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

February 13, 2021

TO: HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
RE: Testimony in support of HB133, 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.

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 non-residents who profit from investing in real estate in Hawai‘i.

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, Hawai‘i would bring in about $80.2 million in new revenue, and 97 percent of it would be paid by those in the top 5 percent of earners.

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

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 Sean Quinlan, Chair;
The Honorable Daniel Holt, Vice Chair;
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director
Department of Taxation

Date: February 17, 2021
Time: 10:00 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 133, Relating to Capital Gains

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

H.B. 133 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.

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.

HB-133
Submitted on: 2/13/2021 10:19:02 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

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

Comments:

Strong support!

HB-133
Submitted on: 2/14/2021 11:12:57 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Yulia Muzychenko	Individual	Oppose	No

Comments:

Small businesses in Hawaii and the whole economy of Hawaii suffered enough due to pandemic. Higher taxes will create more chaos for small businesses. They need to recover not be taxed more. Please oppose this bill

HB-133
Submitted on: 2/14/2021 12:00:07 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Judith Perino	Individual	Support	No

Comments:

Capitol gains taxes should be commensurate with taxes paid by everyone else. Please pass this bill.

HB-133
Submitted on: 2/14/2021 1:47:32 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Brett Kulbis	Honolulu County Republican Party	Oppose	No

Comments:

Honolulu County Republican Party STRONGLY OPPOSES HB-133.

Despite what many residents believe, most capital gain taxes are paid by ordinary residents and not the super wealthy, and raising this tax, would further weaken Hawaii's fragile economy, already realing from the pandemic, and impact our ability to attrack investors.

A capital gains tax increase would harm investment in start-up and growth companies. Raising capital gains taxes would prompt investors to shift their money to safer investments, starving the economy of fuel for dynamic industries such as technology. Tax increases would reduce entrepreneurship. People considering launching new businesses in Hawaii would instead take safer wage jobs because the chance to earn a capital gain from a high-growth startup would not be worth all the extra stress, risk and hard work.

Brett Kulbis

Honolulu County Chair

HB-133
Submitted on: 2/14/2021 2:06:36 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Thomas Brandt	Individual	Support	No

Comments:

Support

HB-133
Submitted on: 2/14/2021 3:08:39 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Valerie Weiss	Individual	Support	No

Comments:

I am in support of raising the tax rates on capital gains to 9%.

HB-133
Submitted on: 2/14/2021 4:37:34 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

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

Comments:

Support

HB-133
Submitted on: 2/14/2021 7:18:17 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elaine Wender	Individual	Support	No

Comments:

Capital gains tax rate should be at least as high as the ordinary income tax rate. Almost all other states do this.

ADA HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President	Melodie Aduja	John Miller	Bill South	P.O. Box 23404
Alan Burdick, Vice President	Juliet Begley	Jenny Nomura	Zahava Zaidoff	Honolulu
Dave Nagajji, Treasurer	Stephanie Fitzpatrick	Stephen O'Harrow		Hawaii 96823
Doug Pyle, Secretary	Jan Lubin	Lyn Pyle		

February 14, 2021

TO: Chair Quinlan and members of ECD Committee

RE: HB 133 Relating to Capital Gains

Support for hearing on Feb. 17

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 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

ADA

HB-133
Submitted on: 2/14/2021 11:38:37 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan Ramos	Individual	Support	No

Comments:

Aloha,

As an investor in the stock market and a concerned citizen, I am happy to support HB133 to raise the capital gains tax. It is the moral, patriotic, and socio-economically responsible thing to do, especially considering our fiscal crisis in light of the pandemic and the fact that this tax would more fairly impact the better off rather than the struggling working class. And while I submit this testimony freely and independently, I would like to cite Hawaiʻi Appleseed in support of this bill:

"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%."

Thank you,

Dylan Ramos

96816

SUBJECT: INCOME, Raise Capital Gains Tax Rate

BILL NUMBER: HB 133; SB 154

INTRODUCED BY: HB by SAYAMA, ICHIYAMA, KAPELA, Matayoshi; SB by LEE

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: Taxable years beginning after 12/31/2020.

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 2/15/2021

HB-133
Submitted on: 2/15/2021 2:01:39 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

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

Comments:

I strongly support HB133 and increasing the capital gains tax rate to 9%. It's about time that Hawai`i catches up with the rest of the Nation.

HB-133
Submitted on: 2/15/2021 7:37:07 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michal Fentin Stover	Individual	Support	No

Comments:

I support HB133's increase in the capital gains tax rate to 9%. The capital gains tax should be at least the same as that on ordinary income. Thank you.

HB-133
Submitted on: 2/15/2021 9:33:37 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Bridget A Smith	Individual	Oppose	No

Comments:

There sould be other ways to increase tax revenue.

HB-133
Submitted on: 2/15/2021 12:07:45 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Laurie Field	Planned Parenthood Votes Northwest and Hawaii	Support	No

Comments:

Planned Parenthood Votes Northwest and Hawaii supports HB 133.

HB-133
Submitted on: 2/15/2021 11:16:21 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara L. George	Individual	Support	No

Comments:

SUPPORT!

HB-133
Submitted on: 2/15/2021 11:48:45 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael deYcaza	Individual	Support	No

Comments:

Passive income should not get a tax pass.

HB-133
Submitted on: 2/15/2021 12:09:20 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Meredith Buck	Individual	Support	No

Comments:

I support HB133 which would increase capital gains tax rate to 9%. Hawai'i is one of only nine states that taxes all capital gains at a lower rate than ordinary income. Please pass HB133.

HB-133
Submitted on: 2/15/2021 1:31:07 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

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

Comments:

I oppose HB133

Help the working class actually gain some assets. Tax the wealthy part time owners, vacation rentals and huge resorts!

Thank you

Maki

Pono Hawai'i Initiative

Monday, February 15, 2021

Relating to Capital Gains
Testifying in Support

Aloha Chair and members of the committee,

The Pono Hawai'i Initiative (PHI) **supports HB133 Relating to Capital Gains.** This measure increases the capital gains tax threshold from 7.25% to 9%.

Hawai'i is one of only nine states that taxes all capital gains at a lower rate than ordinary income. For this reason we urge you to support this measure.

Mahalo for the opportunity to testify,

Gary Hooser
Executive Director
Pono Hawai'i Initiative

HB-133
Submitted on: 2/15/2021 2:24:11 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Stacie M Burke	Individual	Support	No

Comments:

I am in full support of HB 133.

Mahalo for your time

Stacie Burke

HB-133
Submitted on: 2/15/2021 2:35:06 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Eileen K Nanni	Individual	Oppose	No

Comments:

Aloha House Representatives,

I oppose HB133

Help the working class actually gain some assets. Please work for the betterment of the local people, who struggle to keep up with the tax scale so drastically changed. Tax the wealthy part time owners, vacation rentals and huge resorts!

Thank you

Eileen Kiyoko Nanni

HB-133
Submitted on: 2/15/2021 2:52:47 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Setsuko Morinoue	Individual	Oppose	No

Comments:

Aloha,

I oppose the Bill # HB133.

Over the 50 years of living on the island of Hawaii, I've seen only very few persents of locals have gained some assets, but rather have opportunities, hopes and dreams taken away or out of reach for the most of them, and still remained working 2-3 jobs to ends meet lifestyle.

Help the working class actually gain some assets, especially for the local (Kamaainas) people to have some hopes and incentives to own a very first home on your own soil. Tax the upper rank wealthy people, new comers or/and part time second, third or even fourth home-owners to pay higher property tax accordingly. The local people will suffer with environmental polutions in many generations, while the new comers will be able to move back to where they came from or elsewhere.

Thank you,

Setsuko Morinoue

HB 133, RELATING TO CAPITAL GAINS

FEBRUARY 17, 2021 · HOUSE ECONOMIC DEVELOPMENT COMMITTEE · CHAIR REP. SEAN QUINLAN

POSITION: Support with amendments.

RATIONALE: Imua Alliance **supports and suggests an amendment for HB 133**, 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.

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

HOUSE BILL 133, RELATING TO CAPITAL GAINS

FEBRUARY 17, 2021 · HOUSE ECONOMIC DEVELOPMENT COMMITTEE · CHAIR REP. SEAN QUINLAN

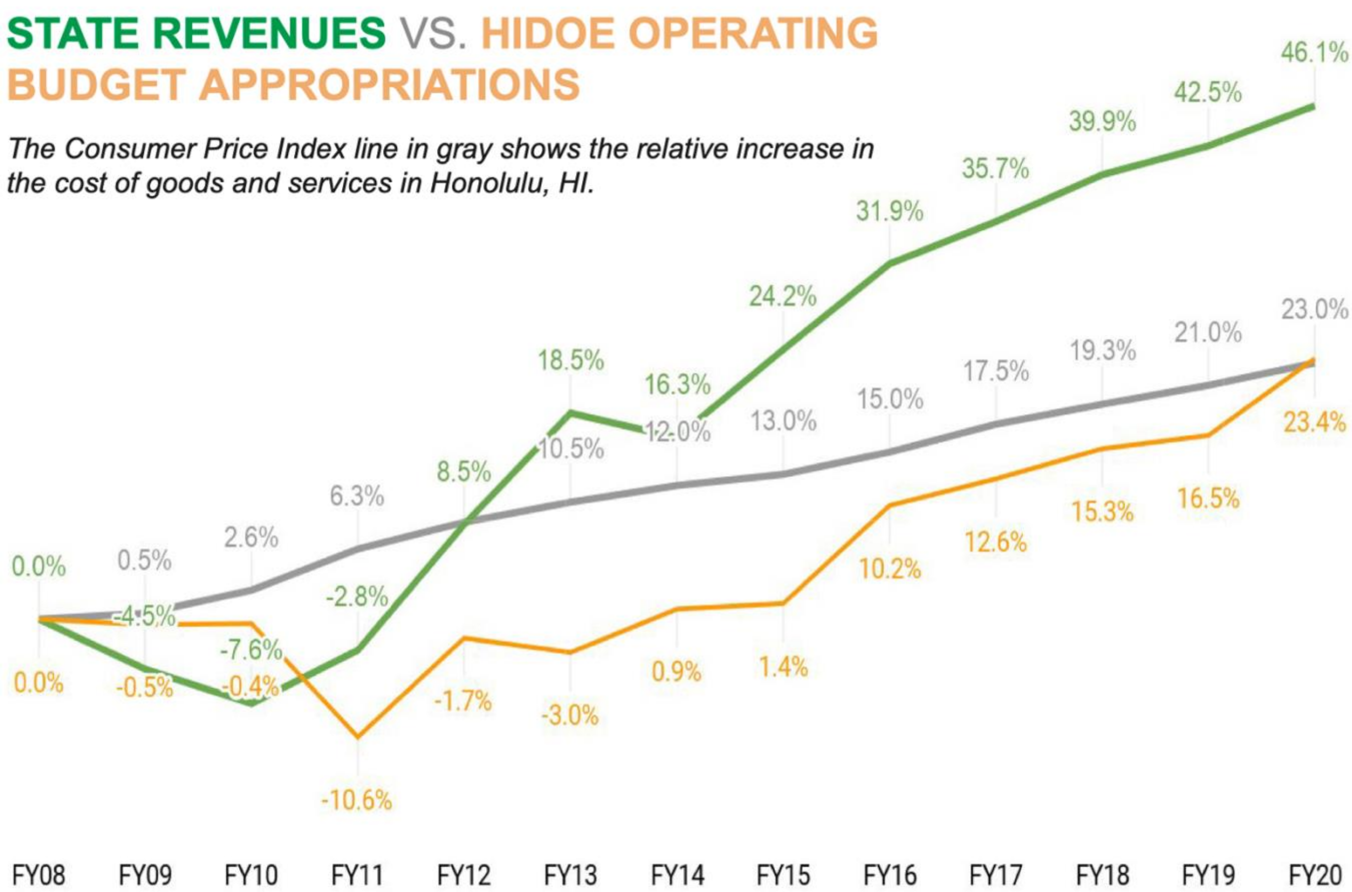
POSITION: Support with amendments.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports and suggests an amendment** for HB 133, 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.



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. **<u>That said, to fully close the islands' capital gains loophole, we suggest amending this measure by increasing the</u>**

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

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

TESTIMONY IN SUPPORT OF HB 133

TO: Chair Quinlan, Vice-Chair Holt, & Economic Development Committee Members

FROM: Nikos Leverenz
Grants, Development & Policy Manager

DATE: February 17, 2021 (10:00 AM)

Hawaiʻi Health & Harm Reduction Center (HHHRC) **supports** HB 133, 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.

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

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

Corey Rosenlee
President

Osa Tui Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

RE: HB 133 - RELATING TO CAPITAL GAINS

WEDNESDAY, FEBRUARY 17, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Quinlan and Members of the Committee:

The Hawaii State Teachers Association **<u>supports HB 133</u>**, 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.

<u>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!!</u>

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
Teaching Today for Hawaii's Tomorrow

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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 Economic Development

Re: **HB 133 - Relating to capital gains**
Hawaiʻi State Capitol, Room 312
February 17, 2021, 10:00 AM

Dear Chair Quinlan, Vice Chair Holt, and committee members,

On behalf of Hawaiʻi Children's Action Network Speaks!, we write in SUPPORT of HB 133, 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.

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 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.[1]

Long-term capital gains constitute 10 percent of total taxable income in the state, or nearly $3.5 billion in 2017.[2] If those capital gains 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.[3]

Mahalo the opportunity to provide testimony in support of this bill. Please pass HB 133.

Thank you,

Nicole Woo
Director, Research and Economic Policy

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

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HB-133
Submitted on: 2/15/2021 7:21:53 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

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

Comments:

House Committee on Economic Development

Dear Chair Quinlan, Vice-Chair Holt, and esteemed members of the committee,

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

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

Alani Bagcal

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HB-133
Submitted on: 2/15/2021 7:57:41 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Shay Chan Hodges	Individual	Support	No

Comments:

Everyone who lives in Hawaii needs to pay their fair share -- especially now.

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%.

Please do the right thing and pass this bill.

HB-133
Submitted on: 2/15/2021 9:42:28 PM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
kelii ho	Individual	Support	No

Comments:

I support this bill For my keiki's future

February 17, 2021. 10:00 a.m.

To: Chair Sean Quinlan, Vice Chair Daniel Holt, and members of the House Committee on Economic Development

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

Re: Support for HB133, Relating to Capital Gains

The Hawaiʻi Budget & Policy Center provides the following comments in support of HB133, 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.

HB-133
Submitted on: 2/16/2021 9:40:34 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Erin ODonnell	Individual	Support	No

Comments:

Aloha,

I support HB 133 because

- 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%.

Those who have the income to purchase stocks and receive capital gains need to contribute to the benefit of our community, not just take from it, because when they invest in real estate here they are driving our cost of living up, making it harder and harder for those whoʻs kÅ«puna are from this place. If they are going to do that AND profit, there should be a contribution to our state that will benefit us. Increase this tax rate.

HB-133
Submitted on: 2/16/2021 9:46:41 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Thayne Taylor	Kauai Sea Farms, LLC	Oppose	No

Comments:

Aloha,

I am opposing this bill because Hawaii has historically had and is having a difficult time getting businesses to come to Hawaii, or those wanting to start a business here in Hawaii. Raising money to fund a business venture in Hawaii is difficult enough. We all want to raise our families here but are unable to do so if there is no growth in business, especailly the small business, economy. Increasing any taxes is a sure fire bet to limit growth of the economy.

Thank you for your time,

Thayne Taylor

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

HB-133
Submitted on: 2/17/2021 8:04:12 AM
Testimony for ECD on 2/17/2021 10:00:00 AM

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

Comments:

Hello,

My name is Nanea Lo and I'm writing in support of HB133. I'm a Kanaka Maoli (Native Hawaiian) and lifelong resident in my ancestral homelands and I believe that we should take all measures to insure that my people including myself are able to stay here. This is just one small step in doing this.

This bill increases the capital gains tax rate from 7.25 to 9%, Hawai‘i is one of only nine states that taxes all capital gains at a lower rate than ordinary income.

Support this bill.

me ke aloha ‘Ä• ina,

Nanea Lo