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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HONOLULU, HAWAIʻI 96809
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 959, Relating to Taxation

BEFORE THE:
House Committee on Economic Development & Technology

DATE: Friday, February 7, 2025
TIME: 10:15 a.m.
LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 959 for your consideration.

Summary of Tax Provisions

Under Part II, section 2 of H.B. 959 adds two new sections to chapter 237, Hawaii Revised Statutes (HRS), to establish:

(1) a general excise tax (GET) exemption on the gross proceeds or income from the sale of groceries. “Groceries” is defined as products eligible to be purchased with the United States (U.S.) Department of Agriculture’s Supplemental Nutrition Assistance Program benefits; and

(2) a GET exemption on the gross proceeds or income from the sale of nonprescription drugs. The bill defines a “drug” as:
- articles recognized in official U.S. Pharmacopoeia publications
- articles used for diagnosis, cure, mitigation, treatment, or prevention of disease in humans or animals

- articles other than food or clothing intended to affect the structure or any function of the body of humans or animals
- Components of the articles listed in the above bullet points, except for devices or their components, parts or accessories, cosmetics, or liquor

"Nonprescription drug" is defined as any packaged, bottled, or nonbulk chemical, drug, or medicine that may be lawfully sold without a practitioner's order.

Under Part III, sections 3 and 5 of H.B. 959 amend HRS:

- section 237-13(2)(A) - tax on sales of tangible personal property;
- section 237-13(3)(A) - tax on contractors;
- section 237-13(4)(A) - tax upon theaters, amusements, radio broadcasting stations, etc.;
- section 237-13(5) - tax upon sales representatives;
- section 237-13(6)(A) - tax on service business;
- section 237-13(9) – tax on other business;
- section 237-16.5(a) – tax on leasing real property; and
- section 237-16.5(f) – maximum tax on a lessor's gross proceeds or income.

to increase the GET incrementally for taxable years 2026, 2027, 2028, and 2029 to six percent (as stated in the preamble). The percent increases per year are currently unstated.

Sections 4 and 6 of H.B. 959 make conforming amendments to sections 237-15 and 237-18(f), HRS, to reflect the amended GET rates.

Section 7 of H.B. 959 amends section 237-31, HRS, regarding remittances, to require that the additional GET revenues collected from the increases authorized by sections 3, 4, 5, and 6 of H.B. 959, for taxable years beginning on or after January 1, 2025, and ending on or before December 31, 2028, are to be deposited in the general fund.

Under Part IV, section 8 of H.B. 959 amends section 235-7, HRS, to exclude unemployment compensation benefits received under chapter 383, HRS from gross income, adjusted gross income, and taxable income.

Under Part V, section 10 of H.B. 959 amends section 235-2.4, HRS to:

- double the standard deduction to $8,800 for joint filers with an adjusted gross income (AGI) of less than $200,000

- double the standard deduction to $6,424 for heads of household with an AGI less than $100,000
- double the standard deduction to $4,400 for unmarried persons with an AGI less than $100,000
- double the standard deduction to $4,400 for married persons with an AGI less than $100,000

Under Part VI, section 11 of H.B. 959 amends section 235-55.7, HRS, regarding the income tax credit for low-income household renters, to redefine AGI for purposes of section 235-55.7, HRS, as federal AGI. Additionally, the income threshold to claim the low-income household renters' credit is increased from $30,000 to $50,000, and the amount of the credit is increased from $50 to $500 per qualified exemption.

Under Part VII, section 12 of H.B. 959 repeals the income tax brackets that apply to taxable years beginning after December 31, 2024, and adds new tax brackets for taxable years beginning after December 31, 2025. For joint filers, the lowest tax bracket will apply at the rate of 8.25 percent for taxable income over $100,000 and the highest tax bracket will apply at the rate of 11 percent for taxable income over $400,000. For head of household, the lowest tax bracket will apply at the rate of 8.25 percent for taxable income over $100,000 and the highest tax bracket will apply at the rate of 11 percent for taxable income over $300,000. For single or married filing separate, the lowest tax bracket will apply at the rate of 8.25 percent for taxable income over $100,000 and the highest tax bracket will apply at the rate of 11 percent for taxable income over $200,000.

This measure, upon approval, shall apply to taxable years beginning after December 31, 2024, with Part VIII establishing a Maui recovery special fund taking effect on July 1, 2025.

DOTAX Comments

Section 2

DOTAX notes that the definitions of "nonprescription drug" and "drug" are very broad and will be difficult to administer for purposes of a GET exemption. For example, the definition of "nonprescription drug" is not limited to drugs, as defined in the bill, but also includes any "nonbulk chemical" that is packaged or bottled and that may be lawfully sold without a practitioner's order. This may include chemicals that are not intended or used to treat disease or illness. DOTAX suggests that these definitions be amended with more specificity.

Sections 3, 5 and 6

DOTAX requests that the amendments to the GET rates in sections 3, 5, and 6 apply on January 1 instead of applying to taxable years beginning after December 31 of the specified years.

DOTAX also requests that the changes in GET rates apply on January 1, 2027, as DOTAX will need additional time to make all of the system, form, and instruction changes required by this bill.

Section 7

DOTAX recommends that section 7 of the bill be deleted, as GET revenues are already deposited into the general fund, and DOTAX will not be able to account for the amount of additional revenues collected that are attributable to the increase in the GET rates. This provision would require DOTAX to reconcile the amounts reported with the amounts actually collected. Discrepancies will arise because the amount of tax collected often does not match the amount of tax reported for various reasons, including errors in payment or reporting or intentional underpayment. Additionally, many taxpayers report multiple categories of business activities on a single GET return. These discrepancies make it administratively difficult for DOTAX to determine the amounts that would be attributable to the increased GET rates.

Section 10

DOTAX suggests that commas are added to the amendments to section 235-2.4, HRS, for clarity. For example, section 235-2.4(a)(2)(A) should be amended to read:

```
(A)  $4,400, or $8,800 for a return with an adjusted
     gross income of less than $200,000, in the case
     of:
     (i)  A joint return as provided by section 235-
          93; or
     (ii) A surviving spouse (as defined in section
          2(a) of the Internal Revenue Code);
```

As drafted, there may be confusion as to whether taxpayers with an AGI below the stated threshold will be entitled to take a standard deduction.

Effective Date

DOTAX requests that the amendments to Parts II and III apply on January 1, 2027, and the amendments to Parts IV through VII be made effective for taxable years beginning after December 31, 2025.

If passed, this bill would require significant changes to forms, instructions, computer systems, and time to provide guidance and education to taxpayers on the changes.

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

HB-959
Submitted on: 2/4/2025 5:13:46 PM
Testimony for ECD on 2/7/2025 10:15:00 AM

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

Comments:

I STRONGLY OPPOSE any and all increases to the General Excise Tax, for any reason. I urge all members of the Committee to **VOTE NO** on this Bill.

Iron Workers Stabilization Fund

T. George Paris
Managing Director

February 5, 2025

Chair Greggor Ilagan
Vice Chair Ikaika Hussey
Members of the House Committee on Economic
  Development & Technology
Thirty-Third Legislature, Regular Session of 2025

RE: **STRONG SUPPORT** for HB959-Relating to Taxation

Hearing Date: February 7, 2025 at 1015AM

Aloha Chair Iligan, Vice Chair Hussey and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of the Hawaii Ironworkers Stabilization Fund in **STRONG SUPPORT** of HB 959 – RELATING TO TAXATION. This bill represents a crucial step toward reducing the financial burden and promoting recovery and economic stability during a time which for Hawaii's residents.

Hawaii is one of the most expensive places to live in the United States and currently imposes one of the highest tax burdens on low-income households in the nation. According to the Institute on Taxation and Economic Policy, the State's lowest-income households pay more than 14% of their income in state and local taxes on average, compared to just around 10% for the highest-earning households.[i] This disparity underscores the urgent need for reforms to ensure that Hawaii's tax system does not disproportionately impact those who are already struggling to make ends meet.

The State's high cost of living further compounds these challenges. The National Low Income Housing Coalition's *Out of Reach 2023* report reveals that a minimum-wage worker in Hawaii must work almost 100 hours per week to afford a one-bedroom rental at fair market prices.[ii] For a two-bedroom residence, an hourly wage of about $44.60 is required to avoid being cost-burdened. In addition to housing, the costs of utilities, groceries, and other necessities have skyrocketed over the past five years, placing further strain on families, particularly those in low- and middle-income brackets.

The high cost of living, high taxes, and lack of affordable housing is resulting in local families, especially Native Hawaiians, have been forced to move leave their homes and families, and a steady population decline in the state since 2016.

HB 959 adopts a multi-pronged approach to alleviate the tax burden and enhance economic equity, by

1. Exempting groceries and nonprescription drugs from the general excise tax (GET);
2. Removing tax liability on the first $100,000 of individual income and for unemployment compensation benefits;
3. Increasing the minimum income threshold for the low-income household renters' income tax credit;
4. Establishing a Maui Recovery Special Fund; and
5. Incrementally increasing the GET rate over four years to 6%.

These tax breaks and exemptions would allow families to redirect resources toward housing, education, and other critical needs while stimulating the local economy through increased spending. Although the GET would increase over four years, this would provide the funding for the tax breaks and also allow some of the tax revenue burden to be passed on to non-residents.

HB 959 reflects a forward-thinking approach to tax policy that prioritizes fairness, affordability, and resilience. By addressing the regressive nature of Hawaii's current tax system, reducing the cost of living, and providing targeted relief to Maui residents, this legislation demonstrates a commitment to the well-being of all Hawaii residents.

I strongly urge the committee to support this bill and recommend its passage to ensure a more equitable and prosperous future for the people of Hawaii.

Sincerely,

T. George Paris
Managing Director

---

[i] Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, 7th Edition, January 2024; Institute on Taxation and Economic Policy. Available at: https://static1.squarespace.com/static/601374ae84e51e430a1829d8/t/659db3ef0f6c9b1a4c69dc50/1704834044910/Who+Pays+7th+edition+final.pdf.

[ii] National Low Income Housing Coalition, Hawaii State Report. Available at: https://nlihc.org/oor/state/hi.

OPERATING ENGINEERS
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February 4, 2025

Honorable, Greggor Ilagan, House Committee on Economic Development and Technology, Chair
Honorable, Ikaika Hussey, House Committee on Economic Development and Technology, Vice Chair
Honorable Members of the House Committee on Economic Development and Technology,

RE: HB 959 RELATING TO TAXATION

My name is Ana Tuiasosopo. I am the District Representative and Trustee for Operating Engineers Local 3. We are the largest Construction Trades Local in the United States. I and the members of Operating Engineers Local 3 **support HB 959**.

The State's high cost of living further compounds these challenges. The National Low Income Housing Coalition's Out of Reach 2023 report reveals that a minimum-wage worker in Hawaii must work almost 100 hours per week to afford a one-bedroom rental at fair market prices. In addition to housing, the costs of utilities, groceries, and other necessities have skyrocketed over the past five years, placing further strain on families, particularly those in low and middle-income brackets.

The high cost of living, high taxes, and lack of affordable housing is resulting in local families, especially Native Hawaiians, have been forced to move leave their homes and families, and a steady population decline in the state since 2016.

HB 959 adopts a multi-pronged approach to alleviate the tax burden and enhance economic equity, by

1. Exempting groceries and nonprescription drugs from the general excise tax (GET);
2. Removing tax liability on the first $100,000 of individual income and for unemployment
1. compensation benefits;
2. Increasing the minimum income threshold for the low-income household renters'
3. income tax credit;
4. Establishing a Maui Recovery Special Fund

These tax breaks and exemptions would allow families to redirect resources toward housing, education, and other critical needs while stimulating the local economy through increased spending. Although the GET would increase over four years, this would provide funding for the tax breaks and also allow some of the tax revenue burden to be passed on to non-residents.

I strongly urge the committee to support this bill and recommend its passage to ensure a more equitable and prosperous future for the people of Hawaii.

Mahalo for your time and consideration.

Ana Tuiasosopo, Trustee District Representative
International Union of Operating Engineers (IUOE) Local 3

OPERATIVE PLASTERERS' AND CEMENT MASONS' INTERNATIONAL ASSOCIATION LOCAL #630, AFL-CIO
2251 North School Street • Honolulu, HI 96819
Phone No.: (808) 841-0491 • Fax No.: (808) 847-4782

TO: HAWAII STATE HOUSE COMMITTEE ON COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

SUBJECT: TESTIMONY IN SUPPORT OF HB959 RELATING TO TAXATION

Hearing

DATE: Friday, February 6, 2024
TIME: 1:00pm

Aloha Honorable Chair Ilagan, Vice Chair Hussey, and Committee Members,

The Operative Plasterers' and Cement Masons' International Association Local 630 (OPCMIA Local 630) is a trade union of over 900 plasterers and cement masons. Plasterer members of the union finish interior walls and ceilings of buildings and apply plaster on masonry, metal, and wire lath or gypsum. While cement mason members are responsible for all concrete construction, including the pouring and finishing of slabs, steps, wall tops, curbs and gutters, sidewalks, and paving. Local 630 is proud to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

Financial Secretary-Treasurer & Business Manager of OPCMIA Local 630, Peter T. Iriarte, and the members of OPCMIA Local 630 stand in strong support of HB959 which exempts the sale of groceries and nonprescription drugs from the general excise tax, incrementally increases the general excise tax over four years, with the increased proceeds during certain fiscal years to be deposited into the general fund, and removes the state income tax on unemployment compensation benefits.

The State's cost of living continues to be burdensome for its residents and, in particular, for our members who are hard at work doing their best to provide for themselves and for their families. The rising cost of housing, the costs of utilities, groceries, and other everyday items have also increased significantly within the last five years making the struggle all the more difficult. Eliminating the general excise tax on groceries and nonprescription drugs would ease the tax burden on residents and lessen the burden on our members and their families.

Thank you for the opportunity to submit testimony in support of HB959.

HB-959
Submitted on: 2/5/2025 3:45:24 PM
Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Mericia Palma Elmore	Individual	Support	In Person

Comments:

I support this measure. Thank you for considering ways to help Hawaii's working people survive and thirve in these challenging economic times.

HB-959
Submitted on: 2/5/2025 8:50:51 PM
Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Comments	Written Testimony Only

Comments:

First you giveth, and now you take away. Last year taxpayers were gifted with tax reductions. Now you want to increase some taxes. Nothing like bait and switch. Shame on you.

The most regressive tax we have is the GET, and you want to make it worse by increasing it incrementally over four years. And, you want it to apply starting this year. Better, you should DECREASE it over four years.

You need to decrease taxes, in all areas, and not decrease in one and increase in another.

Please make the suggested changes.

IATSE LOCAL 665

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OF THE UNITED STATES, ITS TERRITORIES AND CANADA, AFL-CIO, CLC

Thirty-Third Legislature, State of Hawai'i
Regular Session of 2025
House Committee on Economic Development

Testimony by IATSE 665
February 7th, 2025

HB 959 - Relating to Taxation

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House Committee on Economic Development,

My name is Tuia'ana Scanlan, president of IATSE 665 and IATSE International Trustee. Our union represents technicians and artisans in the Live Event, Tradeshow, and Film/TV sectors of Hawai'i's Entertainment industry. **Local 665 strongly supports HB 959 - Relating to Taxation**

The cost of living in Hawai'i is often ranked among the highest in the US. The working families of Hawai'i experience significantly higher housing costs, utilities, and even grocery prices compared to the national average. Even a single person employed full time can expect to pay substantially more to live comfortably than in most other states. Furthermore, tax equity is a cornerstone of economic prosperity. The rising cost of essential items can also increase the burden on lower-income families. If we are to prevent the local working families of Hawai'i from leaving the state because of economic hardship, then HB959 is imperative to that end.

If enacted, this bill will have immediate positive effects on working families by lowering the price of groceries, increasing tax deductions, increasing the minimum threshold exemption amount for the low-income household renters' income tax credit, and establishing a Maui recovery special fund for the impacts related to the 2023 Maui Wildfires

Local 665 strongly supports HB 959. We urge your committee to pass this measure. Thank you for the opportunity to provide testimony.

In Solidarity

Tuia'ana Scanlan

President, IATSE 665

IATSE International Trustee

He/him/his

501 SUMNER STREET • SUITE #610 • HONOLULU, HAWAII 96817 • (808) 596-0227 • FAX (808) 591-8213

TESTIMONY BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

RE: HB 959 - RELATING TO TAXATION

FRIDAY, FEBRUARY 7TH, 2025

TUIA’ANA SCANLAN, CHAIR
DEMOCRATIC PARTY OF HAWAI’I LABOR CAUCUS

Chair Ilagan, Vice Chair Hussey, and Members of the House Committee,

The Democratic Party of Hawai’i Labor Caucus **strongly supports HB 959**, relating to taxation.

As we continue to seek ways to provide better and more efficient public services to the people of Hawai'i, we pledge not to compromise the principle that government money, coming from the taxes of all of us, shall not be used to depress the wages or standard of living of the working men and women in our service.

The cost of living in Hawai’i is often ranked among the highest in the US. The working families of Hawai’i experience significantly higher housing costs, utilities, and even grocery prices compared to the national average. Even a single person employed full time can expect to pay substantially more to live comfortably than in most other states. Furthermore, tax equity is a cornerstone of economic prosperity. The rising cost of essential items can also increase the burden on lower-income families. If we are to prevent the local working families of Hawai’i from leaving the state because of economic hardship, then HB959 is imperative to that end.

If enacted, this bill will have immediate positive effects on working families by lowering the price of groceries, increasing tax deductions, increasing the minimum threshold exemption amount for the low-income household renters’ income tax credit, and establishing a Maui recovery special fund for the impacts related to the 2023 Maui Wildfires

The Democratic Party of Hawai’i Labor Caucus strongly urges your committee to pass HB959. Thank you for the opportunity to testify.

Committee on Economic Development and Technology
Chair Greggor Ilagan, Vice Chair Ikaika Hussey

Friday February 7,2025 10:15 am Room 423
HB959 — RELATING TO TAXATION

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

Chair Ilagan, Vice Chair Hussey, and Committee Members:

The League of Women Voters of Hawaii supports some provisions (Sections 2, 8 10, 11, 12) of this multi-faceted bill, which appear to meet the intent of the bill as provided in Section 1. We strongly oppose Section 3, which increases the well-established regressive nature of the excise tax. We take no position on Sections 4, 5, 6, 7, 9 or 13.

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

GRASSROOT
INSTITUTE OF HAWAII

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

Removing barriers to Hawaii's prosperity

Feb. 7, 2025, 10:15 a.m.
Hawaii State Capitol
Conference Room 423 and Videoconference

To: House Committee on Economic Development & Technology
Rep. Greggor Ilagan, Chair
Rep. Ikaika Hussey, Vice-Chair

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

RE: HB959 — RELATING TO TAXATION

Aloha Chair Ilagan, Vice-Chair Hussey and members of the Committee,

The Grassroot Institute of Hawaii would like to offer its comments on HB959, a wide-ranging series of tax proposals affecting everything from the state general excise tax to the state personal income tax.

It is impossible to offer meaningful comment on a bill of this type because it not only combines tax hikes, tax cuts and tax restructuring, but also has blank spaces instead of rate information for a new taxation scheme.

Rather than bundle these disparate ideas together, it would be far better to break them into separate proposals that could be evaluated more effectively.

Moreover, the use of blank rate information in the creation of an annual "privilege" tax program defeats any effort to evaluate the impact of the tax on residents, the economy or state revenues.

It is fundamentally unfair to the public to consider or pass blank tax bills. The people have a right to know the rates proposed in any tax bill — especially if it is likely to involve a tax increase.

Given Hawaii's high cost of living, our sluggish economy and the fact that we have yet to enjoy the benefits of the recent income tax cut, it is inadvisable to contemplate any tax increases at this time.

The best thing the Committee could do is to discard all tax hikes proposed in this bill and move forward with only the proposed tax cuts.

We are very willing to discuss broader tax reform measures for Hawaii, such as ways to simplify income tax brackets. However, this is not the proper vehicle for that discussion.

Thank you for the opportunity to testify.

Ted Kefalas
Director of strategic campaigns
Grassroot Institute of Hawaii

Dear Chair Ilagan, Vice Chair Hussey, and Members of the Committee,

Thank you for the opportunity to testify on behalf of Hawaiʻi Appleseed in providing **comments** on House Bill 959, which proposes a number of changes to the state's tax code.

It is difficult to properly analyze the different parts of this bill because Hawaii's legislature does not provide fiscal notes to the public. As a result, we cannot offer specific figures on the financial impacts of this bill. We can, however, offer insights on how these measures are likely to affect the low- to middle-income population that deserve targeted tax relief.

Although we support the intent of this bill to lower the cost of living for working families, we humbly request the committee's consideration of the following points:

1. Raising the General Excise Tax (GET) Will Hurt Low- and Middle-Income Families

Although HB 959 proposes exempting groceries and nonprescription drugs from the GET, it also increases the overall GET rate from 4% to 6% over four years. This tax hike will almost certainly raise the cost of other goods and services, including everyday expenses like rent, utilities, transportation. Working families in Hawaii are already struggling to afford these costs, and further increases would likely push more of these families into poverty.

The GET is a regressive tax, meaning it takes a larger share of income from lower-income residents than it does from the wealthy. It is important to remember that there is a tax credit that helps to offset the cost of the GET for many households: the Refundable Food/Excise Tax Credit.

Instead of exempting groceries and nonprescription drugs for everyone—including tourists and millionaires—our legislature could easily soften the impact of the GET by boosting the income limit and credit amounts of the Refundable Food/Excise Tax Credit. This would be a significantly more effective way to target tax relief at those who actually need it.

2. The Elimination of Income Tax for Higher Earners Does Not Help Those Most in Need

HB 959 proposes eliminating state income tax on the first $100,000 of individual income earned. While this would benefit lower-income taxpayers, it is not specifically targeted at this population. This is not an issue on its own, but HB 959 would also cut more of the state's tax income revenue. This tax revenue is needed to fund programs and services that benefit everyone, such as tax credits, affordable housing, infrastructure and quality public education. More importantly, these programs and services are a lifeline to lower-income people. By making the decision to reduce Hawaii's income tax, the legislature may be forced to either pass budget cuts or find other ways to compensate for the lost revenue.

3. Renters and Working-Class Homeowners Get Limited Relief

Hawaii has one of the highest costs of living in the nation, with many families struggling to afford housing. We support the idea to increase the minimum income threshold for the low-income renters' tax credit and double the standard deduction for those making under $100,000. At the same time, these adjustments may not be enough to offset the higher costs caused by the increased GET.

Conclusion

While HB 959 includes some well-intentioned measures, such as exempting groceries and nonprescription drugs from the GET, there will be some regressive aspects if it means Hawaii is left with less revenue and insufficiently targeted tax relief for low-income families. By increasing the GET, this bill could place some level of financial strain on the very families it intends to help.

We urge this committee to avoid increasing the overall GET, even though many of the other income tax proposals in this bill are helpful for working families.

Mahalo for your consideration.

1200 Ala Kapuna Street ● Honolulu, Hawaiʻi 96819
Tel: (808) 833-2711 ● Fax: (808) 839-7106 ● Web: www.hsta.org

Osa Tui, Jr.
President

Logan Okita
Vice President

Cheney Kaku
Secretary-Treasurer

Ann Mahi
Executive Director

TESTIMONY TO THE HAWAI'I HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Item: HB 959 – Relating to Taxation

Position: Support

Hearing: Friday, February 7, 2025, 10:15 am, Room 423

Submitter: Osa Tui, Jr., President - Hawaiʻi State Teachers Association

Dear Chair Ilagan, Vice Chair Hussey, and members of the committee,

The Hawaii State Teachers Association (HSTA) **supports** HB 959, as it provides relief to working families in Hawaiʻi who are struggling to make ends meet. The bill's provisions are thoughtfully designed to alleviate the financial burden on low- and middle-income households, while also generating much-needed revenue for the state.

HB 959 offers several key benefits to working families. It exempts groceries and nonprescription drugs from the general excise tax (GET), putting money back into the pockets of working families and individuals. It eliminates the state income tax for the first $100,000 earned, providing significant tax relief for individuals and families. Furthermore, HB 959 removes the state income tax on unemployment compensation benefits, providing a safety net for those who have lost their jobs. It doubles the standard deduction for individuals earning less than $100,000 and joint filers earning less than $200,000, significantly reducing their tax liability. In addition, HB 959 increases the minimum income threshold exemption amount for the Low-

Income Renters Tax Credit, making more families eligible for this valuable credit. Lastly, HB 959 incrementally increases the GET over four years to 6%, with the additional revenue going to the general fund and a special fund for Maui recovery. This balanced approach ensures that essential state services can be maintained while also providing dedicated resources for rebuilding efforts on Maui.

The revenue generated from the increased GET will be instrumental in supporting critical state services such as education, healthcare, and infrastructure. It will also provide vital funding for Maui's recovery efforts following the devastating wildfires. By strategically utilizing the increased revenue, Hawaiʻi can strengthen its economy, improve the lives of its residents, and build a more resilient future.

We recommend passage of HB 959 which would provide much-needed relief to working families in Hawaiʻi.

Mahalo.

International Association of
Heat & Frost Insulators
& Allied Workers Local 132

1019 Lauia Street Bay #4
Kapolei, Hawaii 96707
Phone: (808) 521-6405 Fax (808) 523-9861
Email: awl132@insulatorslocal132.org
Website: insulatorslocal132.org

Date: 2/6/2025

Attention
House Committee on Economic
Development and Technology

I am Douglas Fulp Business Manager for the International Association of Heat & Frost Insulators & Allied Workers Local 132. I am pleased to submit this testimony on behalf of our members supporting HB959, the General Excise Tax Bill, for the House Committee of Economic Development and Technology.

We feel that this bill will assist with Hawaii's cost-of-living challenges and recovery efforts. It should provide tax relief for lower-income residents, support economic recovery, and tackle the financial difficulties of Hawaii residents, especially the effects of the Maui wildfires.

Sincerely,

Douglas Fulp Date:2/6/2025
Business Manager / Financial Secretary
International Association of Heat & Frost Insulators
& Allied Workers Local 132

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, UNEMPLOYMENT, NET INCOME, MISCELLANOUS; Exemption for Groceries and Nonprescription Drugs, Incremental Rate Increase, Exemption for Unemployment Benefits, Standard Deductions adjustments, Maui Recovery Special Fund

BILL NUMBER: HB 959, SB 1043

INTRODUCED BY: HB by KILA, EVSLIN, LAMOSAO, LOWEN, MORIKAWA; SB by KEOHOKALOLE, AQUINO, DECOITE, Wakai

EXECUTIVE SUMMARY: Exempts the sale of groceries and nonprescription drugs from the general excise tax. Incrementally increases the general excise tax over four years, with the increased proceeds during certain fiscal years to be deposited into the general fund. Removes the state income tax on unemployment compensation benefits. Doubles the standard deduction for individuals earning less than $100,000 and joint returns earning less than $200,000. Repeals the incremental increases on standard income tax deduction amounts. Increases the minimum income threshold and exemption amount for the low-income household renters' income tax credit. Removes the tax liability for the first $100,000 of individual income earned. Establishes the Maui Recovery Special Fund to be used for recovery programs related to the 2023 Maui wildfires.

SYNOPSIS:

PART I: Preamble

PART II: GET Exclusions
Adds two new exclusions from the general excise tax in Chapter 237,HRS, for gross proceeds or gross income received from the sale of groceries and nonprescription drugs.

Definitions provided for Groceries, Drug and Nonprescription Drug.

PART III: GET Rates
Amends section 237-13, HRS, to increase the current 4% GET rate to:

____% for taxable years beginning after December 31, 2025;
____% for taxable years beginning after December 31, 2026;
____% for taxable years beginning after December 31, 2027;
____% for taxable years beginning after December 31, 2028

(The Preamble states that the GET rate is to be increased to 6% when fully phased in.)

The amended rates apply to the following subsections:

Section 237-13(2) tax on business selling tangible property;

Section 237-13(3) tax on contractors;
Section 237-13(4) tax on theaters, amusements, radio broadcasting stations;
Section 237-13(5) tax on sales representatives;
Section 237-13(6) tax on service business;
Section 237-13(9) tax on other business;
Section 237-15 tax on technicians;
Section 237-16.5 tax on leasing of real property by a lessor to a lessee; and
Section 237-18(f) tax where tourism related services are furnished through arrangements made by a travel agency or tour packager.

Amends section 237-31, HRS, for taxable years beginning on or after January 1, 2025, and ending on or before December 31, 2028. The additional revenues generated by the increase in general excise tax rates imposed by this measure shall be deposited into the general fund.

PART IV: Exclusions from taxable income
Amends section 235-7(a), HRS, to exclude from taxable income unemployment compensation benefits received under chapter 383. Conforming amendments made to section 383-163.6, HRS, for the withholding of federal and state income taxes from unemployment compensation.

PART V: Standard Deduction
Repeals section 235-2.4(a)(2)(E) through (I), HRS, incremental increase in standard deduction for the years beginning after 12/31/23; 12/31/25, 12/31/27, 12/31/29, and 12/31/30.

Amends section 235-2.4(a)(2), HRS, standard deduction to be:

- (A) Joint returns or surviving spouses :$4,400 or ($8,800 for adjusted gross incomes less than $200,000);
- (B) Head of households: $3,212 or ($6,424 for adjusted gross income less than $100,000);
- (C) Individual not married: $2,200 or ($4,400 for adjusted gross income less than $100,000);
- (D) Married individual filing a separate return: $2,200 or ($4,400 for adjusted gross income less than $100,000)

PART VI: Income Tax Credit for Low-Income Household Renters
Amends section 235-55.7(c), HRS, to increase the tax credit from $50 to $500 for each qualified exemption the taxpayer is entitled. Additionally increases the availability of the credit for taxpayers with adjusted gross income of less than $50,000, previously $30,000.

PART VII Tax Rates
Amends section 235-51(a) through (c), HRS, by repealing tax tables for taxable years beginning after 12/31/24, 12/31/26, and 12/31/28. Replaces with a tax table applicable to taxable years beginning after December 31, 2025.

For MFJ status as an example, the amendment is as follows:

Taxable income:	Tax
Not over $100,000	zero
$100,000 but not over $300,000	$0 + 8.25% of excess over $100,000
$300,000 but not over $350,000	$16,500 + 9% of excess over $300,000

$350,000 but not over $400,000	$21,000 + 10% of excess over $350,000
Over $400,000	$26,000 + 11% of excess over $400,000

Part VIII: Maui Recovery Special Fund

Adds a new section to Chapter 248, HRS, to establish the Maui Recovery Special Fund to be used for recovery programs, capital improvement projects, and assistance to those impacted by the 2023 Maui wildfires.

EFFECTIVE DATE: Upon approval, shall apply to taxable years beginning after December 31, 2024, provided that part VIII shall take effect on July 1, 2025.

STAFF COMMENTS: Last session, we and others complained that the inhabitants of Hawaii were being taxed too heavily.

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 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" (Jan. 10, 2023). Tax relief, therefore, might help to slow or reverse the population trend.

Thankfully, the Legislature passed, and the Governor signed, Act 46, SLH 2024, giving us the largest individual income tax cut in history.

This bill seeks to undo most of the Act 46 cuts and raise the GET by 50%.[1]

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. Such an increase, especially a major GET increase such as that proposed in this bill, would send many companies, especially smaller ones, out of business, taking with them the jobs the community so desperately needs at this time.

That said, this measure underscores the depth and breadth of the financial crisis that the state faces and that government is now trying to pull itself out of. Unless elected officials rein in the

[1] The new rate amounts are left blank in the current draft of the bill, which is a severe problem because blanks in key areas prevent proper revenue estimation and otherwise impede proper vetting of the bill. We are assuming that the bill will have an overall rate increase from 4% to 6% as stated in the bill's preamble.

size and cost of running government in Hawaii, such desperate measures, as this bill represents, may have to be adopted and in doing so will destroy the economic base of the state. This is not a compromise situation but an either/or situation: either expenditures are right-sized or the state's economy is destined for collapse.

Digested: 2/6/2025

Iron Workers Stabilization Fund

T. George Paris
Managing Director

February 7, 2025

Re: HB 959 – RELATING TO TAXATION

My name is Dwayne Bautista, and I am submitting testimony on behalf of the Hawaii Ironworkers Stabilization Fund, Local 625, under the direction of Managing Director T. George Paris. We strongly support HB 959 – RELATING TO TAXATION. This bill is a crucial step towards easing the financial burden on Hawaii's residents and fostering their recovery and economic stability during these challenging times.

Hawaii's high cost of living, coupled with a substantial tax burden, makes it one of the most financially challenging states for low-income individuals and families. The Institute on Taxation and Economic Policy reports that Hawaii's lowest-income households pay over 14% of their income in state and local taxes, compared to approximately 10% for the highest earners.[1] This disparity highlights the urgent need for tax reform to ensure a fairer system.

The cost of living further exacerbates these challenges. The National Low Income Housing Coalition's 2023 "Out of Reach" report reveals that a minimum-wage worker in Hawaii must work nearly 100 hours per week to afford a one-bedroom rental at fair market prices.[2] A two-bedroom residence requires an hourly wage of about $44.60 to avoid being cost-burdened. Beyond housing, the rising costs of utilities, groceries, and other necessities over the past five years have placed immense strain on families, particularly those in low- and middle-income brackets.

This combination of high living costs, high taxes, and a lack of affordable housing is forcing local families, especially Native Hawaiians, to leave their homes and families, contributing to a steady population decline in the state since 2016.

HB 959 takes a multi-pronged approach to alleviate the tax burden and enhance economic equity by:

- Exempting groceries and nonprescription drugs from the general excise tax (GET);
- Removing tax liability on the first $100,000 of individual income and for unemployment compensation benefits.
- Increasing the minimum income threshold for the low-income household renters' income tax credit.
- Establishing a Maui Recovery Special Fund; and

- Incrementally increasing the GET rate to 6% over four years.

These tax breaks and exemptions will allow families to allocate resources towards housing, education, and other critical needs, while stimulating the local economy through increased spending. The incremental GET increase will provide funding for these tax breaks and allow some of the tax burden to be shifted to non-residents.

HB 959 represents a forward-thinking approach to tax policy, prioritizing fairness, affordability, and resilience. By addressing the regressive nature of Hawaii's current tax system, reducing the cost of living, and providing targeted relief to Maui residents, this legislation demonstrates a commitment to the well-being of all Hawaii residents.

I strongly urge the committee to support this bill and recommend its passage to ensure a more equitable and prosperous future for the people of Hawaii.

Mahalo for your consideration.

Dwayne Bautista Hawaii Ironworkers Stabilization Fund

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-959
Submitted on: 2/6/2025 3:11:24 PM
Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Mel Kahele	Individual	Support	In Person

Comments:

Aloha Chair Iligan Vice Chair Hussy

Members of the Committee

Aloha, My name is Mel Kahele,

I'm in support of HB959. These tax breaks will allow struggling working families to redirect resources towards, housing, education, and groceries while stimulating the economy.

I urge the committee to pass HB959.

Thank you,

Mel Kahele

HBCTC
HAWAII BUILDING & CONSTRUCTION TRADES COUNCIL
735 Bishop Street, Suite 412 * Honolulu, HI 96813
(808) 524-2249 * www.hbctc.org

February 6, 2025

Chair Greggor Iligan
Vice Chair Ikaika Hussey
House Committee on Economic
Development & Technology

RE: HB 959 – RELATING TO TAXATION

Aloha Chair Iligan, Vice-Chair Hussey, and members of the Committee:

My name is Gino Soquena, Executive Director of the Hawaii Building & Construction Trades Council (HBCTC) which represents 18 construction trade unions here in Hawaii. The HBCTC **STONGLY SUPPORTS** HB959. This bill represents a crucial step toward reducing the financial burden and promoting recovery and economic stability during a time which for Hawaii's residents.

Hawaii is one of the most expensive places to live in the United States and currently imposes one of the highest tax burdens on low-income households in the nation. The high cost of living, high taxes, and lack of affordable housing are resulting in local families being forced to move and leave their homes and relocate to the mainland where the cost of living is cheaper.

HB 959 adopts a multi-pronged approach to alleviate the tax burden and enhance economic equity, by
1. Exempting groceries and nonprescription drugs from the general excise tax (GET);
2. Removing tax liability on the first $100,000 of individual income and for unemployment compensation benefits;
3. Increasing the minimum income threshold for the low-income household renters' income tax credit;
4. Establishing a Maui Recovery Special Fund; and

5. Incrementally increasing the GET rate over four years.

These tax breaks and exemptions would allow families to redirect resources toward housing, education, and other critical needs while stimulating the local economy through increased spending. Although the GET would increase over four years, this would provide the funding for the tax breaks and also allow some of the tax revenue burden to be passed on to non-residents.

HB 959 reflects a forward-thinking approach to a tax policy that prioritizes fairness, affordability, and resilience. By addressing the regressive nature of Hawaii's current tax system, reducing the cost of living, and providing targeted relief to Maui residents, this legislation demonstrates a commitment to the well-being of all Hawaii residents.

I strongly urge the committee to support this bill and recommend its passage to ensure a more equitable and prosperous future for the people of Hawaii. Thank you for the opportunity to testify.

Mahalo Nui Loa,

Gino Soquena
Executive Director
Hawaiʻi Building & Construction Trades Council

HFIA
HAWAII FOOD INDUSTRY ASSOCIATION
1050 Bishop St. PMB 235 |
Honolulu, HI 96813
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TO: Committe on Economic Development and Tourism
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 7. 2025
TIME: 10:15am

RE: HB959 Relating to Taxation
Position: Support with Amendments

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is in strong support of Section 2 of HB959, which seeks to eliminate the General Excise Tax (GET) on groceries and nonprescription drugs in Hawaiʻi.

Hawaiʻi has one of the highest costs of living in the nation, placing immense financial strain on local families. The combination of **inflation, supply chain disruptions, and the economic effects of the COVID-19 pandemic** has exacerbated food insecurity, leaving **nearly 30% of households food insecure in 2023**, according to the Hawaiʻi Foodbank. On Hawaiʻi Island, the situation is even more dire, with **The Food Basket reporting a food insecurity rate of 40%**.

Under these circumstances, **taxing food is both unethical and unnecessary**. Grocery taxes disproportionately burden low- and middle-income families, exacerbating economic hardship and worsening food insecurity. **Hawaiʻi's 4.5% GET adds an estimated $773 per year** in additional costs for a family of four under the USDA's Thrifty Food Plan. For many residents, this is the difference between putting food on the table and going hungry.

The Link Between Grocery Taxes and Food Insecurity

Decades of research confirm that grocery taxes **directly contribute to significantly higher rates of food insecurity**: "We found that even the slightest increase in tax rate correlated to an increased likelihood of food insecurity. Grocery taxes that rose by just one percentage point led to a higher risk of hunger in households" (Kaiser).

- **Zheng, Y., Zhao, J., Buck, S., Burney, S., & Kaiser, H. M. (2021).** Putting grocery food taxes on the table: Evidence for food security policy-makers. *Food Policy*. ScienceDirect
- **World Food Policy Center. (2021).** Why grocery taxes hurt low-income families: More evidence for policymakers. *Duke University, Sanford School of Public Policy*. Listen here
- **Health Economics Review. (n.d.).** The effect of grocery taxes on health outcomes: Insights from low-income communities. *BioMed Central*. Read the article
- **Center for Budget and Policy Priorities: States That Still Impose Sales Taxes on Groceries Should Consider Reducing or Eliminating Them:** https://www.cbpp.org/research/state-budget-and-tax/which-states-tax-the-sale-of-food-for-home-consumption-in-2017
    - https://www.cbpp.org/sites/default/files/atoms/files/3-16-06sfp3.pdf

Furthermore, taxing essential food and medicine is **a regressive policy** that disproportionately affects kūpuna, low-income families, and individuals with disabilities. Families experiencing food insecurity **skip meals, purchase less nutritious options, and reduce portion sizes**, leading to negative long-term health outcomes.

Economic Benefits of Eliminating the GET on Groceries

The vast majority of U.S. states do not tax groceries because they recognize the harm it causes to families and the economy. In recent years, multiple states have taken action:

- **Kansas** will join the growing group of 38 states that don't tax food on Jan. 1, 2025. The state sales tax has been decreasing little by little each year in phases thanks to a plan by Gov. Laura Kelly. In 2022, it was at 6.5%. In 2023, it was down to 4% and in 2024, it dropped to just 2%. Now, in 2025, there will be no state sales tax. https://www.kmbc.com/article/kansas-sales-tax-groceries-drops-to-zero-starting-2025/63294687

- **Alabama and Virginia** have also reduced or eliminated grocery taxes, implementing **phased approaches** to balance budgetary needs while providing immediate relief to residents.
    - https://vadogwood.com/2023/08/28/credit-where-credits-due-who-cut-virginias-grocery-tax/
- **Georgia's phased elimination of grocery taxes in the 1990s** resulted in **$691.4 million in household savings, 18,577 new jobs, and $1.45 billion in economic output by 2021**.
    - **Georgia State Audit Reports.** Download report

These examples show that states can remove grocery taxes **without jeopardizing their budgets**, while simultaneously **reducing food insecurity and boosting economic activity**.

Health and Social Consequences of Grocery Taxes

Taxing groceries and essential medicines contributes to **worse health outcomes**, particularly among children and vulnerable populations:

- **Higher rates of obesity, diabetes, and cardiovascular disease** as families rely on lower-cost, less nutritious foods.
- **Increased healthcare costs** due to the long-term impacts of food insecurity.
- **Negative effects on childhood development, education, and mental health** due to poor nutrition and chronic stress.

A study published in **Health Economics Review** found that **grocery taxes increase food insecurity, leading to worse health outcomes and higher healthcare costs**. Reducing the GET on groceries would provide much-needed relief, allowing families to prioritize nutrition, healthcare, and other essential expenses.

Conclusion

Hawaiʻi is already facing a severe food insecurity crisis, and continuing to tax groceries will only worsen the situation. Research consistently shows that **grocery taxes harm low-income families, increase food insecurity, and contribute to economic inequality**. Eliminating the GET on food and nonprescription drugs will:

- **Provide immediate financial relief to residents**
- **Reduce food insecurity and improve health outcomes**
- **Align Hawaiʻi's tax policy with the majority of U.S. states**
- **Stimulate the local economy by increasing consumer spending**

I respectfully urge the Legislature to pass Section 2 of HB959 and remove the GET on essential groceries and nonprescription drugs, ensuring that no Hawai'i resident has to choose between paying taxes and feeding their family.

We respectfully offer comments on Section 3 of this measure.

Hawai'i has one of the highest tax burdens of any state. This is especially true for businesses. Increasing local food production, increasing local manufacturing, creating more jobs, and diversifying our economy are goals we all share. We believe that increasing the GET will not lead to positive outcomes in these areas – in fact it would be devistating.

We understand that the exemption of groceries from the GET will mean lost revenue for the state. We believe that the best way to cover these losses will be by allocating some of the budget surplus in the short term and taking action to stimulate the local economy, such as streamlining the permitting process to enable businesses to grow in the long term.

General Excise Tax (GET)

- **Rate**: 4.0% statewide; 4.5% (with a 0.5% surcharge).
- **Unique Structure**: GET applies broadly to goods, services, and rents, leading to **tax pyramiding** that increases the effective burden above the nominal rate.
- **Revenue Trends**:
  - "The fiscal year period from July 1, 2023, to June 30, 2024, proved to be another successful year for the Department of Taxation. State tax collections were $11.08 billion in FY 2024, an increase from $10.44 billion in FY 2023. The largest tax type by revenue is the general excise tax. In FY 2024, the State collected **$4.5 billion** from this tax, a 0.9% increase from the previous year. The individual income tax, the second largest tax type, increased by 5.8% compared to the previous year." -

  https://files.hawaii.gov/tax/stats/stats/annual/24annrpt_2.pdf

  - Significant upward trend in General Excise Tax Revenue Year over Year, likely due to piggybacking on post-pandemic inflation as shown below:

Tax Revenue, Statewide						
	May, 2022			YEAR-TO-DATE		
	Current ($1,000)	Yr. Ago ($1,000)	% CHG.	Current ($1,000)	Yr. Ago ($1,000)	% CHG.
General Fund	752,986	681,900	10.4%	4,366,544	3,267,100	33.7%
Individual Income Tax	277,836	308,202	-9.9%	1,903,337	1,511,025	26.0%
General Excise Tax	337,209	295,120	14.3%	1,751,767	1,395,757	25.5%
TAT	72,917	37,260	95.7%	345,187	133,624	158.3%

Source: Hawaii State Department of Taxation

- **Hawaii has by far the highest gross business income tax in the nation. Other states with gross receipts taxes (GRT) usually don't have a corporate tax and/or a personal income tax and the gross revenue taxes are below 1% because they create an extreme disadvantage to high expense/low margin businesses. Most other states with gross revenue taxes exempt income below a few million dollars, Hawaii taxes every penny. An entrepreneur who does even the most basic tax analysis before choosing a location to establish a business would be unlikely to choose Hawaii for this reason alone.**
- **Here are some other states that have a gross revenue tax on business income, you can see they are much lower than Hawaii's 4.5% tax:**
  - **Texas:** **https://comptroller.texas.gov/taxes/franchise/**
  - If your annualized revenue is $2,470,000 or less then you will owe no tax.
    - 2024 and 2025

Item	Amount
No Tax Due Threshold	$2,470,000
Tax Rate (retail or wholesale)	0.375%
Tax Rate (other than retail or wholesale)	0.75%
Compensation Deduction Limit	$450,000
EZ Computation Total Revenue Threshold	$20 million

EZ Computation Rate	0.331%

♣

- **Nevada:** https://tax.nv.gov/tax-types/commerce-tax/
- In Nevada the Commerce Tax is imposed on businesses with a Nevada state gross revenue exceeding $4 million per fiscal year. Nevada does not have a corporate income tax. The amount of tax used is based on your business category but is usually ranges from 0.05% and 0.3%
- **Delaware's** Gross Receipts Tax rates currently range from 0.0945% to 0.7468% depending on the type of business. Delaware does not have a state sales tax rate.
- **Ohio** Commercial Activity Tax: 0.26% - Beginning in 2024, businesses with $3 million or less of taxable gross receipts are excluded from the CAT (unless they are part of a "consolidated elected taxpayer" or "combined taxpayer" whose aggregate taxable gross receipts exceed $3 million). Beginning in 2025, businesses with $6 million or less of taxable gross receipts are excluded from the CAT (unless they are part of a "consolidated elected taxpayer" or "combined taxpayer" whose aggregate taxable gross receipts exceed $6 million). Ohio does not have a corporate income tax.
- **Washington's** Retailing B&O tax rate is 0.471 percent (.00471) of gross receipts.

State Tax Comparison Report: Retail Business with $500,000 in Revenue and $450,000 in Expenses

This example evaluates the tax burden for a retail business operating in various states, comparing states with **gross receipts taxes (GRTs)** / GET and **corporate income taxes (CITs)**. The goal is to illustrate why **Hawai‘i** imposes one of the most burdensome tax systems for businesses due to its **General Excise Tax (GET)** and **corporate income tax**, which result in **double taxation**.

The analysis highlights how other states, including **Nevada, Texas, Washington, California, New York, and others**, impose significantly lower burdens, making Hawai‘i among the least favorable places to do business.

Hawai‘i’s Tax Structure

- **General Excise Tax (GET):** 4.5% of gross revenue
  - **Calculation:** $500,000 * 4.5% = **$22,500**
- **Corporate Income Tax:** 5.4% on net income of $50,000
  - **Calculation:** $50,000 * 5.4% = **$2,700**
- **Total Tax Liability:** $22,500 (GET) + $2,700 (Corporate Tax) = **$25,200**

Why Hawai‘i Is Burdensome:

Hawai‘i’s **GET taxes gross revenue without any deductions for business expenses**, making it highly punitive for businesses with low margins. When combined with the corporate income tax, Hawai‘i’s tax burden is far greater than most states.

Comparison of Tax Liabilities Across States

State	Gross Receipts Tax (GRT)	Corporate Tax	Total Tax Liability
Hawai‘i	$22,500	$2,700	**$25,200**
Ohio	$0	$0	**$0**
Nevada	$0	$0	**$0**
Texas	$0	$0	**$0**
Colorado	$0	$2,200	**$2,200**
Washington	$2,355	$0	**$2,355**
California	$0	$4,420	**$4,420**
New York	$0	$3,250	**$3,250**
Maine	$0	$4,465	**$4,465**
Montana	$0	$3,375	**$3,375**
New Jersey	$0	$4,500	**$4,500**

Explanation of Tax Structures by State

1. Hawai‘i (Worst Case)

- **General Excise Tax:** 4.5% on gross revenue = **$22,500**
- **Corporate Income Tax:** 5.4% on $50,000 net income = **$2,700**

- **Total Tax: $25,200**
- **Why It's Burdensome:** Taxes both revenue and profits without expense deductions.

2. Ohio

- **Commercial Activity Tax (CAT):** Beginning in 2024, businesses with $3 million or less of taxable gross receipts are excluded from the CAT. 0.26% on gross revenue above that amount.
- **Corporate Tax:** None
- **Total Tax: $0**
- **Why It's Favorable:** Ohio only imposes a low-rate GRT without additional corporate taxes.

3. Nevada

- **Commerce Tax:** Imposes a Commerce Tax with rates varying from **0.051% to 0.331%**, depending on the industry. However, this tax only applies to businesses with gross over 4 million.
- **Corporate Tax:** None
- **Total Tax: $0**
- **Why It's Favorable:** Nevada does not tax net income and has a relatively low GRT rate.

4. Texas

Franchise Tax: If your annualized revenue is $2,470,000 or less then you will owe no tax. **updated rates here.**

- **Corporate Tax:** None
- **Total Tax: $0**
- **Why It's Favorable:** Texas's franchise tax is a low-rate GRT with high revenue limits for franchise tax application and optional deductions.

5. Colorado

- **Gross Receipts Tax:** None
- **Corporate Tax:** 4.4% on $50,000 net income = **$2,200**
- **Total Tax: $2,200**
- **Why It's Favorable:** Colorado only taxes net income and allows deductions for expenses.

6. Washington

- **Business & Occupation Tax (B&O):** 0.471% on gross revenue = **$2,355**
- **Corporate Tax:** None
- **Total Tax: $2,355**
- **Why It's Favorable:** Washington taxes revenue but at a much lower rate than Hawaiʻi's GET.

7. California

- **Gross Receipts Tax:** None
- **Corporate Tax:** 8.84% on $50,000 net income = **$4,420**
- **Total Tax: $4,420**
- **Why It's Moderate:** California imposes a higher corporate tax, but it's lower overall due to the lack of a GRT.

8. New York

- **Gross Receipts Tax:** None
- **Corporate Tax:** 6.5% on $50,000 net income = **$3,250**
- **Total Tax: $3,250**
- **Why It's Favorable:** New York taxes only net income, allowing deductions for expenses.

9. Maine

- **Gross Receipts Tax:** None
- **Corporate Tax:** 8.93% on $50,000 net income = **$4,465**
- **Total Tax: $4,465**
- **Why It's Higher:** Maine has a high marginal corporate tax rate.

10. Montana

- **Gross Receipts Tax:** None
- **Corporate Tax:** 6.75% on $50,000 net income = **$3,375**
- **Total Tax: $3,375**
- **Why It's Moderate:** Montana taxes only net income at a moderate rate.

11. New Jersey

- **Gross Receipts Tax:** None

- **Corporate Tax:** 9% on $50,000 net income = **$4,500**
- **Total Tax: $4,500**
- **Why It's High:** New Jersey has the highest corporate tax rate in the USA. Yet due to a lack of GRT, it still has a much lower overall tax rate than Hawaii.

Why Hawaiʻi Is the Worst Place for Businesses

- **Double Taxation:** Hawaiʻi is the only state in this comparison to impose both a **high GRT (4.5%)** and a **corporate income tax**, leading to a total liability of **$25,200**.
- **No Deductions for Expenses:** The GET is applied to gross revenue without accounting for costs like wages or rent, making it especially harmful for low-margin businesses.
- **Compared to Other GRT States:** Even Washington **($2,355)**, which applies the second highest rate GRT in the nation still has a much lower effective tax burdens due to their much lower GRT rate and lack of additional corporate taxes.

Personal Income Taxes

- **Many businesses are subject to personal income tax rates depending on how they are structured. Below is an example of a business that is subject to personal income tax and how that same business would be taxed in multiple states.**

Tax Analysis for Sole Proprietors Across States

This example analyzes the state tax obligations for a **sole proprietorship with $500,000 in net revenue and $450,000 in expenses**, leading to $50,000 in taxable income. The analysis considers both general income tax and state-specific gross business taxes (such as Hawaii's General Excise Tax and Washington's B&O tax). For states with standard deductions in 2024, they are applied where applicable. Below is a detailed breakdown by state:

1. Hawaii (Worst Case)

- **Tax Type:** General Excise Tax (GET) + State Income Tax
- **Tax Amount: $25,524.00**

- **Effective Tax Rate:** Effective Tax Rate = ($25,524 ÷ $50,000) × 100 = **51.05%**
    - This reflects the effective tax rate based on $50,000 of personal net income.

Combined Hawaii Tax Calculation:

Step 1: Calculate Personal Income Tax on $50,000 Gross Income

- Standard Deduction (2024): $4,400
- Taxable Income = $50,000 - $4,400 = $45,600

Step 2: Apply Tax Brackets:

- First $2,400 at 1.4% = $2,400 × 0.014 = $33.60
- Next $2,400 at 3.2% = $2,400 × 0.032 = $76.80
- Next $4,800 at 5.5% = $4,800 × 0.055 = $264.00
- Next $4,800 at 6.4% = $4,800 × 0.064 = $307.20
- Next $4,800 at 6.8% = $4,800 × 0.068 = $326.40
- Next $4,800 at 7.2% = $4,800 × 0.072 = $345.60
- Next $12,000 at 7.6% = $12,000 × 0.076 = $912.00
- Remaining $9,600 at 7.9% = $9,600 × 0.079 = $758.40

Total Personal Tax: $33.60 + $76.80 + $264.00 + $307.20 + $326.40 + $345.60 + $912.00 + $758.40 = **$3,024.00**

*NOTE that even without this person being a small business owner subject to GET on NET revenue their taxes are still significantly higher than other high tax states like California and New York. And this is after we doubled the standard deduction! HB 959's proposed changes to income tax brackets would bring this person's personal income down to zero but would not fix the highly problematic GET burden.

Step 3: Calculate General Excise Tax on $500,000 Business Income

- GET = $500,000 × 4.5% = **$22,500**

Step 4: Combined Tax and Effective Rate

- Total Tax = $3,024.00 + $22,500 = **$25,524.00**

2. California

- **Tax Type:** State Income Tax: https://www.ftb.ca.gov/forms/2024/2024-540-tax-rate-schedules.pdf
- **Tax Amount:**
- **Effective Tax Rate:** 5.20%
- **Standard Deduction:** The standard deductions in California for 2024 tax returns are $5,540 (Single or Married/RDP Filing Separately) and $11,080 (Married/RDP Filing Jointly, Qualifying Surviving Spouse, or Head of Household).

Step 1: Determine the Taxable Income

Taxable Income = 50,000 - 5,540 = 44,460

Step 2: Apply the Correct Tax Brackets
Bracket 1: $0 - $10,099 at 1%
Tax = 10,099 × 0.01 = 100.99
Bracket 2: $10,099 - $23,942 at 2%
Tax = (23,942 - 10,099) × 0.02 = 13,843 × 0.02 = 276.86
Bracket 3: $23,942 - $37,788 at 4%
Tax = (37,788 - 23,942) × 0.04 = 13,846 × 0.04 = 553.84
Bracket 4: $37,788 - $40,245 at 6%
Tax = (40,245 - 37,788) × 0.06 = 2,457 × 0.06 = 147.42
Bracket 5: $40,245 - $44,460 at 6%
Tax = (44,460 - 40,245) × 0.06 = 4,215 × 0.06 = 252.90

Step 3: Sum of All Taxes
100.99 + 276.86 + 553.84 + 147.42 + 252.90 = 1,332.01

3. New York

- **Tax Type:** State Income Tax
- **Tax Amount: $2,325.75**
- **Effective Tax Rate:** 4.65%
- **Standard Deduction:** $8, 000 (single filer)

New York State Personal Income Tax Calculation (2024):

Step 1: Determine Taxable Income

Gross Income = $50,000

Standard Deduction = $8,000

Taxable Income = $50,000 - $8,000 = $42,000

Step 2: Apply Tax Brackets and Calculate Tax

- **First $8,500 at 4%:**
- $8,500 × 0.04 = $340
- **Next $3,200 ($11,700 - $8,500) at 4.5%:**

$3,200 × 0.045 = $144

- **Next $2,200 ($13,900 - $11,700) at 5.25%:**

$2,200 × 0.0525 = $115.50

- **Next $7,500 ($21,400 - $13,900) at 5.85%:**

$7,500 × 0.0585 = $438.75

- **Next $20,600 ($42,000 - $21,400) at 6.25%:**

$20,600 × 0.0625 = $1,287.50

Step 3: Total Tax Owed

$340 + $144 + $115.50 + $438.75 + $1,287.50 = **$2,325.75**

4. Utah

- **Tax Type:** State Income Tax
- **Tax Amount:** $2,475
- **Effective Tax Rate:** 4.95%

- **Standard Deduction:** None (Utah provides a taxpayer tax credit instead)

Utah has a flat income tax rate of 4.95%. For the $50,000 taxable income (since Utah does not offer a standard deduction but provides a taxpayer credit), the resulting tax liability is $2,475.

5. Nevada

- **Tax Type:** No State Income Tax
- **Tax Amount:** $0
- **Effective Tax Rate:** 0%
- **Standard Deduction:** Not applicable

Nevada does not impose a state income tax, so there is no tax liability on the $50,000 net income. This makes it one of the most tax-friendly states for sole proprietors.

6. Florida

- **Tax Type:** No State Income Tax
- **Tax Amount:** $0
- **Effective Tax Rate:** 0%
- **Standard Deduction:** Not applicable

Florida does not impose a state income tax on individuals, resulting in no tax liability on the business's $50,000 net income.

7. Texas

- **Tax Type:** Franchise Tax: Income Above $2,470,000
- **Tax Amount:** $0
- **Effective Tax Rate:** 0%
- **Standard Deduction:** Not applicable (Texas applies the franchise tax rules)

Texas does not have a personal income tax, but it imposes a **franchise tax** on businesses meeting specific revenue thresholds. According to the Texas Comptroller, for 2024 and 2025:

- **Tax Rate (manufacturing and other non-retail or non-wholesale businesses):** 0.75%
- **Compensation Deduction Limit:** $450,000

8. Washington

- **Tax Type:** Business & Occupation (B&O) Tax
- **Tax Amount:** $2,355
- **Effective Tax Rate:** 4.71%
- **Standard Deduction:** Not applicable
- https://www.summitbkpg.com/post/business-and-occupation-tax#:~:text=2024%20Washington%20State%20B%26O%20Tax%20Classifications&text=The%20major%20classifications%20and%20tax,Manufacturing%3A%200.484%25

Washington does not have a personal income tax but imposes a **Business & Occupation (B&O) Tax** on gross business income. The applicable B&O tax rate is 0.471%. With $500,000 in gross revenue, this results in a tax liability of $2,355.

Summary of Tax Obligations

State	Tax Type	Tax Amount	Effective Tax Rate (%)	Standard Deduction
Hawaii	GET + Income Tax	**$25,524.00**	**51.05%**	$4400
California	Income Tax	$1,332	2.66%	$5,540
New York	Income Tax	$2,325.00	4.65%	$8,000
Utah	Income Tax	$2,475.00	4.95%	None
Nevada	No State Income Tax	$0.00	0.00%	Not applicable
Florida	No State Income Tax	$0.00	0.00%	Not applicable

Texas	Franchise Tax/No Income Tax	$0	0.00%	Not applicable
Washington	B&O Tax	$2,355.00	4.71%	Not applicable

For a sole proprietor running a business with $50,000 in net income (after expenses), Hawaii remains the state with the highest tax liability due to the General Excise Tax on gross revenue combined with income tax.

We hear the same refrain that the GET is a "low rate"; for a GRT, which is what it really is, it is extremely high compared to every other state. No other state comes close. To make matters worse this gross tax was increased another .5% (this increase is higher than most other GRT's total rates.) There is no end in sight. If you want entrepreneurs and businesses to stay in the state, you have to reduce or remove the gross receipts tax. The best way to do this is to promote economic growth, we currently have an exodus of workers and companies due to extremely unfavorable business conditions. One of the best way to improve the likelihood of business staying in the state is to reduce taxes and remove undue regulatory burdens. The worst regulatory burdens are permitting delays. **The good news is the state can eliminate permitting delays relatively easily – you can use language similar to SB 66 but apply it to all categories of permits. This bill requires counties to grant building permits within 60 days if the application is stamped and certified by a licensed engineer and architect and other certain conditions are met. This will dramatically reduce business costs , increase housing supply and generate billions in tax income to fund reducing taxes.**

HOW TO PAY FOR REMVOING GET ON GROCERIES AND LOWERING TAXES:

Fiscal Impact of Eliminating the Grocery GET

Updated Calculation Using USDA Thrifty Food Plan Data

1. **TFP Data for a Household of Four:**
    a. **Monthly Spending:** $1,432
    b. Yearly Spending: $1,432 * 12 = 17,284
    c. Yearly Spending Per Person: $17,284/4 = $4,296
2. **Statewide Total Annual Grocery Spending:**

   a. With a population of approximately 1,400,000: $4,296 * 1,400,000 = 6.014 billion
3. **Adjusting for EBT Exemptions:**
   a. Not all grocery spending is tax exempt. Only purchases made with EBT (SNAP) benefits are exempt. While 11% of Hawai'i's residents participate in SNAP, these households typically use EBT for only a portion of their grocery spending. For this analysis, we assume that, on average, EBT payments account for about 50% of grocery spending among SNAP households.
   b. This implies that roughly 11% × 50% = **5.5%** of total grocery spending is exempt.
   c. Therefore, approximately **94.5%** of grocery spending is subject to the GET.
4. **Taxable Spending:**
   a. **0.945×$6.014 billion≈$5.684 billion**
      i. **This tracks with the U.S. Department of Agriculture, Economic Research Service *Sales of food for all purchasers with taxes and tips, by state* dataset (https://www.ers.usda.gov/data-products/food-expenditure-series) which shows Hawaii's nominal food-at-home expenditure for 2023 to be $5.51 billion.**
5. **Annual GET Revenue Calculation:**
   a. With a 4.5% GET rate: *0.045×$5.684 billion≈* ***$255.8 million***

Conclusion on Fiscal Impact:

Exempting SNAP eligible grocery purchases from the GET would result in an estimated annual revenue loss of roughly **$256 million**.

The Compelling Case for Removing Grocery Taxes

Eliminating the grocery GET would relieve households of a significant financial burden, particularly those most affected by food insecurity. Increased disposable income would allow families to afford more nutritious food and invest in other essential needs. This policy change aligns with national best practices. For example, the Georgia study provides a powerful precedent:

The Georgia Study on Removing Food Taxes

- **Policy Change:**

In the 1990s, Georgia phased out its grocery tax.

- **Economic Impact:**
  - **Household Savings:** Approximately $691.4 million in cumulative savings for households.
  - **Job Creation:** Around 18,577 new jobs were generated.
  - **Economic Output:** The state experienced an economic output boost of $1.45 billion by 2021.

These findings illustrate that removing grocery taxes can stimulate consumer spending, create jobs, and foster broader economic growth—benefits that Hawai‘i stands to gain.

Proposed Permitting Reforms as a Cost Offset and Housing Supply Catalyst

To offset the estimated $256 million annual revenue loss from eliminating the grocery tax, a series of transformative permitting reforms is proposed. These reforms not only offer a robust fiscal offset but also stimulate economic activity and help address Hawai‘i's affordable housing crisis by increasing the supply of housing.

Key Permitting Reforms:

1. **Self-Certification by Licensed Professionals:**
   a. **What:** Allow certified architects and engineers to approve standard designs.
   b. **Benefit:** Expedites the permit issuance process and reduces delays.
2. **Statutory Timelines and Automatic Approvals:**
   a. **What:** Implement clear deadlines—30 days for residential projects and 60 days for commercial projects—with automatic approvals if deadlines are missed (subject to compliance audits).
   b. **Benefit:** Ensures timely progression of projects and minimizes bureaucratic hold-ups.

Economic and Housing Benefits:

- **Boost in Economic Activity:**

The reforms are projected to generate **$19.65 billion** in annual construction-related economic activity.

- **Interest Savings:**

Homeowners and businesses could save approximately **$7.88 billion** annually in interest payments—savings driven by faster occupancy and reduced permit delays (Honolulu County alone).

- **Enhanced Property Tax Revenue:**

Accelerated construction would boost Honolulu County's property tax revenue by about **$1 billion** annually.

- **Additional State Tax Revenue:**

Overall, these permitting reforms could generate an estimated **$2.14 billion** in extra state tax revenue per year.

- **Addressing the Affordable Housing Crisis:**

By streamlining construction processes and reducing delays, these reforms would increase the supply of housing. If Honolulu County approved permits in this fashion under the current number of permits they received a year they would process more than 5,000 more permits a year. This increased supply would drive down the cost of housing and allow the county to meet its projected growth needs in under 3 years. Maui County Fire Survivors have been waiting years for permits to rebuild, the state has instead spent millions of dollars on temporary structures. Allowing automatic approvals to rebuild within code, certified by a licensed contractor, would provide much-needed permanent homes to many displaced residents. An increased housing supply helps moderate prices and improves affordability for residents, thereby directly addressing Hawai'i's affordable housing crisis.

Hawai'i's reliance on imported goods, high cost of living, and persistent food insecurity make grocery taxation a regressive and unsustainable policy. Studies by Zheng et al. (2021), the World Food Policy Center (2021), and the Health Economics Review confirm that grocery taxes worsen food insecurity, disproportionately burden lower-income families, and lead to negative health and economic outcomes. Eliminating the 4.5% GET on groceries (noting that only EBT purchases are exempt and additional spending by SNAP households is taxed) would offer immediate relief to households—but would also cost the state roughly **$256 million** annually in tax revenue.

However, by adopting comprehensive permitting reforms—such as self-certification by licensed professionals, statutory timelines with automatic approvals, and enhanced staffing with digital upgrades—Hawai‘i can not only offset this revenue loss (by generating approximately **$2.14 billion** in additional annual state tax revenue) but also stimulate **$19.65 billion** in construction-driven economic activity. These reforms would result in significant interest savings (about $7.88 billion annually), boost property tax revenue by roughly $1 billion in Honolulu County, and crucially, increase the supply of affordable housing.

Legislators should prioritize economic equity by eliminating the regressive grocery tax and implementing these permitting reforms. This integrated strategy ensures that no resident must choose between paying taxes and affording basic necessities while paving the way for a more vibrant, affordable, and prosperous Hawai‘i.

Analysis of County and State Tax Revenue, Homeowner and Business Cost Savings and Economic Benefits from Streamlined Permitting

A. Number of Private Sector Permits by Occupancy Group, 2022-2023

Occupancy group	Year 2022			Year 2023		
	Number of permits issued	Total value of permits issued	Avg # of days to Issue	Number of permits issued	Total value of permits issued	Avg # of days to Issue
01 - Single Family	11,592	$530,990,256	62	12,414	$550,986,015	66
02 - Two Family	258	$45,590,202	266	313	$38,684,241	266
03 - Apartment	595	$883,123,922	242	401	$602,919,002	371
04 - Hotel	37	$45,969,360	342	43	$45,981,026	359
05 - Amusement, recreation	23	$10,259,546	301	30	$24,077,950	425
06 - Church	23	$15,595,411	475	12	$4,386,000	510
07 - Industrial	35	$13,247,563	276	73	$138,309,190	407
08 - Garage (public)	3	$18,198,230	635	2	$250,000	662
09 - Garage (private)	7	$2,247,795	280	7	$69,660,000	124
10 - Service Station	10	$943,292	395	8	$3,405,000	266
11 - Institution	26	$21,281,399	477	24	$16,559,132	308
12 - Office Building	214	$179,305,392	278	239	$73,207,845	286
13 - Public Building	6	$629,005	352			
14 - Public Utility Building	1	$590,000	1,071			
15 - School	27	$6,319,416	350	61	$33,191,089	381
16 - Shed	3	$214,000	514	8	$2,081,117	416
17 - Stable, barn	0	0	0	3	$1,542,999	370
18 - Store	266	$78,213,366	269	317	$118,120,925	236

19 - Other non-residential	169	$90,009,889	337	224	$389,418,940	377
20 - Structure other than building & unclassified	523	$146,209,412	284	418	$599,775,294	353
21 - Other: Reroofing only	4	$2,719,048	21	60	$5,651,702	9

Source: Department of Planning and Permitting (DPP), City and County of Honolulu. READ estimates.

Property taxes:

https://www.hawaiirealestatesearch.com/property-taxes

Economic Impact of Permitting Delays in Honolulu County

Introduction

Permitting delays in Honolulu County imposes substantial financial costs on developers, homeowners, and local governments. This report quantifies the financial impact of these delays, including lost interest costs for builders, lost construction fees, and lost property tax revenue. Using data from the Department of Planning and Permitting (DPP) and real estate sources, this analysis provides an updated assessment incorporating realistic land and construction costs. We did not have data from other counties, so this estimate is for Honolulu only.

Methodology

Step 1: Estimating Total Property Cost

Total property cost is calculated using the following formula:

Total Property Cost = Average Square Footage per Project × (Construction Cost per Sq. Ft. + Land Value per Sq. Ft.) × Permits Issued

Step 2: Estimating Lost Interest to Builders

Lost interest is calculated using the following formula:

Lost Interest = Total Property Cost × 8% × (Avg Days to Issue / 365)

Step 3: Estimating Lost Construction Fees

Lost construction fees are calculated as:

Lost Construction Fees = Total Property Cost × 0.5%

Step 4: Estimating Lost Property Tax Revenue

Lost property tax revenue is calculated as:

Lost Property Tax Revenue = Total Property Cost × Property Tax Rate per $1,000 Assessed Value

These calculations incorporate an average land value of $718 per square foot for Honolulu, sourced from Redfin and Realtor.com. Property tax rates are applied based on category-specific rates from Hawaii Real Estate Search.

Financial Impact by Occupancy Group (Honolulu)

Occupancy Group	Permits Issued	Total Property Cost ($)	Lost Interest ($)	Lost Construction Fees ($)	Lost Property Tax Revenue ($)
Single Family	12414	$30,240,504,000.00	$437,451,674.30	$62,070,000.00	$136,082,268.00
Two Family	313	$1,096,752,000.00	$63,942,144.00	$2,112,750.00	$4,935,384.00
Apartment	401	$44,831,800,000.00	$3,645,500,887.67	$80,200,000.00	$524,532,060.00
Hotel	43	$2,833,700,000.00	$222,969,490.41	$6,450,000.00	$32,729,235.00
Amusement, recreation	30	$913,500,000.00	$85,093,150.68	$1,875,000.00	$8,997,975.00
Church	12	$201,240,000.00	$22,494,772.60	$360,000.00	$613,782.00
Industrial	73	$3,410,560,000.00	$304,240,640.00	$6,570,000.00	$36,492,992.00
Garage (public)	2	$11,180,000.00	$1,622,172.05	$20,000.00	$90,558.00
Garage (private)	7	$9,391,200.00	$255,234.81	$16,800.00	$76,068.72
Service Station	8	$18,688,000.00	$1,089,536.00	$36,000.00	$199,961.60
Institution	24	$560,640,000.00	$37,847,040.00	$1,080,000.00	$1,709,952.00
Office Building	239	$8,733,060,000.00	$547,431,267.95	$17,925,000.00	$93,443,742.00
School	61	$3,562,400,000.00	$297,484,800.00	$6,862,500.00	$10,865,320.00
Store	317	$7,405,120,000.00	$383,037,440.00	$14,265,000.00	$79,234,784.00
Other non-residential	224	$22,142,400,000.00	$1,829,629,545.21	$50,400,000.00	$236,923,680.00

Key Financial Totals

Total Property Cost (Land + Construction): $125,970,935,200.00

Lost Interest to Builders (homeowners and businesses): $7,880,089,795.68

Lost Construction Fees: $250,243,050.00

Lost Property Tax Revenue for Honolulu: $1,166,927,762.32

Commentary and Economic Insights

1. Single-Family Homes & Apartments Dominate Financial Losses

- Single-family homes have the highest permit volume and contribute the largest share of lost interest and construction fees. Homeowners lost a total of $437,451,674.30 due to permitting delay on interest alone.

- Apartment projects experience the highest lost interest due to extended approval delays and high total costs.

2. Commercial and Institutional Projects Also Face Major Losses

- Office Building delays alone cost developers over $547,431,267.95 million in lost interest in Honolulu County.

- Industrial, school, and other delays further reduce economic activity.

3. Impact on Local Government Revenue

- Approximately $1 billion in lost property tax revenue for Honolulu.

- $400 million in lost construction fees that could fund public services and infrastructure.

Sources

1. Department of Planning and Permitting, City and County of Honolulu (2023): Permitting data, project values, and delay durations.

2. Real Estate Market Data (Redfin & Realtor.com): Land value estimates for Honolulu.

3. Hawaii Real Estate Search: Property tax rate data for Honolulu.

4. Economic Modeling Assumptions: Financing interest rate (8%), property tax rates per category, permit fee rate (0.5%).

Increased Housing Supply

Current and Projected Permit Approvals

According to Civil Beat, **Honolulu currently approves approximately 15,000 building permits annually** with approximately 20,000 permits being submitted, resulting in 5,000 unapproved permits per year. With permitting reforms, this figure could increase to **20,000 permits per year**, resulting in a **net increase of 10,000 permits annually**.

- **Honolulu Current Annual Permits:** 15,000

- **Honolulu Post-Reform Projected Permits (the number currently submitted per year):** 20,000
- **Honolulu Projected Increased Permit Approvals Annually:** 5,000
- **State Estimated Increased Permit Approvals Annually:** 10,000
- **Total Additional Units Over 5 Years:** ~50,000

Housing Demand Based on DBEDT Report

The **Hawaii Housing Demand Report (DBEDT, 2019)** projects **Honolulu County will need between 10,402 and 21,392 new housing units over 10 years**, depending on population growth trends. For the **State of Hawaii** the Report states, "based on the projected population, the housing units needed are 25,737 units for the Low Scenario and 46,573 units for the High Scenario. The average of the two scenarios is a total of **36,155 units** demanded for 2020-2030."

- **Low Scenario Honolulu (0.25% population growth): 10,402 units needed (2020–2030)**
- **High Scenario Honolulu (Pre-2016 Growth Trend): 21,392 units needed (2020–2030)**
- **Average Demand Scenario Honolulu: 15,897 units over 10 years (1,590 units per year)**

Under permitting reforms used successfully in other states and place a maximum wait time of 30 – 60 days for permit approval and allow for self-certification by licensed professionals in 24-48 hours, using a conservative estimate based on actual unapproved contracts, **the State's projected new supply would increase by 10,000 units per year. This would exceed demand projections—helping alleviate the housing shortage and reducing upward pressure on home prices**.

Housing Price Reductions

Economic modeling suggests that increasing housing supply by **10,000 additional units annually** could slow **price escalations by 5–10% over five years**. While housing affordability is impacted by multiple factors, greater supply helps stabilize rising prices.

- **Estimated Housing Price Reduction Over 5 Years: 5–10%**

Analysis of Construction Projects and State Tax Revenue (10,000 New Projects per Year)

Based on the allocation of 10,000 new projects per year across residential and commercial categories, here are the updated construction values and tax impacts:

1. Project Allocation and Construction Value Breakdown

Occupancy Group	Allocated Projects	Estimated Construction Value ($)
Single Family	8,976	13.46 billion
Two Family	226	271.58 million
Apartment	290	139.18 million
Office Building	173	1.30 billion
Industrial	53	1.19 billion
Amusement, recreation	22	244.03 million
Store	229	2.58 billion
Hotel	31	466.38 million

Summary

- **General Excise Tax (GET):** $884.15 million
- **Corporate Income Tax:** $1.26 billion
- **Total State Tax Revenue:** $2.14 billion annually

These results indicate that with streamlined permitting leading to 10,000 new projects annually, the state can expect significant construction-driven tax revenues.

To estimate the **construction value** for each occupancy group, we used the following formula:

Estimated Construction Value=Allocated Projects×Average Size per Project (sq. ft.)×Construction Cost per sq. ft.

Step-by-Step Breakdown

1. **Project Allocation:**
    a. We allocated the 10,000 new projects per year across different categories (Single Family, Two Family, Apartment, etc.) based on their percentage share from the original DPP permit data.

For example:

Single Family allocation:

Percentage share= 12,414 /(12,414+313+401+239+73+30+317+43) ≈89.76%

- Allocated projects: 10,000×0.8976=8,976projects

Average Project Size (sq. ft.):

We used typical size estimates for each project type based on construction standards:

    b. Single Family: 2,500 sq. ft.
    c. Two Family: 2,000 sq. ft.
    d. Apartment: 800 sq. ft.
    e. Office Building: 10,000 sq. ft.
    f. Industrial: 30,000 sq. ft.
    g. Amusement/Recreation: 15,000 sq. ft.
    h. Store: 15,000 sq. ft.
    i. Hotel: 20,000 sq. ft.

2. **Construction Cost per sq. ft.:**
    j. **Residential construction (Single Family, Two Family, Apartment):** $600 per sq. ft.
    k. **Commercial construction (Office Building, Industrial, etc.):** $750 per sq. ft.

Example Calculation for Single Family Homes

- **Allocated Projects:** 8,976
- **Average Size per Project:** 2,500 sq. ft.
- **Construction Cost per sq. ft.:** $600

Construction Value (Single Family) = 8,976×2,500×600 = 13.46 billion

Proposed Reforms

1. **Self-Certification by Licensed Professionals**:
    a. Allow certified architects and engineers to approve standard designs, expediting permit issuance.

2. **Statutory Timelines and Automatic Approvals**:
    a. Impose clear deadlines (e.g., 30 days for residential and 60 days for commercial projects).
    b. Automatically approve permits after deadlines lapse, subject to compliance audits.

By adopting these reforms, **the State of Hawaii would generate 19.65 billion in annual construction driven economic activity. We would save homeowners and businesses $7.88 billion in annual interest payments paid while properties are not usable due to delays in Honolulu County alone. Honolulu county would increase Property Tax Revenue by approximately $1 billion annually. Total State Tax Revenue generated by permitting reforms above would be approximately $2.14 billion annually**. These changes would significantly enhance **housing affordability, government revenue, and economic growth**.

This integrated strategy—eliminating the grocery GET while implementing transformative permitting reforms—provides a compelling pathway to reduce food insecurity, promote affordable housing, and enhance Hawai‘i's overall economic resilience.

Mahalo for the opportunity to testify.

Additional Sources:
https://business.cornell.edu/hub/2021/05/18/researchers-find-grocery-taxes-harm-low-income-households/
https://www.audits.ga.gov/ReportSearch/download/28852

https://wfpc.sanford.duke.edu/research/grocery-food-taxes-and-evidence-for-food-security-policy-makers/
https://news.cornell.edu/stories/2021/05/study-grocery-taxes-increase-likelihood-food-insecurity
https://www.fns.usda.gov/snap/thriftyfoodplan

HCAN Speaks!
Hawaiʻi Children's Action Network

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

To: House Committee on Economic Development & Technology
Re: **HB 959 – Relating to Taxation**
Hawaiʻi State Capitol & Via Videoconference
February 7, 2025, 10:15 am

Dear Chair Ilagan, Vice Chair Hussey, and Committee Members,

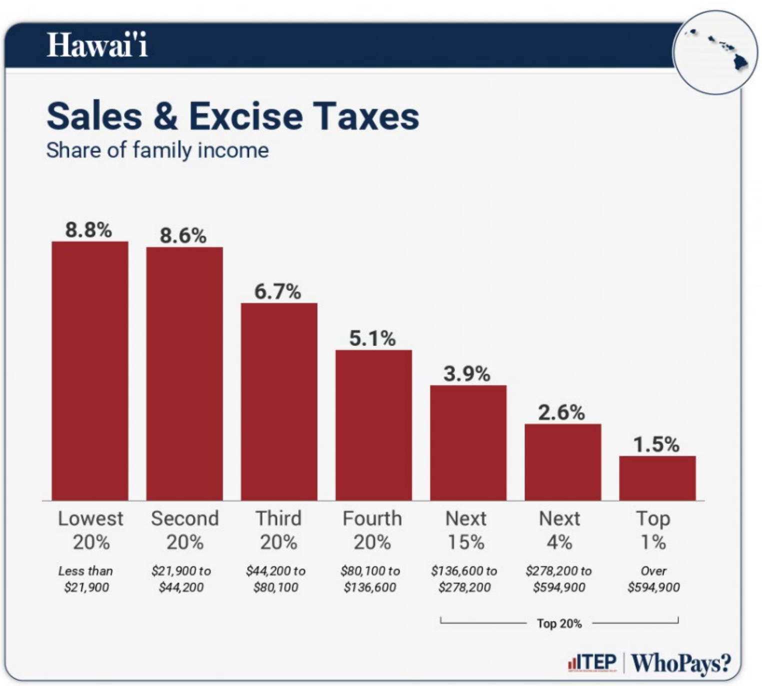
On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing to submit **COMMENTS on HB 959**. This bill makes several significant changes to the general excise tax and personal income tax, as well as establishes the Maui Recovery Special Fund, and appropriates funds.

We agree with the intent of this bill to further tax equity, address the high cost of living, and support the recovery from the 2023 Maui wildfires. However, we believe that lawmakers and the public need a better understanding of its costs and benefits, which fiscal notes would be able to provide.[1]

In order to achieve the bill's stated goal of tax equity, lawmakers need to understand who will benefit and who will be burdened by this bill. An equity analysis would determine how much of the costs and benefits would go to our lowest-income families, versus the middle-class, versus the wealthy.

Part I of this bill cites an analysis by the Institute on Taxation and Economic Policy (ITEP) that finds that Hawaiʻi places one of the highest tax burdens in the nation on low-income households.[2] We are most concerned that **this bill would increase the general excise tax (GET) by 50%** (from 4% to 6%).

Not only will this **increase taxes on all Hawaiʻi residents**, but according to ITEP, the main driver of our state's high tax burden on low-income families is the GET. Our **lowest-income families pay six times as much of their income in GET as those in the top 1%**, as you can see in the ITEP chart below:



[1] https://www.civilbeat.org/2024/07/hawaii-state-spending-bills-need-a-dose-of-sunshine/
[2] https://itep.org/whopays/hawaii-who-pays-7th-edition/

Hawai‘i is already **overly reliant on the GET for state revenues**. While the GET / sales tax accounts for 32.3% of Hawai‘i’s state and local tax collections, the U.S. average is only 22.7%. In contrast, Hawai‘i collects only 1.7% of its revenues from the corporate tax, which is about one-third of the national average of 4.7%.[3]

In addition, **nearly 60 percent of Hawai‘i's corporate income tax is paid by non-residents**, according to the Hawai‘i Department of Taxation.[4] In addition, we are ranked 36th among states in per capita corporate tax collections, at $219 per person, while the 1st state, California, collects $1,180 per person.[5]

This bill also removes the GET from sales of food and nonprescription drugs, which will **help many families better afford many essentials**. Please note that SNAP and WIC purchases already are not subject to the GET, so the low-income families that participate in those programs will not benefit greatly from this change. On the flip side, wealthy residents and visiting tourists will also benefit from this tax cut.

Other sections of this bill modify personal income taxes in several ways. One part takes away future increases in the standard deduction for personal income taxes. Prior to the passage of Act 46 (2024),[6] Hawai‘i’s standard deduction amount was the 2nd lowest among the 31 states that have them. In 2025, our standard deduction is the 10th lowest, at $4,400 for a single person, which is less than half the national average of $9,027.

While Act 46 would move our standard deduction amount to the 16th lowest in 2030, this bill freezes it at current levels for single people earning under $100,000 (and couples earning under $200,000), and drop the standard deduction for those above the income limits to the lower amounts that were in effect prior to the passage of Act 46.

In other words, these changes to the standard deduction **takes away future income tax cuts from Hawai‘i families**. Middle-class families will be the most impacted by this loss, as high-income taxpayers tend to itemize their deductions,[7] so they are less likely to be affected by this change.

Another part of this bill makes unemployment insurance (UI) benefits not subject to personal income tax. Since UI benefits are less than two-thirds of a workers’ wages, with a cap of $835 per week,[8] this proposal will **help unemployed workers make ends meet**.

An additional section of this bill will **help low-income families afford their housing** by boosting the low-income renters credit. It increases the income eligibility limit from $30,000 to $50,000 and the amount of the credit from $50 to $500 per family member.

This will be the first change to the renters credit since the 1980s. As you can see in the chart below from the Hawai‘i Department of Taxation, if income limits for tax credits are not regularly updated, fewer taxpayers are eligible for the tax credit over the years because their income tends to increase over time:[9]

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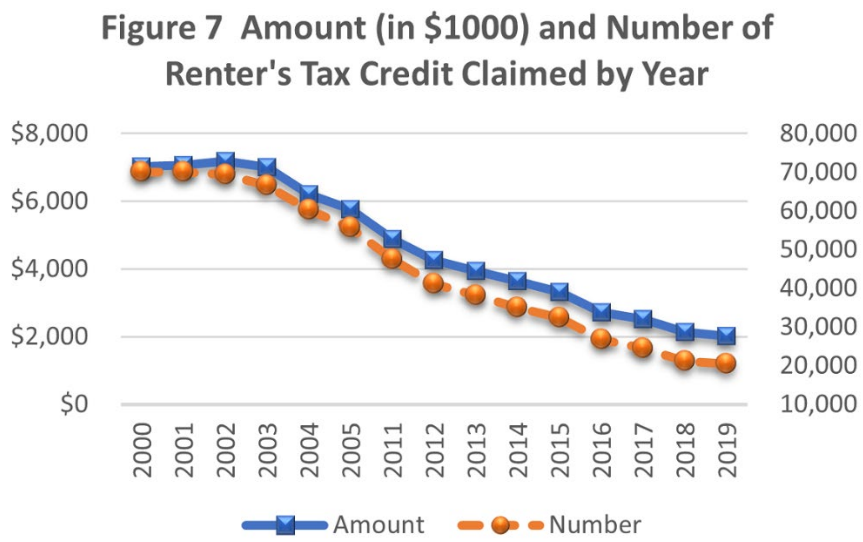
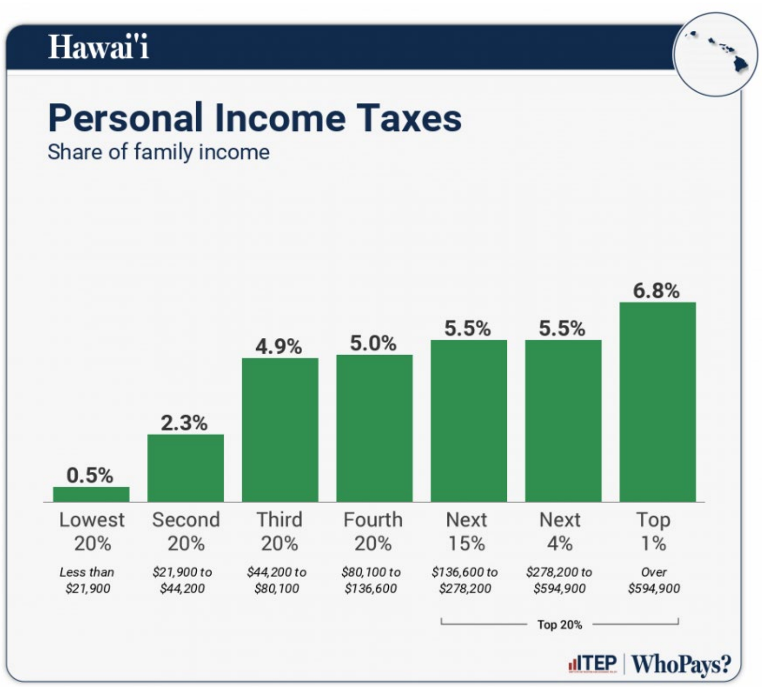
[3] https://taxfoundation.org/data/all/state/2024-state-tax-data/, table 7
[4] https://files.hawaii.gov/tax/stats/trc/docs2022/sup_210317/Who_Pays_and_Revenue_Sustainability.pdf
[5] https://taxfoundation.org/data/all/state/2024-state-tax-data/, table 15
[6] https://www.capitol.hawaii.gov/sessions/session2024/bills/GM1146_.PDF
[7] https://taxfoundation.org/data/all/federal/who-itemizes-deductions/
[8] https://labor.hawaii.gov/ui/faq/
[9] https://tax.hawaii.gov/blog/blog07_tax-credit-impact-diminishes-over-time/



This bill also eliminates personal income tax liability from those who earn up to $100,000 and removes some of the future income tax cuts for higher-income taxpayers that are in Act 46 (2024). This change will especially **benefit middle-class families**. However, those with the lowest incomes will receive the least benefit, because they pay very little income tax, as you can see in the ITEP chart below:[10]

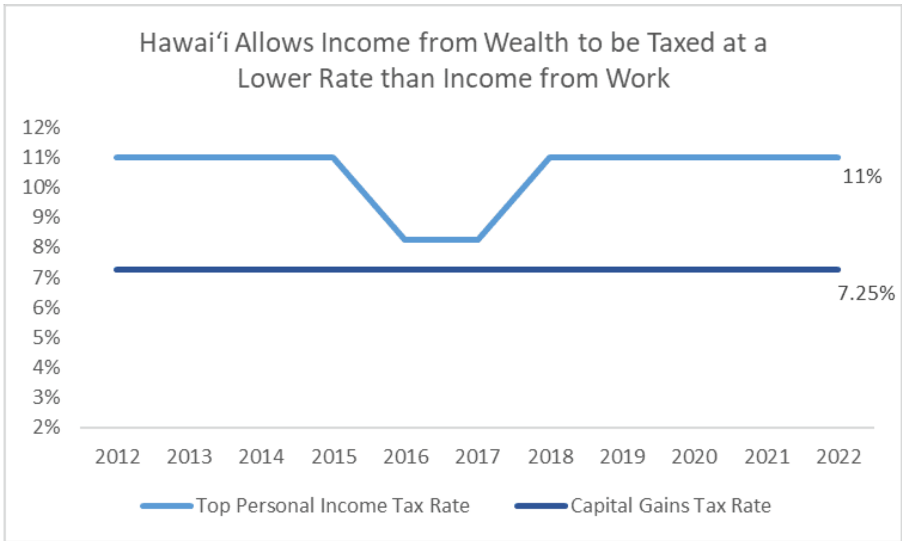


[10] https://itep.org/whopays/hawaii-who-pays-7th-edition/

Rather than relying on a 50% boost to the GET for revenues, we note above that our corporate tax collections are far below the national average, and that corporate taxes are paid mostly by non-residents.

Another source of revenues is closing the capital gains tax loophole, which would increase tax equity. As the Hawaiʻi Department of Taxation states, "**The capital gains are heavily concentrated in the high end of the income distribution especially for nonresidents.** The higher the income of taxpayers the greater the share of capital gains in their taxable income in general,"[11]

Hawaiʻi is one of only nine states that allows capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—**to be taxed at a LOWER rate than ordinary working people's income**.[12] This tax loophole benefits those at the top, including non-residents who profit from investing in real estate in Hawaiʻi.



In fact, for those who had **more than $400,000 in income** in 2022, long-term **capital gains** were 21% of the total taxable income of residents, and **more than half (56%) the income of non-residents**.[13]

Thank you for the opportunity to provide these comments. We hope you find them helpful.

Sincerely,

Nicole Woo
Director of Research and Economic Policy

[11] https://files.hawaii.gov/tax/stats/stats/indinc/2022indinc.pdf
[12] https://www.cbpp.org/research/state-budget-and-tax/state-taxes-on-capital-gains
[13] https://files.hawaii.gov/tax/stats/stats/indinc/2022indinc.pdf

HB-959
Submitted on: 2/6/2025 6:41:10 PM
Testimony for ECD on 2/7/2025 10:15:00 AM

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

Comments:

I am commenting on parts of the bill with words of support and other sections that I do not agree with:

1). Strongly support the sale of groceries and nonprescription drugs from the general excise tax.

2) Strongly support removing the state income tax on unemployment compensation benefits.

3) Strongly support the standard deduction for individuals earning less than $100,000 and joint returns earning less than $200,000.

4) Strongly support the establishment of the Maui Recovery Special Fund to be used for recovery programs related to the 2023 Maui wildfires.

5) I strongly oppose the exemption of the first $100,000 per taxpayer, and then would tax income at rates from 8.25% to 11%, which would undo last year's tax bracket changes.

I am disappointed that #5 would be proposed in HB 959 and its companion SB 1043. Last year, that was the best product that the legislatue passed to help our residents (who still remain here and pay state and local taxes) economically survive living in Hawaii. Please amend HB 959 to "show good faith and keeping your word" from our legislators to Hawaii's residents.

Thank you.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-959
Submitted on: 2/7/2025 4:26:08 AM
Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Don Baluran	Individual	Oppose	Written Testimony Only

Comments:

Please do not pass this bill. Although I support certain aspects of the bill, mostly the removal of the state income tax liability for up to $100,000, I do not support other aspects, mostly the increase of the general excise tax.