct. 11, 2022.

[4] Timothy Vermeer, "The Impact of Individual Income Tax Changes on Economic Growth," Tax Foundation, June 14, 2022.

AARP Hawaii

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The State Legislature
Senate Committee on Ways and Means
Thursday, March 28, 2024
Conference Room 211, 9:50 a.m.

TO: The Honorable Donovan Dela Cruz, Chair
FROM: Keali'i S. López, State Director
RE: Strong Support for H.B. 2404 HD 1 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 2404, HD 1 which amends Section 235-55.6, Hawaii Revised Statue to include Expenses for Household and Dependent Care Services necessary for gainful employment. **However, AARP respectfully urges the Committee to support more family caregivers by inserting the caregiver tax credit provisions similar to SB 2473 SD1 (Attachment A) with a new Section §235- Family Caregiver Tax Credit as amendments.**

Amendments Justification:

- AARP's proposed amendments from SB 2473 to be inserted into HB 2404 now ensures all family caregivers are included, not just those who are able to claim their loved one as a dependent for tax purposes.

- The current HB 2404 HD1 benefits working caregivers with tax credits for dependent-care expenses incurred for employment (i.e. child or adult care center). However, **it excludes the caregivers not claiming a dependent, but are providing care for their loved ones**.

- According to a recent AARP survey of registered voters 40 years and older, nearly half (45 percent) of older voters said they have experience providing care to a family member or friend.[1] Ninety percent of caregivers and former caregivers said they incurred expenses while caregiving. On average, family caregivers spend 26% of their income on caregiving activities that adds up to an average of more than $7,200 a year.

- ✓ Transportation is the most common expense (73 percent).
- ✓ About four in ten Hawai`i caregivers have modified their own home or a loved one's home or have purchased medical equipment.
- ✓ At least one in three bought prescription drugs or helped with housing costs such as rent, mortgage, utilities, or other upkeep expenses.
- ✓ About one in four spend their own money on respite care and other medical costs.

AARP Hawai`i strongly advocates for family caregivers who are the backbone of Hawaii's long term care system. There are about 154,000 family caregivers in the State who provide 144 million hours of unpaid care to their loved ones each year, valued at $2.6 billion if they were paid. Eighty-nine percent of surveyed voters support a limited state income tax credit to offset the expenses of family caregivers. The support for family caregivers is widespread and cuts across the political spectrum and most respondents said the state does not provide enough support to family caregivers. [2] The passage of HB 2404 with AARP's amendments will benefit the full spectrum of family caregivers who deserve some financial relief. All family caregivers deserve our support. No caregivers should be left behind. Thank you for your consideration of including AARP's proposed amendments in HB 2404, HD1.

[1] 2024 Survey of 1,002 Hawaii Voters Aged 40-Plus
[2] 2024 Survey.

Attachment A: SB 2473, SD1

AARP

THE SENATE
THIRTY-SECOND LEGISLATURE, 2024
STATE OF HAWAII

S.B. NO. 2473 S.D. 1

A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that family caregivers are the backbone of the long-term care system in the State. AARP's 2023 report "Valuing the Invaluable" found that 154,000 residents of the State provide unpaid caregiving services for a loved one. The report finds that each year, these family caregivers contribute nearly 144,000,000 hours of unpaid services, estimated at a value of $2,600,000,000. Caregiving services can range from managing personal finances and transporting for medical visits to providing twenty-four-hour supervision and assisting with bathing, toileting, and dressing so that their loved ones are not prematurely institutionalized and can remain in their homes.

The legislature further finds that nonpaid family caregivers face many physical, emotional, and financial challenges and often balance caregiving with work and other personal responsibilities. A 2021 national study found that, on average, family caregivers spend twenty-six per cent of their income on caregiving services; nearly eight in ten caregivers report having routine out-of-pocket expenses related to caregiving; and that these out-of-pocket expenses average $7,242 per year. The legislature believes that the demands on family caregivers are not isolated family issues and that the State should assist in the delivery of meaningful support and solutions for those that provide unpaid long-term care services in the State.

Accordingly, the purpose of this Act is to establish a tax credit for nonpaid family caregivers.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"<u>§235-</u> **<u>Family caregiver tax credit</u>**<u>. (a) There shall be allowed to each eligible taxpayer subject to the tax imposed by this chapter a family caregiver tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.</u>

<u>(b) The family caregiver tax credit shall be equal to the qualified expenses of the taxpayer, up to a maximum of $5,000 in</u>

any taxable year; provided that married individuals filing separate tax returns for a taxable year for which a joint return could have been filed shall claim only the tax credit to which they would have been entitled had a joint return been filed.

(c) An eligible taxpayer may claim the tax credit for every taxable year or part thereof that the eligible taxpayer provides care to a care recipient during the taxable year; has personally incurred uncompensated expenses directly related to the care of a care recipient; and has not claimed the care recipient as a dependent for the purpose of a tax deduction in the same taxable year. Only one eligible taxpayer per household may claim a tax credit for any care recipient cared for in a taxable year. An eligible taxpayer shall not claim multiple tax credits under this section in a taxable year, regardless of the number of care recipients receiving care from the eligible taxpayer.

(d) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the tax credit made under this section; and

(3) May adopt rules pursuant to chapter 91 necessary to carry out this section.

(e) All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provisions shall constitute a waiver of the right to claim the credit.

(f) The department of taxation shall report to the legislature, no later than twenty days prior to the convening of each regular session, on the number of taxpayers claiming the tax credit and the total cost of the tax credit under this section to the State during the past year.

(g) As used in this section,

"Activity of daily living" has the same meaning as defined in section 349-16.

"Care recipient" means an individual who:

(1) Is a citizen of the United States or a qualified alien; provided that for the purposes of this paragraph, "qualified alien" means a lawfully admitted permanent resident under the Immigration and Nationality Act;

(2) Is not covered by any comparable government or private home- and community-based care service, except or excluding kupuna care services;

(3) Does not reside in a long-term care facility, such as an intermediate care facility, assisted living facility, skilled nursing facility, hospital, adult foster home, community care foster family home, adult residential care home, expanded adult residential care home, or developmental disabilities domiciliary home; and

(4) Has impairments as certified by a primary care medical provider of at least:

(A) Two activities of daily living;

(B) Two instrumental activities of daily living;

(C) One activity of daily living and one instrumental activity of daily living; or

(D) Substantive cognitive impairment requiring substantial supervision because the individual behaves in a manner that poses a serious health or safety hazard to the individual or another person.

"Care recipient" also refers to a person with a disability as that term is defined under section 515-2.

"Eligible taxpayer" means any relative of a care recipient who:

(1) Has a federal adjusted gross income of $75,000 or less (or $125,000 if filing a tax return jointly);

(2) Has undertaken the care, custody, or physical assistance of the care recipient; and

(3) Has not claimed a credit under section 235-55.6.

"Instrumental activities of daily living" has the same meaning as defined in section 349-16.

"Kupuna care services" has the same meaning as defined in section 349-16.

"Qualified expenses" means costs that are directly incurred by the eligible taxpayer in providing care to a care recipient, including but not limited to:

(1) The improvement or alteration to the eligible taxpayer's primary residence to permit the care recipient to live in the residence and remain mobile, safe, and independent, including entrance ramps, safety grab bars by toilets, and the conversion of tubs to accessible showers;

(2) The purchase or lease of equipment and supplies, including but not limited to durable medical equipment, incontinent undergarments, and portable commodes, necessary to assist a care recipient in carrying out one or more activities of daily living; and

(3) Other paid or incurred expenses by the eligible taxpayer that assists the eligible taxpayer in providing care to a care recipient, such as expenditures related to:

(A) Home care aides or chore workers;

(B) Respite care;

(C) Adult day care or adult day health center services;

(D) Personal care attendants;

(E) Transportation, including but not limited to para-transit service for non-emergency medical transport;

(F) Health care equipment; and

(G) Assistive technology, including emergency alert system and voice activated medication dispensers or reminders.

"Relative" means a spouse, child, parent, sibling, legal guardian, a reciprocal beneficiary as that term is defined in section 572C-3, a partner as that term is defined in section 572B-1, or any other person who is related to a care recipient by blood, marriage, or adoption, including a person who has a hanai or substantial familial relationship to the care recipient."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on December 31, 2050, and shall apply to taxable years beginning after December 31, 2024.

S.B. NO. 2473
S.D. 1

Report Title:
Kupuna Caucus; DOTAX; Family Caregiver Tax Credit; Report

Description:
Establishes a refundable tax credit for nonpaid family caregivers. Requires the Department of Taxation to report to the Legislature before the convening of each Regular Session. Takes effect 12/31/2050. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

HAWAIʻI PUBLIC HEALTH INSTITUTE

Date: March 27, 2024

To: Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Members of the Senate Committee on Ways and Means

Re: HB 2404 HD1 Relating to Income Tax

Hrg: Thursday, March 28, 2024 9:50 AM

Healthy Eating + Active Living (HEAL) Coalition, convened by the Hawaiʻi Public Health Institute[i] appreciates the opportunity to provide **Comments on HB2404 HD1**, which would expand tax deductions to high-income earners and increase the accessibility of the child and dependent tax care credit.

$200+ million in tax benefits to high-income earners.

The state and local tax deduction would be expanded to individuals who earn over $100,000 annually, heads of households who earn over $150,000, and joint filers earning over $200,000. This groups of tax filers would receive over $200 million in tax breaks each year. While many necessary social services are not funded sufficiently or at all, it is not the right time to provide significant tax breaks to these tax brackets. The Department of Taxation has recommended removing this change from the bill and we hope you will follow their suggestion.

Child care is a necessity.

In order to support our working families, we need to help them afford the cost of raising children. Many families are unable to balance the demands of work and childcare. By providing tax benefits targeted to those in need, we can foster a better living environment for these families.

Sincerely,

Nate Hix
Social Impact Policy Manager
Hawaiʻi Public Health Insititute

[i] The Healthy Eating + Active Living (HEAL) Coalition, formerly known as the Obesity Prevention Task Force, was created by the legislature in 2012 and is comprised of over 60 statewide organizations. The HEAL Coalition works to make recommendations to reshape Hawai'i's school, work, community, and health care environments, making healthier lifestyles obtainable for all Hawai'i residents.

LATE

Chamber of Commerce HAWAII
The Voice of Business

Testimony to the Senate Committee on Ways and Means
Thursday, March 28, 2024 at 9:50AM
Conference Room 211 & Videoconference

<u>RE: HB2404 HD1 Relating to Income Tax</u>

supports HB2404 HD1

Hawaii's high cost of living is a major challenge identified by the Chamber's 2030 Blueprint Hawaii strategic plan.

CATHOLIC CHARITIES HAWAIʻI

LATE

TESTIMONY IN SUPPORT SECTIONS 2 & 3 of HB 2404, HD1:
RELATING TO INCOME TAX

TO: Senate Committee Ways and Means
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaiʻi
Hearing: Thursday, 3/28/13; 9:50 AM; via Videoconference or Room 211

Chair Dela Cruz, Vice Chair Moriwaki, and Members, Committee on Ways and Means:

Thank you for the opportunity to provide testimony in **Support of Sections 2 and 3 of HB 2404, HD1,** which amends tax brackets and temporarily amends the percentage of employment related expenses for the child and dependent care tax credit, etc.. 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 to the most vulnerable of the people in Hawai`i.

We urge you to focus on the needs of the middle class and the ALICE population in Section 2 and 3. We also urge you to include all family caregivers in this bill, as suggested by AARP's proposed amendments. With the tough decisions about the budget, it is not the time to pass Section 1. It IS time to address the growing economic stress of the middle class which is forcing many to consider moving out of Hawai`i. It IS time to help all family caregivers to be able to loving care for their kupuna and better afford child care so that they can continue to work. Sections 2 and 3 will allow many more struggling taxpayers to benefit from this tax credit.

Child and dependent care are one of the largest cost burdens for Hawai`i families after housing. Many of the most impacted families in Hawai`i are the working poor as well as the ALICE population. They are working hard, often with more than one job, but due to our high cost of living, they struggle to make ends meet. This tax credit will help with the child care they must pay in order to work. The tax credit for dependent care services also will assist families to continue to take care of their ohana. Elder care is extremely expensive in Hawai`i. Due to the severity and ongoing nature of care, many family members have been forced to quit work in order to prove essential care to their kupuna. They should also be included in this bill. **Finding child care or dependent care services is hard, and paying for them, or proving this elder care, puts a big dent in many families' budgets.**

We urge you to pass **Sections 2 and 3 of HB 2404, HD1**

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.

GRASSROOT
INSTITUTE OF HAWAII

1050 Bishop St. #508
Honolulu, HI 96813
808-864-1776
info@grassrootinstitute.org

Removing barriers to Hawaii's prosperity

March 28, 2024, 9:50 a.m.
Hawaii State Capitol
Conference Room 211 and Videoconference

To: Senate Committee on Ways and Means
Sen. Donovan M. Dela Cruz, Chair
Sen. Sharon Y. Moriwaki, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

Comments on HB2404 HD1 — RELATING TO INCOME TAX

Aloha Chair Dela Cruz, Vice-Chair Moriwaki and other members of the Committee,

The Grassroot Institute of Hawaii would like to offer its comments on HB2404 HD1, which would amend the state income tax brackets in an as-yet undefined way.

Due to the use of blank amounts and thresholds in the current version of this bill, it is difficult to comment on its potential impact, whereas the previous version of HB2404 stated clearly how it would have indexed to inflation Hawaii's individual income tax brackets, personal exemptions and standard deductions.

Lowering income taxes across the board would be the best approach to promoting broad economic growth in the state. However, even if the Committee is not contemplating a comprehensive income tax cut, we urge you to reinstate the language that indexed tax brackets, personal exemptions and standard deductions to inflation. It is a comparatively small reform that would ensure all Hawaii taxpayers receive some degree of income tax relief.

When inflation is high, as it was in 2021 and 2022, some employers give their employees raises to offset inflation; however, Hawaii's income tax structure almost guaranteed that some of those raises would be taxed at higher rates as individuals move into higher tax brackets.

Hawaii's high tax rates and compressed brackets don't help. A review from the state Department of Taxation found that a Hawaii household making the median income of $88,005 pays $5,086 in income taxes each year.

This makes Hawaii the second highest-taxed state in terms of what a household earning the median income must pay in income taxes — behind only Oregon, which has no sales tax.[1]

Further, Hawaii's high tax burden contributes to the state's cost of living, which is a key factor in Hawaii's population decline. Tens of thousands of Hawaii residents have moved to the mainland over the past six years[2] — and mainly to states without income taxes, such as Washington, Nevada, Texas and Florida.[3] Their departure from the islands is not only emotionally distressing, but economically depressing as well.

Research shows that lowering income taxes — which this bill has the potential to accomplish — has a number of benefits. The national Tax Foundation compiled a list of studies finding that income taxes tend to lower gross domestic product, decrease unemployment and increase wages.[4]

Reinstating the deleted provision would ensure that the income tax structure changes as inflation increases, giving everyone a little tax relief each year, to help offset the higher cost of living.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

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[1] Seth Colby, "Comparing Hawaii's Income Tax Burden to Other States," Hawaii Department of Taxation, June 2023. When comparing Hawaii with other states, it must be understood that Hawaii's education system is funded at the state level, without county property taxes.
[2] Maria Wood, "Where People from Hawaii Are Moving to the Most," 24/7 Wall Street, Jan. 23, 2022.
[3] Katherine Loughead, "How Do Taxes Affect Interstate Migration?" Tax Foundation, Oct. 11, 2022.
[4] Timothy Vermeer, "The Impact of Individual Income Tax Changes on Economic Growth," Tax Foundation, June 14, 2022.

WOMEN'S CAUCUS
DEMOCRATIC PARTY OF HAWAIʻI

COMMITTEE: Senate Committee on Ways and Means
DATE: Thursday, March 28, 2024
TIME: 9:50 a.m.
PLACE: Via Videoconference and Room 211

TO: Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair
And members of Senate Committee on Ways and Means
RE: HB 2404 HD1 Relating to Income Tax

Chair Dela Cruz, Vice Chair Moriwaki and members of the Senate Committee on Ways and Means, the Hawaii State Democratic Women's Caucus is a catalyst for progressive, social, economic, and political change through action on critical issues facing Hawaii's women and girls. The Women's Caucus SUPPORTS HB 2404 HD1 Relating to Income Tax, specifically Section 3 of the bill relating to tax credits.

Women are often the caregivers for children and older adults. In an article published in the Journal of Cross-Cultural Gerontology (2022) 37:339–353 (https://doi.org/10.1007/s10823-022-09462-2) by Dr. Colette Browne, Dr. Jeanette C. Takamura, and Dr. Jin Young Seo entitled "Global Gender Inequality, Older Women, and the Call for Change in the United States" they state that: "*Worldwide, 606 million women compared to 41 million men were out of the labor force due to meeting caregiving needs (Addati et al., 2018). Across the Organization for Economic Cooperation and Development (OECD) nations, 60% of informal caregivers over the age of 50 are women. If informal carers are employed, they are more likely employed part-time due to the demands of caregiving. Both informal and formal caregiving remain stubbornly feminized throughout girls and women's lives, too often contributing to poverty in caregivers' later years (OECD, 2017; UN 75, 2021).*"

HB 2404 HD1, section 3 of the bill will be a significant financial help to the women of our state. Thank you for the opportunity to testify.

Members of Hawaii State Democratic Women's Caucus

HB-2404-HD-1
Submitted on: 3/25/2024 3:00:32 PM
Testimony for WAM on 3/28/2024 9:50:00 AM

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

Comments:

Chair Donovan Dela Cruz, and Members of the Committee:

Chair Donovan Dela Cruz, and Members of the Committee:

My name is Dan Gardner. My wife Deborah and I are both n STRONG SUPPORT of HB 2404, HD1 which provides a tax credit for family caregivers. **I respectfully urge the legislature to include AARP Hawaii's proposed amendments that will benefit more family caregivers from this bill.**

Family caregivers are the backbone of Hawaii's long term care system. They provide countless hours of care that range from bathing, preparing meals and escorting loved ones for medical visits. In addition, many caregivers pay for their loved one's care out of their own pocket. The average cost is $7,200 per year to cover expenses such as adult day care fees, medical supplies, transportation, respite care and other health and personal care services. This proposed tax credit would provide a small relief for family caregivers. Please support these unsung heroes by passing HB 2404 HD1 with AARP's amendments. They all deserve our support.

Dan Gardner

Honolulu, HI 96821

daniel.dano.gardner@gmail.com

THE SENATE
KA ʻAHA KENEKOA

THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2024

SENATE COMMITTEE ON WAYS & MEANS

Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Date of Hearing: Thursday, March 28, 2024, 9:50 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Senate Committee on Ways & Means. My name is Carol Wakayama and I am submitting this testimony in STRONG SUPPORT of H.B. 2404 H.D. 1 ("Relating to Income Tax").

In its current language, H.B. 2404 H.D. 1: 1) only benefits working parents and caregivers caring for a dependent - in the same household; 2) excludes caregivers who are not claiming a dependent and; 3) has limited allowable expenses for deductions. Respectfully, I request that the Senate Ways & Means Committee amend H.B. 2404 H.D. 1 to include all family caregivers and that additional caregiving costs are included in the Bill.

There are thousands of individuals trying their very best to provide care to family members. Providing care for their family member could include transportation; bathing; preparing meals or paying for items/services related to hygiene and other ʻactivities of daily living.' These out-pocket costs can be very costly as …. the caregivers must also be able to live and afford their own lives, while also being a caregiver to a family member.

H.B. 2404 H.D. 1 would provide family caregiver tax benefits to eligible taxpayers who are providing care to a family member and who may have incurred uncompensated expenses in order to care for family members.

Humbly, I request your support of H.B. 2404 H.D. 1. Thank you for the opportunity to provide my testimony.

Carol Wakayama
Honolulu, Hawaii

Testimony on House Bill No. 2404, House Draft 1
RELATING TO INCOME TAX
Thursday, March 27, 2024 at 9:50 am
Conference Room 211 & Videoconference
State Capitol
415 South Beretania Street

Chair Donovan Dela Cruz, and Members of the Committee:

My name is Dolores Foley and I am in **STRONG SUPPORT of HB 2404, HD1 which provides a tax credit for family caregivers. I respectfully urge the legislature to include AARP Hawaii's proposed amendments that will benefit more family caregivers from this bill.**

Family caregivers are the backbone of Hawaii's long term care system. They provide countless hours of care that range from bathing, preparing meals and escorting loved ones for medical visits. In addition, many caregivers pay for their loved one's care out of their own pocket. The average cost is $7,200 per year to cover expenses such as adult day care fees, medical supplies, transportation, respite care and other health and personal care services. This proposed tax credit would provide a small relief for family caregivers. Please support these unsung heroes by passing HB 2404 with AARP's amendments. They all deserve our support.

Mahalo for the opportunity to testify!

Dolores Foley
Kailua Oahu 96734

HB-2404-HD-1
Submitted on: 3/26/2024 11:20:56 AM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Mark A. Koppel	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT OF HB2404 HD1

Mark Koppel

P O Box 283

Hakalau, HI 96710

Aloha Honorable Committeemembers:

I was surprised to see there is a problem about tax credits for family caregivers.

Care by family members is an *essential* part of our healthcare system, like it or not. Without these wonderful people, our beloved citizens will need to be on Medicaid, at great State expense.

We must have help for family caregivers.

Mahalo.

Senate Ways and Means Committee
Testimony on House Bill No. 2404, HD1
Relating to Income Taxes

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee:

My name is Deborah M. Oyakawa, and I was a caregiver for my mother who had dementia. I am in STRONG SUPPORT of H.B. 2404 HD1. The bill provides a tax credit for unpaid family caregivers that can help ease the financial expenses incurred for their loved one's care. Please include AARP Hawaii's proposed amendment which will include more caregivers who will benefit from the financial relief.

Due to the stress of being a caregiver, my focus and energy level were taxed and I was not performing well at work. I had to reduce my hours significantly. To supplement my income, I tapped into my retirement plan and eventually drained the funds. I am now in my sixties with no retirement money to help support me.

Family caregivers are the backbone of Hawaii's long term care system. They provide countless hours of care that range from bathing, preparing meals and escorting loved ones for medical visits. They lovingly perform these daily tasks so that their family member can remain in their homes and age in place. In addition, family caregivers often pay out of their own pockets for needed supplies such as incontinent supplies, medications and additional in-home assistance. It is estimated that they spend about $7,200 annually. Please support these unsung heroes by passing H.B. 2404 with AARP's amendments.

Mahalo for the opportunity to testify!

Deborah M. Oyakawa
Waikoloa, HI 96738
deboyakawa@gmail.com

Senate Ways and Means Committee
Testimony on House Bill No. 2404, HD1
RELATING TO INCOME TAXATION
Thursday, March 28, 2024 at 9:50 am
Conference Room 211 & Videoconference

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

My name is Lynnette Sakamoto, and I was caregiver to my mother and father for 13 years with an additional 4 years for my father, a total of 17 years of caregiving. My mother had Parkinsons and had had minor strokes, in the end, breaking her hip in a fall. My father was physically challenged with knee problems and eventually broke his hip in a fall. Mom passed at 94 years and Dad at 98 years.

I AM IN STRONG SUPPORT of HB 2404, HD1 and please include AARP's amendments which will include more family caregivers. The bill provides a tax credit for unpaid family caregivers that can help ease the financial expenses incurred for their loved ones' care.

My family was fortunate. Between my monthly retirement and Dad's, we were able to survive the unending expenses that inundate caregivers and their families. It was not easy, but I know from some of my friends and family who are now caregivers that there are those who barely scratch out a living for themselves, who are now struggling to buy diapers, bandages, all the items needed to care for their loved ones, with nothing left to pay for caregivers to relieve them for a few hours a week.

In the end, my father ran out of his savings, and I paid for groceries and other necessities out of my income. There are many caregivers today who are doing the same thing. There are far reaching consequences from that even after our loved ones pass, as it affects the caregiver's later life on many levels. And truthfully, I have not even scratched the surface here. It is estimated caregivers spend approximately $7200 annually.

Family caregivers are the backbone of Hawaii's long term care system. They provide countless hours of care that range from bathing, preparing meals, and escorting loved ones for medical visits. They lovingly perform these daily tasks so that their family members can remain in their homes and age in place. Please pass H.B. 2404 with AARP's amendments.

Mahalo for the opportunity to testify!

Lynnette Sakamoto
Kailua, Oahu
kaisakamoto@hawaii.rr.com

HB-2404-HD-1
Submitted on: 3/26/2024 6:15:56 PM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Stephen T Hazam	Individual	Support	Written Testimony Only

Comments:

Please SUPPORT HB2404 HD1

Hawaii taxpayers would benefit by the adjustment of income tax brackets and the increase in tax credits for childcare. State residents need tax relief!

Please SUPPORT HB2404 HD1

Respectfully,

HB-2404-HD-1
Submitted on: 3/26/2024 7:50:39 PM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Chuck Lee	Individual	Support	Written Testimony Only

Comments:

Aloha,

I strongly support this bill as it provides much needed tax relief to our already over taxed citizens!

Mahalo

Chuck Lee

HB-2404-HD-1
Submitted on: 3/26/2024 9:28:26 PM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
BLYTH KOZUKI	Individual	Support	Written Testimony Only

Comments:

Testimony on House Bill No. 2404, House Draft 1

RELATING TO INCOME TAX

Thursday, March 27, 2024 at 9:50 am

Conference Room 211 & Videoconference

State Capitol

415 South Beretania Street

Aloha Chair Yamashita, and Members of the Committee:

My name is Blyth Kozuki, and I am in STRONG SUPPORT of HB 2404, HD1 which provides a tax credit for family caregivers. I respectfully urge the legislature to include AARP Hawaii's proposed amendments that will benefit more family caregivers from this bill.

I was a caregiver to my dear, sweet, late husband who had dementia. He needed supervision but I needed to work so I contracted for daycare which was a daily expense. As his dementia progressed he had more needs. He needed a thickener for water so he wouldn't choke and this doesn't go on sale at Long's. You can imagine the expenses start to add up. This wasn't a burden but financial support would have helped ease some of the stresses of caring for my husband.

Family caregivers are the backbone of Hawaii's long term care system. We often provide countless hours of care that range from bathing, preparing meals and escorting loved ones for medical visits. The average cost is $7,200 per year to cover expenses such as adult day care fees, medical supplies, transportation, respite care and other health and personal care services. This proposed tax credit would provide a small relief for family caregivers. Please support these caregivers by passing HB 2404 with AARP's amendments. They all deserve our support.

Mahalo for the opportunity to testify!

Blyth Kozuki

House District 20, Kahala, Kaimuki, Kapahulu

Email: blythkozuki@hotmail.com

HB-2404-HD-1
Submitted on: 3/27/2024 1:39:34 AM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Gene Lamkin	Individual	Support	Written Testimony Only

Comments:

Support

HB-2404-HD-1
Submitted on: 3/27/2024 2:25:10 AM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Alice Abellanida	Individual	Support	Written Testimony Only

Comments:

I support this bill.

Kevin L. Johnson, Ko Olina, Hawai'i

Hawai'i Legislature
Senate Committee on Ways and Means
Thursday, March 28, 2024, Conference Room 211, 9:50 a.m.

TO: Senator Donovan M. Dela Cruz, Chair
RE: Support for HB 2404 HD1, Relating to Income Tax

I would like to take this opportunity to express my s**trong support of HB2404 HD 1, Relating to Income Tax, and amending it to include non-cohabitating family members**.

I recently had the experience of caring for my spouse for several weeks after surgery. While I am retired, still able to do the physical work required and have the financial means for this short stint, it truly opened my eyes to the challenges encountered for those caring for a family member on a long-term or permanent basis. Balancing household activities, work and the expense of necessary medical equipment is both mentally and physically taxing to these individuals. This service becomes even more challenging should the recipient be a family member not living in the same household.

While these hundreds of thousands of Hawaii citizens are providing millions of hours of this service out of love, they are not being reimbursed for their estimated $2.5 million dollar expenses which might otherwise fall on the State. The small tax credit outlined in this legislation is both well deserved by these individuals and **an investment in healthcare** with a huge return to the State.

Supporting HB2404 HD1 and amending it to include non-cohabitating family members is both compassionate and a wise investment for the State of Hawaii**.**

Sincerely,

Kevin L. Johnson

HOUSE COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

NOTICE OF HEARING
DATE: Thursday, March 28, 2024
TIME: 9:50 AM

Re HB2404 HD1 RELATING TO INCOME TAX

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee My name is Linda Dorset, a resident of Maui County, and I am in STRONG SUPPORT of HB 2404 HD1. The bill provides a tax credit for unpaid family caregivers that can help ease some financial burden on caregiving expenses incurred for the care of a loved one. Also, I respectfully urge the legislature to include AARP Hawaii's proposed amendments that will benefit even more family caregivers.

As I'm sure you know, family caregivers are the backbone of Hawaii's long term care system. They provide countless hours of care that range from bathing, preparing meals and escorting loved ones for medical visits. They lovingly perform these daily tasks so that the family member can remain in the home and age in place; but they sacrifice income, job security, and savings. Family caregivers often pay as much as $7,200/Year out of their own pockets for needed supplies such as incontinent supplies, medications, and additional in-home assistance. It is estimated that there are 154,000 Caregivers giving144 Million Care Hours/Year which amounts to $2.6 Billion of Unpaid Labor/Year. Many must also balance work and caregiving or leave the workforce altogether.

Please support these unsung heroes by passing HB1769 HD1 with AARPs amendment. They deserve this help.

Mahalo for the opportunity to testify!

Linda Dorset
Wailuku, Maui

HB-2404-HD-1
Submitted on: 3/27/2024 9:14:09 AM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Natalie Graham-Wood	Individual	Support	Written Testimony Only

Comments:

I support HB2404 HD1. Please vote YES. Ten years ago, I cared for my mother in her home and it was my working daughter who paid for the expenses my live-in help added to the household. It would have caused less stress and given some financial relief if the State had a tax credit for this situation.

HB-2404-HD-1
Submitted on: 3/27/2024 9:41:05 AM
Testimony for WAM on 3/28/2024 9:50:00 AM

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

Comments:

Chair Donavan M. Dela Cruz, Vice-Chair Sharon Moriwaki and Committee Members.

Thank you for the opportunity to submit this testimony in support of HB2404, HD1 whch provides for a tax credit for famly caregivers.

There is a heavy emotional and financial burden that comes with caregiving. Several of my friends have had to take leave from work or take early retirement to care for their elderly parents.

The proposed tax credit would help ease the financial burden for caregivers, whether they are working or not.

Please support HB 2404, HD1.

Thank you,

Esther Ueda, Pearl City

HB-2404-HD-1
Submitted on: 3/27/2024 10:49:50 AM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
d leong	Individual	Support	Written Testimony Only

Comments:

Lower the cost of living by cutting taxes.

Local people are struggling to survive in Hawaii. Please do us all a favor and make changes to the current income tax structure. We need to find new solutions and I think HB2404 will help keep more local people here.

LATE

HB-2404-HD-1
Submitted on: 3/27/2024 1:04:29 PM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Donald Carroll	Individual	Support	Written Testimony Only

Comments: I would like to encourage you with the high cost of living in Hawaii. Which is exacerbated by hefty income taxes. By reducing these taxes through HB2404. This would provide much-needed relief for residents struggling with the state's expenses. Hawaii’s income taxes are one of the many reason's Hawaii is so unaffordable — and why so many of our family, friends and neighbors have been leaving for mainland states such as Nevada, Florida or Texas, which don’t have income taxes. Respectably

LATE

HB-2404-HD-1
Submitted on: 3/27/2024 4:09:59 PM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Krystal Baba	Individual	Support	Written Testimony Only

Comments:

I support this bill.

LATE

HB-2404-HD-1
Submitted on: 3/27/2024 4:10:51 PM
Testimony for WAM on 3/28/2024 9:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Ryan Samonte	Individual	Support	Written Testimony Only

Comments:

I support this bill.

Testimony on House Bill No. 2404
Relating to Mental Health
Thursday, March 28, 2024 at 9:45 am
Conference Room 211 & Videoconference
State Capital
415 South Beretania Street

Members of the Committee:

My name is Lori Dalton, a resident of Hawaii county. I am in SUPPORT of HB 2404. The bill relates to Income Tax.

Hawaii's progressive tax schedule imposes higher rates on lower income levels, with rates that increase rapidly. Hawaii has one of the highest income tax burdens of any state at all income levels. In addition, Hawaii's low standard of deduction and personal exemption thresholds result in more income taxation. As a resident of Hawaii, I know the impact of our state's tax burden on my financial well-being. A reduced disposable income limits my ability to spend on goods and services, impacting my community's economic growth. It also affects my ability to save for long-term financial goals such as home ownership and retirement. The high cost of living and the high tax burden are not sustainable. Seeing many of my family members and friends leaving Hawaii to seek better financial stability on the mainland is disheartening. Considering financial well-being and prospects of having the opportunity for upward mobility, I, like many others, often contemplate leaving as well.

HB 2404 offers an innovative solution to alleviate the financial stress for residents in Hawaii, particularly the low- and middle-income households. This bill will allow for cost of living adjustments, standard and itemized deduction amounts, and a tax credit for family caregivers. Furthermore, HB 2404 considers raising the maximum percentage of care expenses to be claimed in the child and dependent tax credit. This adjustment will be much needed considering the high childcare costs and targeted tax relief to populations that will promote sustainable economic growth and benefit our communities. Tax reduction and relief for residents of Hawaii will be one way to ensure a stable economy and a thriving working population.

HB 2404 represents a step towards addressing Hawaii's support of its low- and middle-class households and families to ensure financial stability and well-being.

Mahalo for the opportunity to testify!
Lori Dalton
Pahoa, Hawaii