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: 1:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 445 H.D. 1, Relating to Increasing the Estate Tax

The Department of Taxation (Department) provides the following comments on H.B. 445, H.D. 1, for your consideration. This measure sets the Hawaii applicable exclusion amount of Hawaii's estate tax to an unspecified amount. H.D. 1 has a defective effective date of January 1, 2050 and otherwise applies to decedents dying or taxable transfers occurring after December 31, 2020.

The Department notes that the estate tax is based on the property owned by the decedent, and includes realty, bank deposits, life insurance, stock, and all other assets. The estate tax rate begins at 10% of the net taxable estate and can rise up to 20%, after exhaustion of the Hawaii applicable exclusion amount. If the estate does not have liquid assets to pay the estate tax, it may require the beneficiaries to sell the real property in order to satisfy the tax.

Finally, the Department notes that this measure is effective upon approval and applies to decedents dying or taxable transfers occurring after December 31, 2020. This causes some to be retroactively subject to the lower applicable exclusion amount. The Department respectfully requests that this measure be made applicable to decedents dying or taxable transfers occurring after December 31, 2021, in order to allow the Department sufficient time to make the necessary form, instruction, and computer system changes, and to educate the public on the change.

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

HB-445-HD-1
Submitted on: 2/23/2021 1:50:34 PM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

It's a matter of tax fairness and a more equitable society

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 FINANCE

RE: HB 445, HD1 - RELATING TO INCREASING THE ESTATE TAX

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 445, HD1**, relating to increasing the estate tax. This bill lowers the exclusion amount of Hawaii's estate tax. Applicable to decedents dying or taxable transfers occurring after 12/31/2020.

This bill would lower the amount of inheritance that's excluded from the state tax in Hawai‘i to less (amount to be determined, but we recommend $1 million) than the current $5.49 million, effectively raising the amount of revenue collected when property and wealth is transferred from a deceased person to their heirs. **We need to fairly tax inherited wealth, 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, shielding $11 million for singles (and $22 million for couples) of property transferred from the deceased to their heirs from federal taxation.

Among the states that have estate taxes, Hawai‘i has the fourth-highest exemption amount of $5.49 million for singles (and $11 million of couples). The exemption amount was only $675,000 in 2001, or less than one-eighth of the exempted amount today.

If the estate tax exemption in Hawai‘i is dropped to $1 million, it would generate $18.3 million in additional taxes per year, according to the Center on Budget and Policy Priorities. 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

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Secretary-Treasurer

Wilbert Holck
Executive Director

that wealth compounds with each generation. But if your parents were poor, it is increasingly more difficult to move up the socioeconomic ladder.

Here in Hawaiʻi, a person can inherit up to $5.49 million without owing state estate tax. This high threshold has meant that the tax only applies to a very small number of people. In fact, in 2019, the Center on Budget and Policy Priorities found that in 2019, there were only 30 estate tax collections, at the current exemption level in the state.

To fairly tax inherited 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: **HB445 HD1 - Relating to increasing the estate tax**
Hawaiʻi State Capitol, Room 308
February 25, 2021, 1:00 PM

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

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in SUPPORT of HB445 HD1, relating to increasing the estate tax. This bill would amend the amount of property transferred from the deceased to their heirs that is excluded from Hawaiʻi's estate tax.

As the state is facing large budget shortfalls, it's important to keep in mind that deep 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 tax options to close the deficit without slashing critical government spending. One of the policies that's most narrowly targeted at our wealthiest residents is the estate tax. Especially as so many of our working families are struggling, it makes sense to ask those at the top to pay a little more.

The amount of inherited wealth that is exempted from Hawaiʻi's estate tax multiplied more than nine times in 20 years, from $600,000 in 1997 to $5.5 million in 2017.[1] Starting in 2018, the federal Tax Cuts and Jobs Act gave an additional tremendous tax break to those at the top, shielding inheritances of up to $11 million for singles (and $22 million for couples) from federal taxation.

While Hawaiʻi has stayed at an exemption amount of $5.5 million for singles (and $11 million for couples) since then, that is the fourth highest exemption among the states that have estate taxes. If the exemption amount were dropped to $1 million, the state could raise an additional $18.3 million per year. If it were dropped to $3.5 million, that would raise about $6.5 million per year.[2] That won't close the budget deficit on its own, but it's a start, and it would come from those who can easily afford it.

Mahalo for the opportunity to provide this testimony. Please pass HB445 HD1.

Thank you,

Nicole Woo, Director, Research and Economic Policy

[1] https://www.thebalance.com/exemption-from-federal-estate-taxes-3505630
[2] Unpublished analysis from the Center on Budget and Policy Priorities

850 Richards Street, Suite 201 • Honolulu, HI 96813 • 808-531-5502
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PHOCUSED

PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

February 23, 2021

TO: Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Members of the House Committee on Finance

FROM: Christy MacPherson, Director, PHOCUSED

SUBJECT: Testimony: Relating to Increasing the Estate Tax

Hearing: February 25, 2021 at 1:00 pm
Via videoconference

Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance,

Thank you for the opportunity to provide testimony in **support** of HB 445, HD1, with amendments.

PHOCUSED is a nonpartisan project of Hawai`i Appleseed Center for Law and Economic Justice and comprises health and human service organizations and the people they serve across the State of Hawai`i. We have been collaborating on advocacy pertaining to critical procurement and service delivery issues that directly impact our providers.

PHOCUSED recommends the following amendment:

- Increase the exclusion amount of Hawai`i's estate tax to **$1,500,000**, applicable to decedents dying or taxable transfers occurring after 12/31/2020.

Thank you for the opportunity to submit testimony on this issue.

February 25, 2021. 1:00 p.m.

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

From: Beth Giesting, Director, Hawai'i Budget & Policy Center

Re: Support for HB445, HD1, Relating to Increasing the Estate Tax

Thank you for the opportunity to testify. The Hawai'i Budget & Policy Center provides the following comments in support of HB445, HD1, Relating to Increasing the Estate Tax.

An estate tax is a means to fairly tax the appreciation in the value of assets. Under our current tax system, the appreciation of capital assets is taxed only when they are sold or otherwise "realized," and at a rate that is lower than the tax on ordinary income. In many cases, assets are held until death and their appreciated value would never be taxed at all if an estate tax were not imposed.

Increasing Hawai'i's estate tax partially corrects federal tax policy that has disproportionately benefited the rich. Many tax rules have provided significant tax advantages to the wealthy. The federal Tax Cuts and Jobs Act (TCJA) of 2017 increased the exemption for estate taxes to $11 million for individuals and $22 million for couples, thus greatly reducing the likelihood that an estate would pay any federal estate taxes. The TCJA also disproportionately reduced income tax rates on the wealthiest and reduced taxes on business and corporate income, which largely benefits the rich.

While it is important to have progressive income taxes, the estate tax is among the few options available to tax wealth. While the distance between the income of low- and high-wage earners in America is great and increasing, the wealth gap is larger, more troubling, and more difficult to address. Just 1 percent of all Americans hold more than 30 percent of the country's wealth, while the bottom 50 percent have less than 2 percent.

Increased tax revenues are needed to support crucial state services. Hawai'i's estate tax revenues have in the past been fairly modest and inconsistent from year to year. One estimate is that this measure would increase state revenues by $18.3 million. While this is a small fraction of overall tax revenues, it is equivalent to more than half the annual operating budget of the state Department of Taxation and well-worth pursuing.

TAX FOUNDATION OF HAWAII

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

SUBJECT: ESTATE, Lowers applicable exclusion amount to unspecified amount.

BILL NUMBER: HB 445, HD1

INTRODUCED BY: House Committee on Consumer Protection & Commerce

EXECUTIVE SUMMARY: Lowers the exclusion amount of Hawaii's estate tax to $_____.

SYNOPSIS: Amends section 236E-6, HRS, to slash the applicable exclusion amount from the 2017 federal unified credit amount to $_____. (As originally introduced this amount was set at $1 million.)

EFFECTIVE DATE: 7/1/2050.

STAFF COMMENTS: The federal estate and gift tax system presently has a very high threshold before kicking in. In 2017, the threshold was $5.49 million, which meant that if unexcluded lifetime gifts plus the value of the taxable estate at a decedent's death did not total $5.49 million or more, there would be no federal estate tax. Excluded transfers, such as a transfer between husband and wife of any amount or gifts under a small threshold amount ($10,000 indexed for inflation), did not count against the $5.49 million at all. Between 2017 and the present, the Tax Cuts and Jobs Act increased the exclusion amount substantially, to $11.58 million for tax year 2020.

Hawaii law generally conforms to the mechanics of the federal estate tax system, except that Hawaii has no gift tax. In addition, perhaps because of revenue concerns, Hawaii law froze the exclusion amount at the 2017 level of $5.49 million. Thus, if a decedent dies with an estate worth $10 million, the estate would not pay federal estate tax because it is under the $11.58 million threshold, but the estate would pay Hawaii estate tax because it is over the $5.49 million Hawaii threshold.

This bill proposes to lower the $5.49 million to an unspecified amount. That could have the effect of dramatically increasing the number of decedents' estates exposed to Hawaii estate tax, and could well have the effect of motivating folks who are of advanced age and advanced means to hop on a plane. The State's population already has been declining. Accelerating the shrinkage of the tax base is not a good thing for those who need to ensure that the governments' budgetary ends meet.

Digested 2/23/2021

Hawai‘i Association of REALTORS®
808-733-7060 | 1259 A‘ala Street, Suite 300
Honolulu, HI 96817
808-737-4977

February 25, 2021

The Honorable Sylvia Luke, Chair
House Committee on Housing
Via Videoconference

RE: H.B. 445, HD1, Relating to Increasing the Estate Tax

HEARING: Thursday, February 25, 2021, at 1:00 p.m.

Aloha Chair Luke, Vice Chair Cullen, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, testifying on behalf of the Hawai‘i Association of REALTORS® (“HAR”), the voice of real estate in Hawai‘i, and its over 10,000 members. HAR **provides comments on** House Bill 445, HD1, which amends the exclusion amount of Hawaii's estate tax. Applicable to decedents dying or taxable transfers occurring after 12/31/2020.

Hawaii’s current estate tax is set at $5.49 million. While the amount in this measure is currently unspecified, HAR would note that the $1 million in the original measure would cause hardships for our local families. For those that have multi-generational housing, their homes could have easily appreciated in value to over $1 million over time. If the family does not have the assets to pay the tax, they would then have to sell their house to pay the estate tax. As such, HAR believes the estate tax should not be at a threshold so low as to affect families wanting to keep their home that they grew up in.

Mahalo for the opportunity to testify.

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

February 24, 2021

TO: HOUSE COMMITTEE ON FINANCE
RE: Testimony in Support of HB445 HD1

Dear Representatives,

Young Progressives Demanding Action (YPDA) stands in **strong support of HB445 HD1**, which would would lower the amount of inheritance that's excluded from Hawaiʻi's estate tax, effectively raising the amount of revenue collected when property and wealth is transferred from a deceased person to their heirs.

HB445 and other tax fairness policies introduced this session will help our state government avoid devastating budget cuts that would deepen and prolong the current recession and hobble our ability to create a stronger, more equitable economy for future generations. But beyond that, this bill starts an important conversation around how to fairly tax inherited wealth while ensuring that local families can contribute to their children's financial security.

According to a Stanford study, the U.S. is in the bottom half of high-income countries for intergenerational economic mobility (16th out of 24). In our country today, a child's economic future is highly dependent on their parents' economic standing. If one's parents were rich, one is likely to be rich simply by default—and that wealth compounds with each generation. But if one's parents were poor, it is becoming increasingly difficult to move up the socioeconomic ladder.

Unencumbered transfers of wealth perpetuate inequalities and cement them into the foundations of the next generation. The so-called "American Dream" of coming from nothing and becoming something is really more of an American myth.

Here in Hawaiʻi, a single person can inherit up to $5.49 million without owing the state any estate tax ($11 million for couples). This high threshold has meant that the tax only applies to a very small number of people. In fact, the Center for Budget and Policy Priorities (CBPP) found that in 2019 there were only 30 estate tax collections in the state. CBPP finds that if the Hawai‘i's estate tax exemption were dropped to $1 million, that would generate $18.3 million in additional taxes per year at a time when the state budget is facing an estimated $1.4 billion shortfall.

Among states that have estate taxes, Hawai‘i has the fourth-highest exemption amount. The exemption amount for singles was only $675,000 in 2001, or less than one-eighth of the exempted amount today. At the same time, the Trump Administration’s Tax Cuts and Jobs Act gave a tremendous tax break to literally the richest among us, shielding (for singles) $11 million in property transferred from the deceased to their heirs from federal taxation (and $22 million for couples). We can and should recapture some of that windfall to help stabilize our economy.

As Hawai‘i’s enters 2021, we are in the midst of a recession that is overwhelmingly hurting low- and middle-income earners—our working families. Our working families are our economic base, and their spending is the fuel that keeps our economic engines running. Right now, they are struggling just to survive.

As the private sector engine of our economy sputters, the government needs to throttle up its spending in order to keep the economy going. At this crucial time, cutting government spending would be akin to taking our foot off the pedal and letting the second engine of the economy sputter as well. In fact, the International Monetary Fund has found that every dollar of reduced government spending results in as much as $1.50 in lost economic activity.

Our leaders should also remember that social service cutbacks during the Great Recession continue to be felt and seen on our streets. Social service providers still haven't been able to undo all the damage inflicted on nonprofits and the state’s mental health system by funding slashed a decade ago.

Instead, we should look for every opportunity to keep the economy running by avoiding government worker furloughs. A reduction in public sector pay would hurt not just state workers and their families, but also the local Hawai‘i businesses that they support, and therefore inflict more damage to the economy.

Lawmakers can, and should, utilize a range of progressive tax options proposed by the Hawai‘i Tax Fairness Coalition to close the deficit without slashing critical government spending. Tax fairness is about strengthening Hawai‘i’s economic base so that everyone—including those at the top—can thrive.

Mahalo for the opportunity to testify,

Will Caron
Board President & Secretary
action@ypdahawaii.org

HOUSE BILL 445, HD 1, RELATING TO INCEASING THE ESTATE TAX

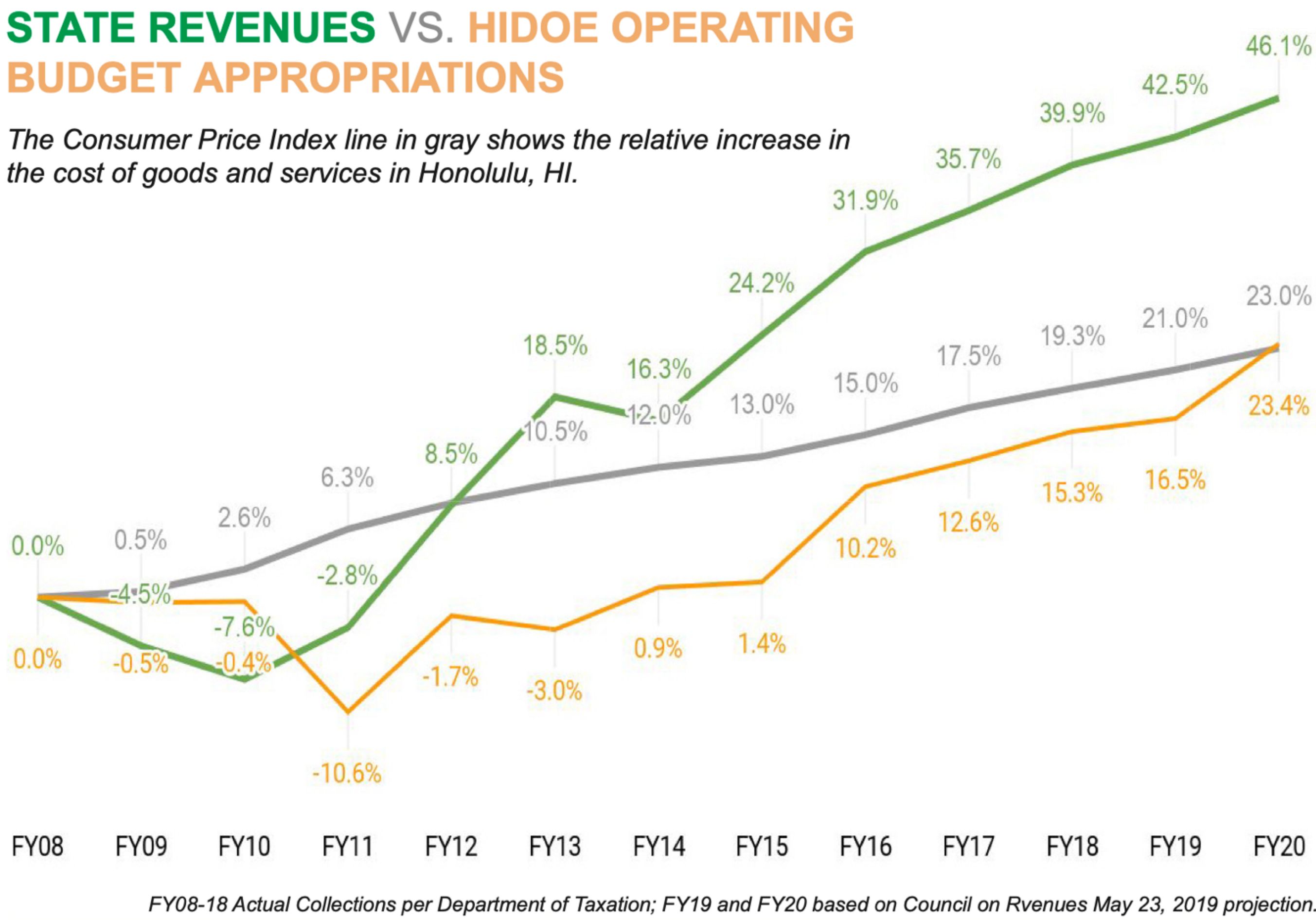
FEBRUARY 25, 2021 · HOUSE FINANCE COMMITTEE · CHAIR REP. SYLVIA LUKE

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** HB 445, HD 1, relating to increasing the estate tax, which amends the exclusion amount of Hawai'i's estate tax and is applicable to decedents dying or taxable transfers occurring after 12/31/2020.

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.



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. Trump's Tax Cuts and Jobs Act gave tax breaks to the wealthiest Americans, including by shielding from taxation $11 million for single people and $22 million for couples of property transferred from the deceased to their heirs. Among states that have estate taxes, Hawai‘i has the fourth-highest exemption amount at $5.5 million for singles and $11 million for couples. The exemption amount was only $675,000 in 2001, less than one-eighth of the exempted amount today. We need to return to fiscal sanity and ask: do we support the privileged class's or the public's interest?

Reducing Hawai‘i's estate tax exemption to $1 million would generate $18.3 million per year, according to the Center on Budget and Policy Priorities. Moreover, in Hawai'i, a person can inherit up to $5.49 million without owing state estate tax. This high threshold has meant that the tax only applies to a very limited number of people. In 2019, the Center for Budget and Policy Priorities found that there were only 30 estate tax collections in the islands. We need to improve intergenerational economic mobility, giving the children of working families a chance to scale the socioeconomic ladder that currently holds them back, in part by passing measures that raise the revenue necessary to deliver the schools our keiki deserve.

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

GRASSROOT
INSTITUTE OF HAWAII

February 25, 2021
1:00 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: HB445 — RELATING TO INCREASING THE ESTATE TAX

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB445, which would amend the exclusion amount of Hawaii's estate tax.

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

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[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 445, HD1, RELATING TO INCREASING THE ESTATE TAX

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

POSITION: Support.

RATIONALE: Imua Alliance **supports HB 445, HD 1**, relating to increasing the estate tax, which amends the exclusion amount of Hawai'i's estate tax and is applicable to decedents dying or taxable transfers occurring after 12/31/2020.

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

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

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. Trump’s Tax Cuts and Jobs Act gave tax breaks to the wealthiest Americans, including by shielding from taxation $11 million for single people and $22 million for couples of property transferred from the deceased to their heirs. Among states that have estate taxes, Hawai‘i has the fourth-highest exemption amount at $5.5 million for singles and $11 million for couples. The exemption amount was only $675,000 in 2001, less than one-eighth of the exempted amount today. We need to return to fiscal sanity and ask: do we support the privileged class's or the public's interest?

Reducing Hawai'i's estate tax exemption to $1 million would generate $18.3 million per year, according to the Center on Budget and Policy Priorities. Moreover, in Hawai'i, a person can inherit up to $5.49 million without owing state estate tax. This high threshold has meant that the tax only applies to a very limited number of people. In 2019, the Center for Budget and Policy Priorities found that there were only 30 estate tax collections in the islands. We need to improve intergenerational economic mobility, giving the children of working families a chance to scale the socioeconomic ladder that currently holds them back, in part by passing measures that raise the revenue necessary to deliver the services on which trauma survivors depend.

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

HB-445-HD-1
Submitted on: 2/24/2021 11:25:39 AM
Testimony for FIN on 2/25/2021 1:00:00 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 HB445 to increase Hawaii's Estate Tax.

Mahalo for your kind attention,

Dave Mulinix

Statewide Community Organizer

Our Revolution Hawaii

TESTIMONY IN SUPPORT OF HB 445, HD 1

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

FROM: Nikos Leverenz
Grants, Development & Policy Manager

DATE: February 25, 2021 (1:00 PM)

Hawaiʻi Health & Harm Reduction Center (HHHRC) **strongly supports** HB 445, HD1, which would lower the exclusion amount of Hawaiʻi's estate tax to $1.5 million.

Forthcoming budgets cut 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.

Expanding the estate tax is among those options that will raise revenues from estates that have benefited from historically low tax rates in comparison to other states. Benefits under the federal Tax Cuts and Jobs Act of 2017 also fell disproportionately on top income earners, including those deriving income from capital gains. Hawaiʻi has the fourth highest estate tax exemption amount for singles and couples, $5.5 million and $11 million respectively.

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-445-HD-1
Submitted on: 2/23/2021 11:39:41 AM
Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Stephen Lee	Individual	Oppose	No

Comments:

Aloha, I am an attorney licensed to practice in the State of Hawaii, and wish to voice my opposition to HB445/SB1300 which seeks to reduce the estate tax exemption amount from $5M to $1M. This measure will negatively effect my clients in that it will greatly increase the tax burden of all citizens in Hawaii who have estates exceeding $1M. The bill is retroactive to decedents dying after 12/31/2020. The majority of homeowners in Hawaii who own a home, will have the majority of the exemption eaten up by the reduced exemption, not to mention any other assets they may own costing them additional taxes as well as reducing any pass thru to their children. I strongly urge the committee not to approve this bill.

HB-445-HD-1
Submitted on: 2/23/2021 1:34:49 PM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

Hello,

My name is Nanea Lo. I'm a Kanaka Maoli (Native Hawaiian) and a lifelong resident in Hawai‘i in my ancestral lands. Its time to tax the rich. I'm in support of HB445 HD1 because of the following reasons:

- They can afford it: Trump gave a huge tax break to literally the richest among us, shielding from federal taxation $11 million in property transferred from deceased multi-millionaires to their heirs.
- Among the states that have estate taxes, Hawai‘i has the fourth-highest exemption amount of $5.49 million. The exemption amount was only $675,000 in 2001.
- If Hawai‘i's estate tax exemption dropped to $1–3.5 million, that would generate between $6.6–18.3 million in additional taxes per year.

Please support HB445 HD1.

me ke aloha ‘Ä• ina,

Nanea Lo

HB-445-HD-1
Submitted on: 2/23/2021 1:53:04 PM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

Support (HD1)

HB-445-HD-1
Submitted on: 2/23/2021 5:20:06 PM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

Dear Committee Members,

I **strongly oppose** the passage of HB 445, HD 1 to lower the exclusion amount of Hawaii's estate tax from its current exemption level of $5.49 million which has been in effect since 2018; which should be maintained at this level.

I like many other senior citizens who are in the middle class on a fixed income with our home as our major asset, are assessed at near or at $1 million in property value. In a multi-generational home, when the parents who are property owners pass away, then that means the children/grandchildren will need to sell the home to pay the remaining estate tax to the state. Already, the cost of living is very high in Hawaii and many homes hold multi-generations under its roof.

We have worked hard and planned for our retirement in purchasing financial products, e.g., savings, life insurance, stock and other assets so that we can financially survive in Hawaii and not have to rely on government services to just live in Hawaii,

Reducing the estate tax from its current exemption level will cause many negative unintended consequences, increased costs to families, and tax burden for Hawaii residents. This may be the turning point for middle class families and individuals to consider leaving Hawaii with more taxes being added on at this time as we are dealing with the pandemic and its dire economic impact.

Thank you for the opportunity to testify in **strong opposition** to HB 445, HD 1 and urge that it be deferred.

HB-445-HD-1
Submitted on: 2/23/2021 5:46:30 PM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

Tax Fairness, Please Pass! Mahalo.

HB-445-HD-1
Submitted on: 2/23/2021 5:54:30 PM
Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Smart	Individual	Oppose	No

Comments:

I am writing to OPPOSE HB445 HD1.

This is nothing but another tax grab from our citizens. Hawaii is already a tax hell. We don't need more taxes, we need less. Perhaps Hawaii should tax state public worker pensions instead.

HB-445-HD-1
Submitted on: 2/23/2021 6:30:58 PM
Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Victor Lim	Individual	Oppose	No

Comments:

I strongly oppose HB 445 HD1 because it gets in the way of families being able to keep their family home and or small business. Forcing them to sell to pay these estate taxes will insure that family home and or business will only last one genaration even though the family units have worked hard together to build them up. Thank you for giving me this opportunity to share my view.

HB-445-HD-1
Submitted on: 2/24/2021 9:45:21 AM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

I STRONGELY OPPOSE the passage of HB 445, HD 1, to lower the exclusion amount of Hawaii's estate tax from its current exemption level of $5.49 million. The current level of $5.49 million should be kept as is.

The value of homes has increased tremondously over the years. Home are valued at a million and over. The cost of living has increased over the years also. Now you plan to have it where when our children inherit our main asset, the home which they were brought up in, they will have to sell the house to pay for the taxes? Then they will leave the island because they cannot afford to purchase a home since you now call affordable housing at $1,000,000,00. What are you thinking?!?!?! Becoming homeless will be right around the corner. We worked hard and saved to give our children a little something. We paid taxes on our earned income. Now you want to double tax this? Savings, stocks, and other assets will be included in the estate tax calculation.

I STRONGLY OPPOSE the passage of HB 445, HD 1. This bill should be deferred!!

HB-445-HD-1
Submitted on: 2/24/2021 9:49:45 AM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

I strongly oppose the bill HB 445, HD1 to lower the exclusion amount of Hawaii's estate tax from the current level of $5.49 million to anything lower.

Do not pass this bill HB445, HB, HD1. It is not a good bill for the people of Hawaii.

HB-445-HD-1
Submitted on: 2/24/2021 10:00:00 AM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

I strongly support HB 445

Mahalo for your time

Stacie Burke

Aiea, Hawaii

HB-445-HD-1
Submitted on: 2/24/2021 10:14:55 AM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

I strongly oppose HB 445, HD 1 to lower the amount of Hawaii's estate tax from its current exemption of $5.49 million to any lower level.

Please reconsider this bill , HB 445, HD1. It is not a good bill.

HB-445-HD-1
Submitted on: 2/24/2021 11:42:04 AM
Testimony for FIN on 2/25/2021 1:00:00 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 445. 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-445-HD-1
Submitted on: 2/24/2021 11:42:14 AM
Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Fern Anuenue Holland	Individual	Support	No

Comments:

Mahalo Representatives. Myself and my ohana are in strong support of this measure and all fair tax measures such as these. Mahalo for your consideration. Please pass HB 445.

HB-445-HD-1
Submitted on: 2/24/2021 11:59:35 AM
Testimony for FIN on 2/25/2021 1:00:00 PM

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

Comments:

Strong support.