

Legislature 2023

Hawaii Senate Budget Committee Embraces Tax Breaks For Working Families

The draft budget proposal includes many of Gov. Josh Green's proposals, including enhanced tax credits.



By Kevin Dayton   / March 30, 2023

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The Senate will support a sizable slice of Gov. Josh Green's proposed state tax changes, including adjustments to Hawaii's income tax structure and enhanced tax credits to help working families, the Senate Ways and Means Committee chairman Donovan Dela Cruz said Thursday.

Dela Cruz briefed his fellow committee members Thursday on the Senate's proposed budget and financial plan for the next two years, including initiatives to double the state food excise tax credit and make the state's earned income tax credit for lower-income residents more generous.

The Senate is also backing plans to increase the child and dependent care tax credit to support families with children in daycare and to double standard deductions and personal exemptions for state income tax purposes, Dela Cruz said.



Senate Ways and Means Committee Chairman Donovan Dela Cruz announced Thursday the Senate is backing several of Gov. Josh Green's tax relief proposals. (Screenshot/2023)

The Senate is proposing a total of \$354 million in state tax relief in the fiscal year that begins July 1, and \$338 million to following year “as part of the [Green Affordability Plan](#) to help control the high cost of living,” according to a statement by the Ways and Means Committee.


The [Ways and Means Committee voted unanimously](#) on Thursday to advance the budget proposal.

Those proposals still need to win the approval of the state House to become law, but the House has signaled it is at least somewhat sympathetic to much of that agenda.

House lawmakers also [advanced bills addressing changes](#) to the food tax credit, the earned income tax credit and the child care tax credit earlier this

month, but left key technical portions of those bills blank.

Leaders from the House and Senate will now hash out the details of each proposal in closed-door conference committee meetings next month. Those secret sessions will decide which bills ultimately pass, and which will fail.



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Sen. Donovan Dela Cruz

House Speaker Scott Saiki has said the House is intent on helping lower-income residents, and remains focused on enhancing the state earned income tax credit to make it more generous. That credit can only be claimed by lower-income working families.

Saiki said Thursday the House also advanced the other bills to sweeten the food tax credit and create a child care tax credit mostly to continue discussion of those bills. They may or may not win approval from the House, he said.

The House did not pass any bill that incorporates Green’s complicated proposals for overhauling the income tax system. That is partly because Green’s income tax proposals would benefit all taxpayers rather than just Hawaii’s neediest, and partly because the House wants a simpler tax fix, Saiki said.

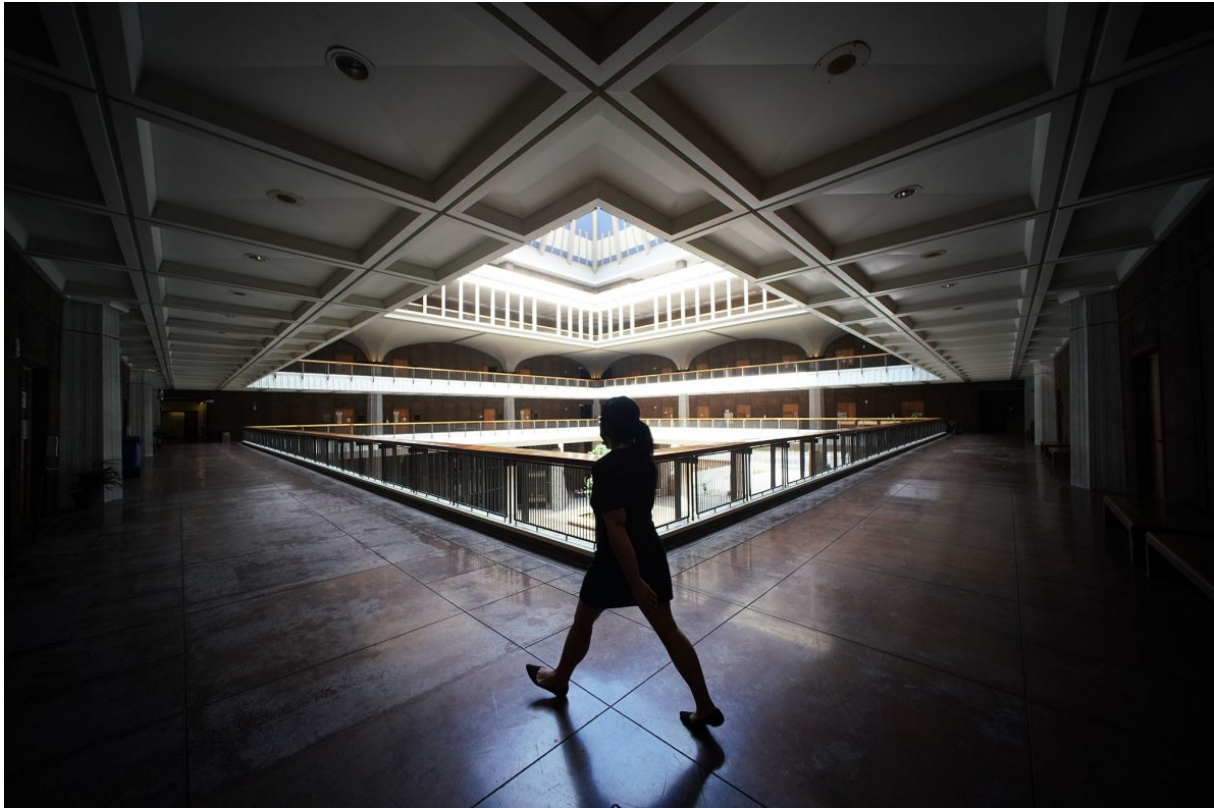
Neither the House nor the Senate has approved any bills that would eliminate the excise tax on food and medical services, and that idea appears to be dead for the year. That was one of Green's [signature proposals](#) when he ran for governor last year.

The Senate is proposing a budget of about \$20 billion for the fiscal year that begins July 1, and slightly more than \$18 billion the following year including federal funds and special funds.

“This Senate draft is intended to create a tipping point in addressing many of Hawai‘i’s most pressing issues,” Dela Cruz said in a written statement distributed to the media. “In support of the Green Administration’s priorities, we believe that we are putting forth a budget that will ensure that the people who call Hawaii home will not just survive but thrive.”

Dela Cruz read a statement to members of the Ways and Means Committee that indicated most of the \$2.6 billion general treasury surplus the state enjoyed when it ended the last fiscal year on June 30 will soon disappear.

The surplus was generated by an abrupt surge in federal aid during the pandemic, and the state does not expect the federal government will be nearly as generous in the years ahead.



The Senate Ways and Means Committee unveiled a proposed \$38 billion state budget for the next two years. (Cory Lum/Civil Beat/2022)

Meanwhile, Green and lawmakers are proposing to spend much of the extra cash or provide tax breaks that reduce state revenue, or both.

That combination will quickly have an impact, and Dela Cruz told the committee the Senate's proposed new financial plan anticipates the general fund surplus will plummet to just \$612 million by June 30, 2024.

He said the Senate budget proposal includes "numerous one-time expenditures that targeted the most pressing needs of the state." That includes \$1 billion in projects that are meant to help meet the need for housing, rental assistance, and Ohana zones as well as tiny home projects to combat chronic homelessness.

One of the largest single spending items Dela Cruz mentioned in his description of the proposed Senate budget was more than \$696 million earmarked for infrastructure for transit-oriented development.

Dela Cruz did not respond to questions about the budget on Thursday, but a news release from the Senate communications office cited [Senate Bill 1191](#) in connection with that specific appropriation.

That bill proposes to provide money to the Hawaii Community Development Authority to build 23 projects on Oahu and the neighbor islands, including four in the Kapolei area. They also include Kakaako street upgrades, Kewalo basin improvements and Iwilei-Kapalama infrastructure upgrades.

Another \$500 million would be deposited in the state's Emergency and Budget Reserve Fund — better known as the state “Rainy Day fund” — and \$38.8 million would be spent in each of the next two years to expand the Preschool Open Doors Programs to include 3-year-olds.

Another \$100 million is proposed to respond to climate change, including the relocation of the Kauai Community Correctional Center, improvements to Honokohau Small Boat Harbor in Kailua-Kona, and highway drainage improvements.

Dela Cruz also said the Senate proposal includes just \$1 for a proposed new jail for Oahu “for a possible lease-buy back” that would be discussed during conference committee meetings.

Dela Cruz was unavailable to explain that budget item, but the state Department of Public Safety has already spent \$10 million planning a replacement facility for the aging Oahu Community Correctional Center.

The department requested \$25 million more this year to pay for planning, design and procurement of that project.

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