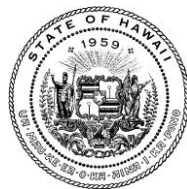


JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 1208, Relating to Taxation

**BEFORE THE:**

Senate Committee on Housing

**DATE:** Tuesday, January 30, 2024

**TIME:** 1:00 p.m.

**LOCATION:** State Capitol, Room 225

Chair Chang, Vice-Chair Hashimoto, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 1208 for your consideration.

S.B. 1208 amends section 235-55.7(c), Hawaii Revised Statutes (HRS), to increase the value of the income tax credit for low-income household renters from \$50 to \$100 per qualified exemption for each eligible taxpayer with an adjusted gross income of less than \$30,000 who has paid more than \$1,000 in rent during the taxable year. The change would apply to taxable years beginning after December 31, 2022.

The Department notes that taxpayers who may have already filed their 2023 returns before this measure takes effect would subsequently have to file an amended return to claim the additional credit amount. This may generate substantial refund claims and may delay processing for taxpayers. The Department further notes that the Department needs time to make the necessary form and system changes. Accordingly, the Department requests that the measure's effective date be amended to apply to taxable years beginning after December 31, 2023.

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

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX, Low-Income Household Renters; Credit Increase

BILL NUMBER: SB 1208

INTRODUCED BY: AQUINO, CHANG, DECOITE, KEITH-AGARAN, MCKELVEY, RHOADS, Ihara, Kidani, Wakai

EXECUTIVE SUMMARY: Doubles the low-income household renters' income tax credit.

SYNOPSIS: Amends section 235-55.7, HRS, to raise the credit amount to \$100 times the number of qualified exemptions.

EFFECTIVE DATE: Upon approval; applicable to taxable years beginning after December 31, 2022.

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

We in Hawaii have several disparate programs and tax credits aimed at poverty relief. This measure adjusts two of them: tax credit allowed to household renters (HRS section 235-55.7) and credit for those with dependent care expenses necessary for gainful employment (HRS section 235-55.6). Other credits that fall into this category are the food/excise tax credit (HRS section 235-55.85) and the earned income tax credit (HRS section 235-55.75). Many of these credits have non-duplication provisions and all have strict time limits on when they may be claimed upon pain of credit forfeiture. Apparently, lawmakers of the past had many different ideas on how to address the problem of poverty in Paradise but couldn't figure out which program to go with, so they adopted them all. The principal disadvantage of this is that people can and do get confused over which credits they can and can't claim, and as a result are exposed to credit disallowance, penalties, and other undesirable consequences.

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

Digested: 1/27/2024



AMERICANS FOR DEMOCRATIC ACTION

**OFFICERS**

John Bickel, President  
Alan Burdick, Vice President  
Dave Nagajji, Treasurer

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Robert Kinslow

**DIRECTORS**

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Shannon Matson  
Jenny Nomura

Stephen O'Harrow  
Maria Glodilet Rallojaj  
Bill South

**MAILING ADDRESS**

P.O. Box 23404  
Honolulu

January 28, 2024

TO: Stanley Chang, Chair & Members of the Senate Committee on Housing

RE: SB1208 Relation to Taxation

Support for a Hearing on Jan 30

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

The ADA supports this bill as it would increase the household renters' income tax credit.

The cost of living in Hawaii is too high, a significant percentage of cost-of-living is dignified affordable housing. There is enough wealth in our islands to be able to offset the enormous costs of convenient affordable dignified single and family housing for our neighbors who rent. Affordable long-term rentals are a problem statewide, for the 53% of residents who are asset limited income constrained, not just on Maui. This bill would help kupuna, teachers, students, families and may even help stem the loss of our young people.

Absent rent control, we can help alleviate some of the burden on low-income people through this tax credit.

For more information on housing costs in Hawaii see <https://www.axios.com/2024/01/27/rent-unaffordable-housing-market-apartment-prices-cost>

Thank you for your consideration.

Sincerely,

John Bickel, President



## TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAII

### SENATE COMMITTEE ON HOUSING

JANUARY 30, 2024

### SB 1208, RELATING TO TAXATION

### POSITION: SUPPORT WITH AMENDMENTS

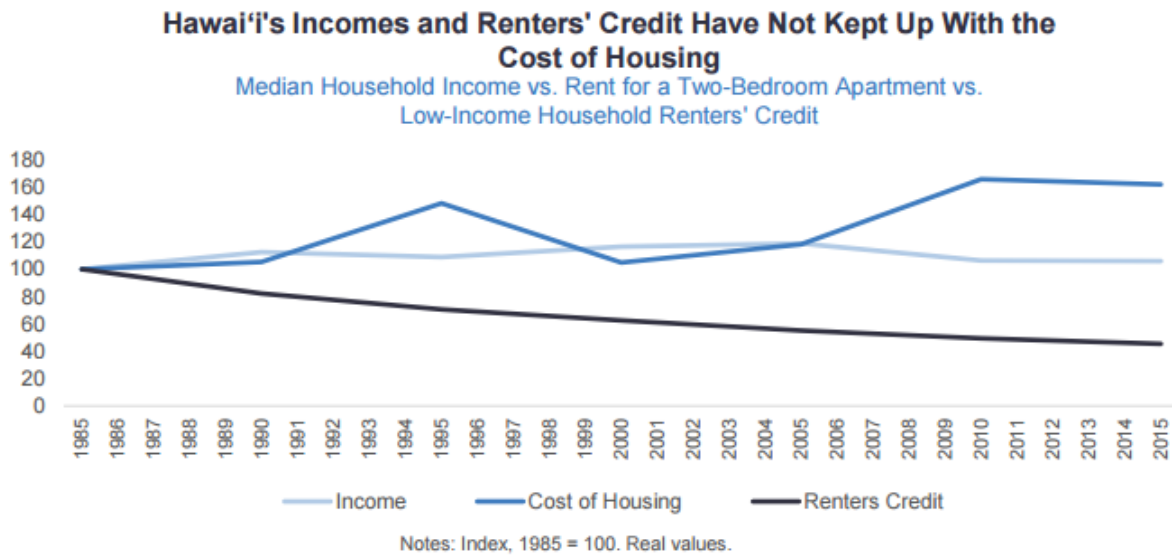
The Democratic Party of Hawaii **supports and suggests amendments** for SB 1208, relating to taxation. Pursuant to the “Economic Justice and Labor” section of the official Democratic Party of Hawaii platform, the party supports “tax policy that lessens the tax burden of low- and middle-income earners and increases the tax burden of high-income earners and the wealthy.”

Hawaii residents face the second-highest housing costs in the nation, at more than twice the national average. **Researchers who authored the National Low Income Housing Coalition’s *Out of Reach 2023* report found that a full-time worker would need to earn \$41.83/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015.** Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needing to log 107 hours per week to afford a modest one-bedroom apartment at fair market value and 139 hours per week to afford a two-bedroom—a number that is equivalent to working nearly 20 hours a day with no days off year-round.

One out of every four households in Hawaii report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawaii Appleseed Center for Law and Economic Justice. Additionally, over 60 percent of households are severely cost-burdened, meaning that they pay more than 30

percent of their income on housing, a number that rises to over 80 percent of extremely low-income households. Notably, housing costs increased during the pandemic. In Honolulu, median single-family home prices reached a record of \$1.15 million in April of 2022, driven largely by sales to residential property investors. Unsurprisingly, our state is experiencing population decline. Hawai'i saw domestic out-migration increase for a seventh consecutive year in 2023, as our high cost of living continued to push people to the mainland.

Our state's low-income renters' credit is in dire need of adjustment. In 1981, the LIHRC was set at \$50. Later, in 1989, the income eligibility cutoff was established at \$30,000, just above the median household income of the time. Yet, neither of these amounts have changed since the 1980s. Accordingly, we support this proposal, though **we urge your committee to amend this measure by updating the renters' credit to recover ground lost to inflation by indexing future increases to the consumer price index.** We also encourage you to raise the credit value above \$100 by using tax brackets for individuals and different categories of households, as your committee did when you passed SB 55 last year.



Mahalo nui loa,

**Kris Coffield**  
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**The State Legislature  
Senate Committee on Housing  
Tuesday, January 30, 2024  
Conference Room 225, 1:00 p.m.**

TO: The Honorable Stanley Chang, Chair  
FROM: Keali'i Lopez, State Director, AARP Hawaii  
RE: Support for S.B. 1208 -Relating to Taxation

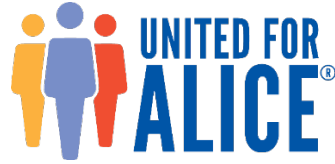
Aloha Chair Chang, and Members of the Committee:

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 age 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 supports S.B 1208 which increases the low-income household renters' income tax credit. This income tax credit gives those who make less than \$30,000 and pay more than \$1000 in rent annually a tax credit of \$100/qualified exemption (double if taxpayer is over the age of 65). It increases the amount given from \$50.**

Hawaii's high cost of living which includes housing is making it unaffordable for many, but especially for those at low or fixed income. These residents are more vulnerable of becoming dependent on other family members for shelter, or face homelessness. The Habitat for Humanity's 2022 State of Home Affordability in Hawaii reports that 1 in 6 households spend half or more of their income on housing. According to the same report, in total, 80% of renters and 63% of homeowners are cost-burdened, paying more than 30% of their income on housing. AARP is keenly concerned about Hawaii's older residents. According to AARP/Statista analysis, close to 970 older adults (age 55+) are expected to be evicted in 2024 and more than 1500 older (55+) may experience homelessness in Hawaii this year. The proposed increased tax credit for low income renters would be a welcomed benefit that can help ease their financial burdens.

Thank you very much for the opportunity to testify in support **S.B. 1208**.



COMMITTEE ON HOUSING

BILL SB1208  
POSITION: SUPPORT

Hearing Date: January 30, 2024

Aloha Chair Chang, Vice Chair Hashimoto, and Committee Members:

Aloha United Way supports SB1208, which increases the low-income household renters' income tax credit.

Hawaii has the highest cost of living in the nation and imposes one of the highest tax burdens on low-income households, and we urge you to pass this bill and support Hawaii's working families, including ALICE households.

ALICE stands for Asset Limited, Income Constrained, Employed, and refers to households who are employed but whose incomes are not sufficient to meet their basic costs. According to our 2022 report an estimated **44% of Hawaii's households are ALICE households**, with an increasing number falling into poverty.

Tax credits like SB1208 have been shown to be one of the most effective tools policy makers have to decrease poverty and stabilize families. This tax credit will go a long way to helping ALICE families continue to live and work in Hawaii and will put a meaningful amount of money back into the pockets of working families to cover increasing childcare, housing, and food costs.

Thank you for the opportunity to testify and for your action to support ALICE families and the non-profit programs working to improve financial stability in Hawaii. We urge you to pass SB1208.

Sincerely,

A handwritten signature in black ink that reads "Kayla Keehu-Alexander".

Kayla Keehu- Alexander  
Vice President, Community Impact  
Aloha United Way

A handwritten signature in blue ink that reads "Suzanne Skjold".

Suzanne Skjold  
Chief Operating Officer  
Aloha United Way