DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

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

To: The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair;
and Members of the House Committee on Finance

From: Isaac W. Choy, Director
Department of Taxation

Date: February 25, 2021
Time: 12:00 A.M.
Place: Via Video Conference, State Capitol

**Re: H.B. 133, H.D. 1, Relating to Capital Gains**

The Department of Taxation (Department) offers the following comments regarding H.B. 133, H.D. 1, for your consideration.

H.B. 133, H.D. 1, increases the Hawaii income tax rate on capital gains from 7.25% to 9%. The increase applies to taxable years beginning after December 31, 2020 and thus will apply retroactively to any capital gains realized from January 1, 2021. The bill has a defective effective date of July 1, 2050.

In general, the Department suggests prospective tax rate changes rather than retroactive tax rate changes. However, the Department notes that it can administer the rate change proposed by this bill with the current effective date.

Thank you for the opportunity to provide comments.

ADA HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION



February 14, 2021

TO: Chair Luke and members of FIn Committee

RE: HB 133 HD 1 Relating to Capital Gains

Support for hearing on Feb. 23

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

We support HB 133 HD 1 as it would raise the capital gains tax to nine percent. There is a famous story about Warren Buffett saying what is wrong with our tax system is that his secretary pays a higher rate of tax than he does. One of the richest men in the world pays a low tax rate because most of his income is in capital gains. Indeed earning off of ownership should be taxed higher than earning off of labor. This bill is a step in the right direction to make the total tax system – state and federal—more equitable.

Thank you for your favorable consideration.

Sincerely,
John Bickel, President

LEAGUE OF WOMEN VOTERS®

49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

COMMITTEE ON FINANCE
THURSDAY, 2/25/21, 12 PM, Room No. 308

HB 133 HD1 RELATING TO CAPITAL GAINS
**Beppie Shapiro**, Legislative Committee, League of Women Voters of Hawaii

Chair Luke, Vice-Chair Cullen, and Committee Members:

**The League of Women Voters of Hawaii supports HB133 HD1 which increases the tax on capital gains reported by Hawaii taxpayers.**

The League of Women Voters is a non-partisan, activist, grassroots organization. Since 1984 the League has advocated for taxing capital gains as ordinary income. HB133 HD1 gets Hawaii a little closer to that standard.

Capital gains taxes are paid almost exclusively by wealthier taxpayers. Those who pay taxes on earned income should not pay taxes at a higher rate than those who pay capital gains tax.

This year more than ever, Hawaii needs to adopt tax policies which will increase the state's revenues.

Please pass HB133 HD1.

Thank you for the opportunity to submit testimony.

**HB-133-HD-1**
Submitted on: 2/23/2021 1:47:56 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| laurel brier | Kauai Women's Caucus | Support | No |

Comments:

To help create greater equanimity and tax fairness.

HAWAII STATE TEACHERS ASSOCIATION
*Teaching Today for Hawaii's Tomorrow*

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

Corey Rosenlee
President

Osa Tui Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

# TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE

RE: HB 133, HD1 - RELATING TO CAPITAL GAINS

THURSDAY, FEBRUARY 25, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Luke and Members of the Committee:

The Hawaii State Teachers Association **supports HB 133, HD1**, relating to capital gains. Increases the capital gains tax threshold from 7.25 per cent to 9 per cent. Effective for tax years beginning after 12/31/2020.

Hawaiʻi is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income. That's a tax break that goes almost entirely to high-income taxpayers, including non-residents who profit from investing in real estate in Hawaiʻi.

Even at 9%, single taxpayers earning over $175K and couples earning over $350K per year would still be getting at tax break. If instead those capital gains were taxed at regular income tax rates, as most states do, Hawaiʻi would bring in about $80.2 million in new revenue, and 97% of it would be paid by those in the top 5%.

**We need to fairly tax capital gains in** Hawaiʻi**, while also ensuring that local families can contribute to their children's financial security. The federal Tax Cuts and Jobs Act gave a tremendous tax break to literally the richest among us**. The state can now recapture some of those federal tax savings by raising the percentage of our state tax on capital gains.

**These funds will help make up for state revenue losses so that the state will be able to maintain much needed services and supports, such as our public schools and our teachers, but other state services as well! We need funding to prevent proposed layoffs, pay cuts, and furloughs!!**

The U.S. has one of the lowest levels of intergenerational economic mobility, meaning that a child's economic future is highly dependent on their parents' economic standing. If your parents were rich, you are likely to be rich simply by default—and that wealth compounds with each generation. But if your parents were poor, it is increasingly more difficult to move up the socioeconomic ladder.

HAWAII STATE TEACHERS ASSOCIATION
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Corey Rosenlee
President

Osa Tui Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

To fairly tax wealth, while also ensuring that local families can contribute to their children's financial security, the Hawaii State Teachers Association asks your committee to **support** this bill.

Hawaii
Children's Action Network Speaks!
Building a unified voice for Hawaii's children

*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 Finance

Re: **HB133 HD1 - Relating to capital gains**
Hawaiʻi State Capitol, Room 308
February 25, 2021, 12:00 PM

Dear Chair Luke, Vice Chair Cullen, and committee members,

**On behalf of Hawaiʻi Children's Action Network Speaks!, I write in SUPPORT of HB133 HD1,** which would increase the capital gains tax threshold from 7.25 per cent to 9 per cent.

As the state legislature is facing large budget shortfalls, it's important to keep in mind that government spending cuts would further harm our already injured economy, as well as hobble social services that have become more and more essential to Hawaiʻi's keiki and their families during this pandemic crisis.

That's why we support a range of progressive revenue options to close the deficit without slashing critical government spending. One of the policies best-targeted at those at the top is closing the capital gains tax loophole. As so many of our working families struggle, it makes sense to ask those who are fortunate enough to be doing well in this economy to pay a little more.

Long-term capital gains constitute 10 percent of total taxable income in the state, or nearly $3.5 billion in 2017.[1] Hawaiʻi is one of only nine states that allows all 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.[2]

The capital gains loophole is a tax break that goes almost entirely to high-income taxpayers. **If capital gains in Hawaiʻi were taxed at regular individual income tax rates, as most states do, it would yield about $80 million in additional revenues per year, and 97 percent of those revenues would come from the top 5 percent of taxpayers. Those in the bottom 80 percent would not be affected by the tax change at all.**[3]

Mahalo the opportunity to provide testimony in support of this bill. Please pass HB133 HD1.

Thank you,

Nicole Woo
Director, Research and Economic Policy

[1] https://files.hawaii.gov/tax/stats/stats/indinc/2017indinc.pdf
[2] www.cbpp.org/research/state-budget-and-tax/state-taxes-on-capital-gains
[3] Unpublished analysis by the Institute on Taxation and Economic Policy

February 25, 2021. 12:00 noon

To: Chair Sylvia Luke, Vice Chair Ty J.K. Cullen and members of the House Committee on Finance

From: Beth Giesting, Director, Hawaiʻi Budget & Policy Center

Re: Support for HB133, HD1, Relating to Capital Gains

The Hawaiʻi Budget & Policy Center provides the following comments in support of HB133, HD 1, Relating to Capital Gains.

The current 7.25 percent tax rate on long-term capital gains income disproportionately benefits households with earnings of $400,000 per year or more. These taxpayers, who are most capable of contributing to public resources, have a top marginal tax rate of 11 percent on ordinary income. Increasing the tax rate on long-term capital gains to 9 percent would be productive since this source of income accounted for $3.5 billion in 2018, and is progressive and responsible tax policy.

According to the State Department of Taxation:

- In 2018, **long-term capital gains accounted for $3.5 billion** in reportable income, or **10 percent of all taxable income** in Hawaiʻi.

- $2.9 billion in long-term capital gains income was reported for all residents, with **$2.1 billion of the total going to residents with incomes of $400,000 per year**, or **72 percent** of the total. Long-term capital gains made up **nearly one-third of their adjusted gross income**.

- $601 million in long-term capital gains income was reported for all nonresident taxpayers, with **$402 million of the total going to nonresidents with incomes of $400,000 per year** or more, or **67 percent** of the total.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Raise Capital Gains Tax Rate

BILL NUMBER: HB 133, HD1

INTRODUCED BY: House Committee on Economic Development

EXECUTIVE SUMMARY: Increases the capital gains tax threshold from 7.25 per cent to 9 per cent. Effective for tax years beginning after 12/31/2020.

SYNOPSIS: Amends section 235-51, HRS, to raise the maximum tax rate on net capital gain to 9%.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: Under current law, capital gains are taxed as income. A capital gain is a profit from the sale of a capital asset—such as a house, stock, bond, or jewelry— from the time that asset is acquired until the time it is sold. The price at which an asset is purchased is called the asset's "basis," and taxpayers pay tax on the difference between an asset's basis and its sales price when they sell, or realize, that capital gain.

In the federal system, for capital gains realized on assets held for less than one year (short-term capital gains), taxpayers pay taxes according to their ordinary individual income tax rate, ranging from 10 percent to 37 percent. For assets held longer than one year (long-term capital gains), taxpayers pay a reduced tax rate, ranging from 0 percent to 20 percent, depending upon a taxpayer's income. Individuals with Modified Adjusted Gross Income surpassing $200,000 ($250,000 for married couples) pay an additional 3.8 percent tax on net investment income.

Also, when a person dies and leaves property to an heir, the basis of that property is increased to its fair market value. This "step-up in basis" means that any capital gains that occurred during the decedent's life go untaxed. When the heir sells that property, any capital gains taxation will be assessed based on the heir's new basis. Step-up in basis reduces the tax burden on transferred property, as the total value of transferred property is already taxed by the estate tax.

Presently, capital gains income is taxable at the federal level and in all 41 states which also tax wage income. The federal government offers a lower rate for long-term capital gains but taxes short-term gains at the ordinary rate. States tend to tax capital gains at the ordinary rate.

This proposal is still a tax increase on individuals. This bill does not change the maximum capital gains tax rate on corporations.

In any event, 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. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Digested 2/23/2021

Young Progressives Demanding Action
P.O. Box 11105
Honolulu, HI 96828

February 24, 2021

**TO: HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**
**RE: Testimony in support of HB133 HD1, requesting substantive amendments**

Dear Representatives,

Young Progressives Demanding Action (YPDA) supports HB133, but requests substantive amendments. Rather than taxing capital gains at 9 percent (which is better than the current 7.5 percent), we believe capital gains should be taxed at the same rate as other income.

Hawaiʻi is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income. That's a tax break that goes almost entirely to high-income taxpayers, including non-residents who profit from investing in real estate in Hawaiʻi.

Even at 9 percent, single taxpayers earning over $175,000 and couples earning over $350,000 per year would still be getting at tax break. If, instead, those capital gains were taxed at regular income tax rates, as most states do, Hawaiʻi would bring in about $80.2 million in new revenue.

If capital gains were taxed at regular income tax rates, a whopping 97 percent of the tax would be paid by the top 5 percent of earners in Hawaiʻi, while the bottom 80 percent of earners would pay nothing at all.

Good tax policy is a cornerstone of a just economic system. Good tax policy strengthens opportunity by letting working families keep more of what they earn, while asking the wealthy and corporations to pay their fair share.

Why? Because when workers keep more earnings, they support our economy through spending. And when the wealthy and corporations pay their fair share for the use of the public goods and infrastructure that helped them succeed, they ensure that the next generation can succeed as well.

NOW IS A CRITICAL TIME FOR TAX FAIRNESS

The pandemic-recession caused by COVID-19 has dramatically impacted working families that earn low wages far more than it has impacted the wealthy and even the middle class.

That's extremely bad for our economy because low-wage workers spend most of their earnings here in Hawaiʻi, powering the consumer spending we need to generate tax revenue through the General Excise Tax (GET). At the same time, high unemployment will reduce revenue from income taxes, and public health concerns have reduced revenue from the Transient Accommodations Tax (TAT). Without revenue from these taxes, our state government is facing a $2.3 billion deficit (through fiscal year 2023).

A deficit in the budget means social service contracts and programs could be cut, state workers could be furloughed and lose pay, or even be laid off, unless new revenue is raised to replace the lost revenue. And we must find new revenue, because cuts, furloughs and lay-offs will only serve to further reduce GET and income tax revenue, and further reduce consumer spending in our already-wounded economy. In fact, every dollar of reduced government spending results in as much as $1.50 in lost economic activity.

Fortunately, new revenue streams do exist. Loopholes can be closed. Federal trickle-down tax cuts for the wealthy and corporations can be negated at the state level. In fact, there are enough options available through tax restructuring alone to cover almost half of our entire projected deficit (while the rest could be covered through borrowing, or creating new taxes on products like legal cannabis).

Taken as a whole, these tax revenue generators would cover a significant portion of deficit, helping us to avoid costly cuts and furloughs that will only prolong and deepen the recession. And because none of these proposals are tailored toward low- or moderate-income earners, they actually increase economic power and opportunity for success. That's what tax fairness is all about!

Mahalo for the opportunity to testify,

Will Caron
Board President & Secretary, 2020–2021
action@ypdahawaii.org

## HOUSE BILL 133, HD 1, RELATING TO CAPITAL GAINS

FEBRUARY 25, 2021 · HOUSE FINANCE COMMITTEE · CHAIR REP. SYLVIA LUKE

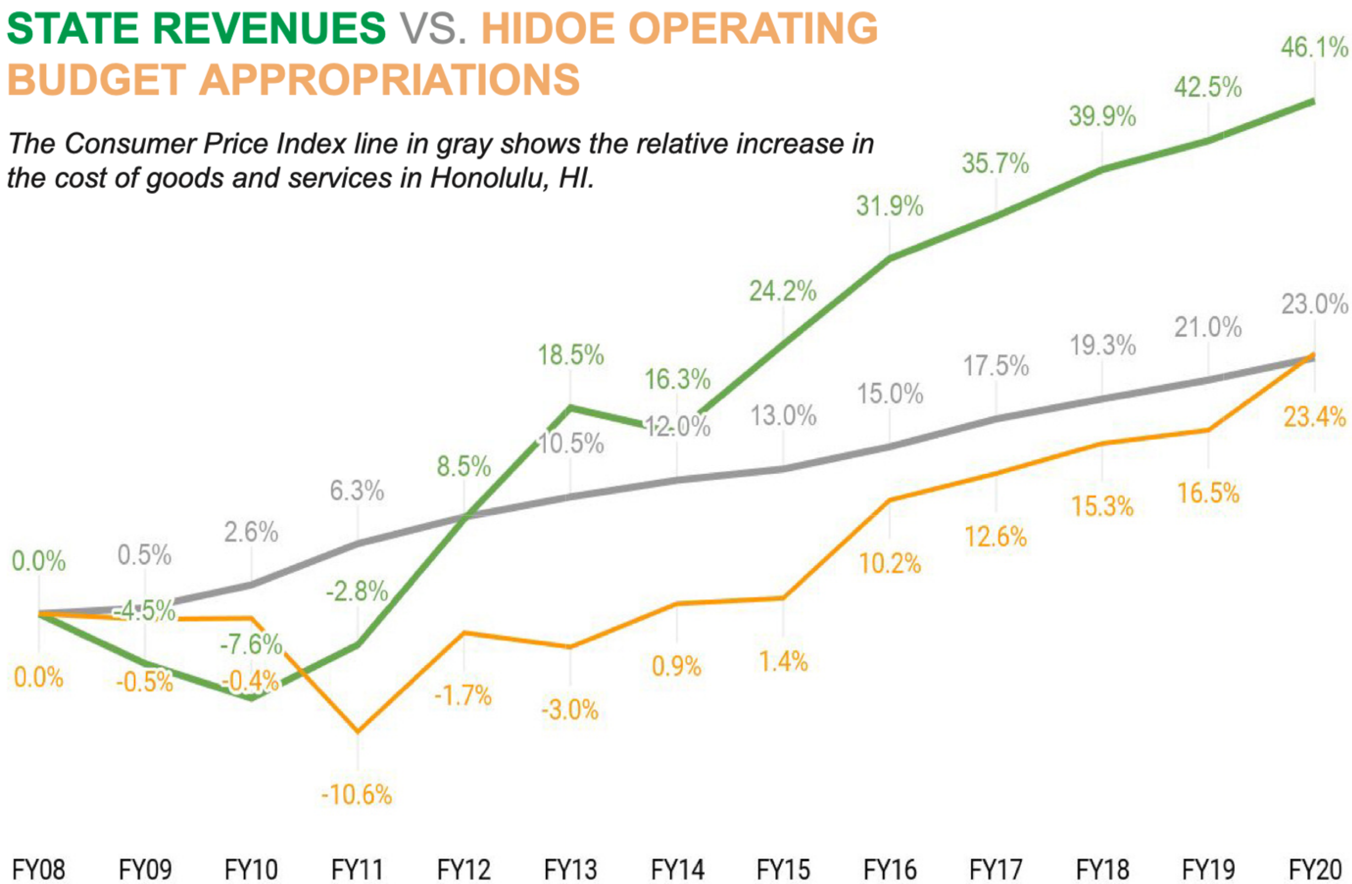
**POSITION:** Support with amendments.

**RATIONALE:** The Democratic Party of Hawai'i Education Caucus **supports and suggests an amendment** for HB 133, HD 1, relating to capital gains, which increases the capital gains tax threshold from 7.25 per cent to 9 per cent.

We desperately need to increase funding for public education, rather than cut the education programs on which their futures rely. As it has for years, the Aloha State is suffering from a chronic teacher shortage crisis, which could be exacerbated by proposed cuts to the Hawai'i Department of Education's budget amounting to 15 to 21 percent. Additionally, we continue to lose approximately 50 percent of new hires after five years–the number of teachers exiting the teaching profession has spiked by over 80 percent since 2010.

Prior to the pandemic, the Hawai'i Department of Education saw its budget grow at a pace that was much slower than the rate of increase for general fund revenue. From FY2008 to FY2020, the DOE's budget grew by 23.4 percent, keeping pace with the escalation in the state's cost of living. Yet, general fund revenue grew by 46.1 percent, nearly double the growth reflected in the DOE's budget. This proportional disparity must be rectified, so that our schools and students don't lose out on critical resources or learning opportunities. Education must be a priority for our state.

Kris Coffield, Chair · David Negaard, Vice Chair · Jun Shin, Secretary · Amber Adjuja, Treasurer ·
Marcia Linville, Non-Male SCC Representative · Justin Hughey, Non-Female SCC Representative




*FY08-18 Actual Collections per Department of Taxation; FY19 and FY20 based on Council on Rvenues May 23, 2019 projection.*

Accordingly, we strongly support measures to generate revenue in the face of the pandemic-related economic downturn, rather than managing the budget shortfall slashing services. Hawai‘i is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income. That’s a tax break that goes almost entirely to high-income taxpayers, including nonresidents who profit from investing in real estate in Hawai‘i. Even at 9 percent, single taxpayers earning over $175K and couples earning over $350K per year would still be getting at tax break. **That said, to fully close the islands’ capital gains loophole, we suggest amending this measure by increasing the capital gains tax to 11 percent, the current top personal income tax rate for the clear majority of individuals who accrue capital gains.** That’s what most states do. Following that policy path would **generate an estimated $80.2 million for Hawai'i, 97 percent of which would be paid by those in the top 5 percent of income earners in our state.** We need to return to fiscal sanity and ask: do we support the privileged class's or the public's interest?

We cannot give up the quest for a fully-funded school system. Our keiki's and our community's future depends on our resolve.

**Kris Coffield · Chairperson, Democratic Party of Hawai'i Education Caucus ·**
**(808) 679-7454 · kriscoffield@gmail.com**

February 25, 2021
12:00 p.m.
VIA VIDEOCONFERENCE
Conference Room 308

**To: House Committee on Finance**
**Rep. Sylvia Luke, Chair**
**Rep. Ty J.K. Cullen, Vice Chair**

**From: Grassroot Institute of Hawaii**
**Joe Kent, Executive Vice President**

RE: HB133 — RELATING TO CAPITAL GAINS

***Comments Only***

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB133, which would increase the capital gains tax threshold to 9%.

We are gravely concerned about the impact of this tax hike and the many fees, tax increases, and surcharges that have been proposed this legislative session. Hawaii residents are already among the most taxed in the country; the state has the second highest overall tax burden in the U.S.

That high tax burden contributes to Hawaii's cost of living and is one of the reasons why so many Hawaii residents have been leaving in search of greater opportunities elsewhere.

Given the state's already-high tax burden, there is never a good time to raise taxes. But this proposal comes at an especially bad time. Hawaii is still in a state of emergency, tourism has slowed to a trickle, businesses are closing and unemployment is high. The economy will take years to recover from the pandemic and lockdowns. The last thing Hawaii residents and businesses need at this point is a tax hike.

There are myriad reasons policy makers should be wary of implementing tax hikes at this time. Here are just a few:

>> Hawaii cannot sustain a hike in taxes since its already-damaged economy was hit harder by the lockdowns than any other state in the nation.[1]

>> State lawmakers increased taxes and fees substantially following the Great Recession of 2007-2008,[2] despite a windfall in revenues from an economic boom over the past decade. Taxes and fees ballooned on motor vehicles, transient accommodations, estates, fuel, food, wealthy incomes, property, parking and businesses.

>> Hawaii's population reduction of 21,879 people since fiscal 2016[3] has left Hawaii's remaining taxpayers with a greater tax burden.

>> Hawaii businesses are already bracing for an automatic tripling, on average, of the state unemployment tax.[4] The UI tax rate depends not only on individual employer's claims experiences but also on the overall health of the state's unemployment insurance fund, which is hundreds of millions of dollars in the red.[5]

>> Hawaii already has a regressive general excise tax that disproportionately hits the poor.[6]

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.[7] Hawaii's top 1% already pays 23% of all income taxes in the state.[8]

>> Closing tax exemptions would amount to a tax hike for Hawaii businesses already facing a steep spike in their unemployment insurance taxes.

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[1] Dave Segal, "Hawaii's unemployment rate hit nation-high 15% in September," Honolulu Star-Advertiser, Oct. 20, 2020.
[2] "Tax Acts (by Year)," Tax Foundation of Hawaii, accessed Feb. 8, 2021.
[3] "Annual Estimates of the Resident Population for the United States, Regions, States, and the District of Columbia: April 1, 2010 to July 1, 2020 (NST-EST2020)" U.S. Census Bureau, Population Division, December 2020.
[4] "State unemployment tax slated to automatically triple in 2021," Grassroot Institute of Hawaii, Nov. 16, 2020.
[5] "UI Budget," United States Department of Labor, Employment & Training Administration, Feb. 8, 2021.
[6] "Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index: "Sales Tax Burden," American Legislative Exchange Council, 2021. Note that Hawaii does not have a sales tax, but a state general excise tax that is levied on almost all goods and services, and imposed multiple times throughout the production chain.
[7] Katherine Loughead, "State Individual Income Tax Rates and Brackets for 2020," Tax Foundation, Feb. 4, 2020.
[8] "Hawaii Individual Income Tax Statistics," Hawaii Department of Taxation, December 2020, Table 13A.

>> Increasing Hawaii's lowest-in-the-nation property-tax rates[9] would result in a much higher overall tax bill compared to other states because Hawaii residents uniquely pay for public education through the general fund as opposed to property taxes.[10] Additionally, Hawaii's low property taxes are balanced out by the highest housing costs in the nation,[11] which results in a $1,236 average annual property tax per capita, which is only slightly below the national average of $1,617.[12]

Hawaii needs leadership that will stabilize the current financial crisis, reduce unsustainable long-term costs and lower the cost of living. Balancing the books without tax increases or future debt could send a message that Hawaii is a good place for businesses and future generations, and this could help the economy thrive while motivating people to return to the islands.

If the state needs more revenues, policymakers should focus on growing the economy. In our current condition, even small economic gains would have big effects.

Hawaii's residents and businesses need a break from new taxes, fees, surcharges and tax hikes. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent
Executive Vice President
Grassroot Institute of Hawaii

[9] John Keirnan, "Property Taxes by State," WalletHub, Feb. 25, 2020.
[10] Janis Magin, "Hawaii lawmakers seek to add new property tax to fund teacher pay," Pacific Business News, Jan. 27, 2020.
[11] "Average House Price by State in 2020," The Ascent, Aug. 4, 2020.
[12] Janelle Cammenga, "How Much Does Your State Collect in Property Taxes per Capita?," Tax Foundation, March 11, 2020.

## HB 133, HD1, RELATING TO CAPITAL GAINS

FEBRUARY 25, 2021 · HOUSE FINANCE COMMITTEE · CHAIR REP. SYLVIA LUKE

**POSITION:** Support with amendments.

**RATIONALE:** Imua Alliance **supports and suggests an amendment for HB 133, HD 1**, relating to capital gains, which increases the capital gains tax threshold from 7.25 per cent to 9 per cent.

**We need to raise revenue to manage the economic recession spurred by COVID-19, not slash essential services for vulnerable residents.** Imua Alliance is one of the state's largest victim service providers for survivors of sex trafficking. Over the past 10 years, we have provided comprehensive direct intervention (victim rescue) services to 150 victims, successfully emancipating them from slavery and assisting in their restoration, while providing a range of targeted services to over 1,000 victims and individuals at risk of sexual exploitation. **During the pandemic, demand for victim services to our organization has skyrocketed by 330 percent, driven in part by a fivefold increase in direct crisis calls from potential trafficking victims.**

Each of the victims we have assisted has suffered from complex and overlapping trauma, including post-traumatic stress disorder, depression and anxiety, dissociation, parasuicidal behavior, and substance abuse. Trafficking-related trauma can lead to a complete loss of identity. A victim we cared for in 2016, for example, had become so heavily trauma bonded to her pimp that while under his grasp, she couldn't remember her own name. Yet, sadly, many of the victims with whom we work are misidentified as so-called "voluntary prostitutes" and are subsequently arrested and incarcerated, with no financial resources from which to pay for their release.

Kris Coffield, Executive Director · (808) 679-7454 · kris@imuaalliance.org

Sex trafficking is a profoundly violent crime. At least 23 percent of trafficking victims in Hawai'i report being first exploited before turning 18, according to a recent report, with the average age of trafficked keiki's initial exposure to exploitation being 11. Based on regular outreach and monitoring, we estimate that approximately 150 high-risk sex trafficking establishments operate in Hawai'i. In a recent report conducted by the State Commission on the Status of Women, researchers from Arizona State University found that 1 in every 11 adult males living in our state buys sex online. When visitors are also counted, that number worsens to 1 in every 7 men walking the streets of our island home and a daily online sex buyer market of 18,614 for O'ahu and a total sex buyer population for the island of 74,362, including both tourists and residents.

ASU's findings are grim, but not surprising to local organizations that provide services to survivors of sex trafficking. Imua Alliance, for example, has trained volunteers to perform outreach to victims in high-risk locations, like strip clubs, massage parlors, and hostess bars. More than 80 percent of runaway youth report being approached for sexual exploitation while on the run, over 30 percent of whom are targeted within the first 48 hours of leaving home. With regard to mental health, sex trafficking victims are twice as likely to suffer from PTSD as a soldier in a war zone. Greater than 80 percent of victims report being repeatedly raped and 95 percent report being physically assaulted, numbers that are underreported, according to the United States Department of State and numerous trauma specialists, because of the inability of many victims to recognize sexual violence. As one underage survivor told Imua Alliance prior to being rescued, "I can't be raped. Only good girls can be raped. I'm a bad girl. If I *want* to be raped, I have to *earn* it."

Accordingly, we support measures to raise revenue to sustain critical services for survivors of sexual exploitation and sexual violence. Hawai'i is one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income. That's a tax break that goes almost entirely to high-income taxpayers, including nonresidents who profit from investing in real estate in Hawai'i. Even at 9 percent, single taxpayers earning over $175K and couples earning over $350K per year would still be getting at tax break. **That said, to fully close the islands' capital gains loophole, we suggest amending this measure by increasing the capital gains tax to 11 percent, the current top personal income tax rate for the clear majority of individuals who accrue capital gains.** That's what most states do. Following that policy path would **generate an estimated $80.2**

**million for Hawai'i, 97 percent of which would be paid by those in the top 5 percent of income earners in our state.** We need to return to fiscal sanity and ask: do we support the privileged class's or the public's interest?

**Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org**

**HB-133-HD-1**
Submitted on: 2/24/2021 11:22:11 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| David Mulinix | Our Revolution Hawaii | Support | No |

Comments:

Aloha Committee,

On behalf of Our Revolution Hawaii's 7,000 members and supporters statewide, I am testifying in support of HB133 to increase Hawaii's Capital Gains Tax.

Mahalo for your kind attention,

Dave Mulinix

Statewide Community Organizer

Our Revolution Hawaii

HAWAI'I HEALTH
& HARM REDUCTION CENTER
*The New Chapter for Life Foundation and The CHOW Project*

# TESTIMONY IN SUPPORT OF HB 133, HD 1

TO: Chair Luke, Vice-Chair Cullen, & Finance Committee Members

FROM: Nikos Leverenz
Grants, Development & Policy Manager

DATE: February 25, 2021 (12:00 PM)

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Hawaiʻi Health & Harm Reduction Center (HHHRC) **supports** HB 133, HD 1, which increases the capital gains tax threshold from 7.25 percent to 9 percent.

This change is estimated to raise $80.2 million in additional revenues from the top 5% of this state's taxpayers.

Hawaiʻi is in the small minority of nine states that taxes all capital gains at a lower rate than ordinary income. Lower taxation of profits realized by the sale of stocks, bonds, investment real estate, art, and antiques is a windfall for higher-income taxpayers, including non-residents who benefit from real estate investments. Even at a 9 percent rate, individuals earning over $175,000 and couples earning over $350,000 per year would still be taxed less than their ordinary income.

Forthcoming budget cuts will most deeply impact those of little or no economic means as well as those who require assistance to maintain their health and well-being. Governor Ige's budget notably includes a 64% reduction in AIDS services. This will force us and our allied organizations on the neighbor islands to dramatically reduce lifesaving and life-affirming care services to some of our state's most medically frail and otherwise vulnerable residents.

Hawaiʻi policymakers should look carefully at available avenues to increase tax revenues. While revenue increases will not entirely cover foreseeable budgetary shortfalls, they will help mitigate the ground-level impact of budget cuts on our state's most vulnerable and underserved populations.

Hawaiʻi should reasonably look to obtain more revenue from those who are able to provide more revenue, particularly during a prolonged economic downturn that has already seen a significant loss of employment, increased housing instability and food insecurity, and an increased exodus of residents unable to make ends meet.

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

Thank you for the opportunity to testify on this measure.

**HB-133-HD-1**
Submitted on: 2/23/2021 10:47:58 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| lynne matusow | Individual | Oppose | No |

Comments:

I am opposed to this bill. It will hurt those on a fixed income which is supplemented by capital gains which help pay bills, including all the other taxes and fees imposed by the state government and local governments. You may think this is aimed at the wealthy, but it hurts the little men and women. It is shortsighted.

**HB-133-HD-1**
Submitted on: 2/23/2021 1:17:00 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Maki Morinoue | Individual | Oppose | No |

Comments:

I am a local, this would effect me directly who is at working class levels. Go after the multi million dollar, multiple home owners that don't even live here! Charge them higher taxes! Charge business owners that don't live here higher taxes for creating a business in our backyard. Our backyard is filled with white haird seniors from the mainland and beyond living part time in their million dollar or more homes that site there empty for majority of the year. Most of them do not contribute to our community. We need more money in Arts, Education, Culture & public programming in a time we are loosing our own sense of place of our own culture in our own backyard!

Don't surpress the locals who are already feeling surpressed.

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**HB-133-HD-1**
Submitted on: 2/23/2021 1:32:12 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Nanea Lo | Individual | Support | No |

Comments:

Hello,

My name is Nanea Lo. I'm a lifelong resident of Hawaiʻi and a Kanaka Maoli (Native Hawaiian).

I'm writing in support of HB133 HD1 because of the following reasons:

- Hawaiʻi taxes capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income. That's a tax break that goes entirely to the rich, including non-residents who profit from investing in Hawaiʻi real estate.
- Even at 9%, the rich would still be getting at tax break. If instead we taxed capital gains at regular income tax rates—as most states do—Hawaiʻi would bring in about $80.2 million in new revenue.
- At the same time, 97% of that tax would be paid by the top 5% of earners in Hawaiʻi, while the bottom 80% of earners would pay nothing at all.

Please support this bill.

me ke aloha ʻÄ• ina,

Nanea Lo

**HB-133-HD-1**
Submitted on: 2/23/2021 1:52:10 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Shannon Rudolph | Individual | Support | No |

Comments:

Support (HD1)

**HB-133-HD-1**
Submitted on: 2/23/2021 5:41:25 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Banner Fanene | Individual | Support | No |

Comments:

Please pass HB133 HD1.

Mahalo.

**HB-133-HD-1**
Submitted on: 2/23/2021 7:12:00 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Christy MacPherson | Individual | Support | No |

Comments:

I strongly support HB133, HD1 and increasing the capital gains tax rate to 9% so that we can catch up with the rest of the Nation and bring more revenue into the State of Hawai`i.

**HB-133-HD-1**
Submitted on: 2/23/2021 8:13:35 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Lynn Murakami-Akatsuka | Individual | Oppose | No |

Comments:

I strongly oppose the passage of HB 133, HD 1. This bill is still a tax increase on individuals and will further impact the middle class and small businesses who are hurting badly in this economy now and in future years. Please defer this bill.

Thank you for the opportunity to testify in strong opposition of HB 133, HD 1.

**HB-133-HD-1**
Submitted on: 2/24/2021 10:23:56 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| GALE M SHODA | Individual | Oppose | No |

Comments:

I strongly oppose bill HB 133, HD1. This bill will be a tax burden on many residents of Hawaii along with businesses. We are all struggling along with the impact of the pandemic on our daily living. To impose an increase in the capital gain taxes is just another tax again!!!

Please I beg you to stop this bill HB 133, HD1.

Thank you

**HB-133-HD-1**
Submitted on: 2/24/2021 10:26:03 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| June Murakami | Individual | Oppose | No |

Comments:

I oppose the bill HB 133, HD1.  This is another way to make up another tax for the people of Hawaii.

Please do  not proceed with the bill HB 133, HD1.

**HB-133-HD-1**
Submitted on: 2/24/2021 10:32:01 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Ken k Shoda | Individual | Oppose | No |

Comments:

I oppose bill HB 133, HD1. This is not the time to be raising taxes when many are struggling and out of work. People invest to make lives better and this tax will hurt those people. We are trying not to depend on government programs.

I again oppose this bill HB 133, HD1.

**HB-133-HD-1**
Submitted on: 2/24/2021 11:02:01 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Becky Gardner | Individual | Support | No |

Comments:

I find it quite distressing that Hawaii is one of only 9 states that taxes capital gains **less** than standard income - which for far too many of our residents is based on long hours in multiple jobs to just make ends meet - while our cost of living rises.

I am also uncomfortable with the notion that decision-makers' first stop in determining how to balance the budget is to consider furloughs and other budget cuts to essential social services, which are needed more than ever, than it is to look at revenue generation from sources that do not worry about feeding their families.

There are many things we can and should do to support businesses and investment in Hawaii, and passing this does not mean we are turning our back on promoting economic revitalization.  It only means we are being fair, and doing what we can to protect our most vulnerable.

Justice, fairness, and balance is needed to ensure our state can survive - and our state policies should lean on being more focused on *community* health and wellness, rather than supporting an individual's accumulation of investment wealth who doesn't have to worry about their survival.

**HB-133-HD-1**
Submitted on: 2/24/2021 11:40:07 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Alani Bagcal | Individual | Support | No |

Comments:

**My name is Alani Bagcal and I am writing today in strong support for HB 133. It is vital to enact tax fairness in Hawaiʻi.**

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

**Alani Bagcal**

**96815**

**HB-133-HD-1**
Submitted on: 2/24/2021 11:58:07 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---|---|---|---|
| Raelyn Reyno Yeomans | Individual | Support | No |

Comments:

Strong support.