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 Aaron Ling Johanson, Chair;
The Honorable Lisa Kitagawa, Vice Chair;
and Members of the House Committee on Consumer Protection & Commerce

From: Isaac W. Choy, Director
Department of Taxation

Date: February 11, 2021
Time: 2:00 PM.
Place: Via Video Conference, State Capitol

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

The Department of Taxation (Department) provides the following comments on H.B. 445 for your consideration. This measure lowers the applicable exclusion amount of Hawaii's estate tax to $1,000,000 and applies to decedents dying or taxable transfers occurring after December 31, 2020.

The Department notes that setting the applicable exclusion amount at $1 million dollars would cause many homeowners to become subject to the estate tax. 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%. 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 comments.

FAITH ACTION FOR COMMUNITY EQUITY

SUPPORT FOR HB445: RELATING TO INCREASING THE ESTATE TAX

House of Representatives Committee on Consumer Protection & Commerce (CPC)
Thursday, February 11, 2021 | 2:00 pm | via Video Conference

Aloha Chair Johanson, Vice Chair Kitagawa, and Members of the Committee,

Faith Action for Community Equity is a grassroots, interfaith organization driven by our members' deep spiritual commitment to addressing the root causes of social justice issues facing our community. **Faith Action is in support of HB445**, which would lower the exclusion amount of Hawaii's estate tax to $1,000,000.

The federal Tax Cuts and Job Act gave a tremendous tax break to 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. If Hawaii's estate tax exemption were dropped to $1 million, that would generate $18.3 million in additional taxes per year, according to the Center on Budget and Policy Priorities.

Among the states that have estate taxes, Hawaii has the fourth-largest exemption amount of $5.5 million for singles (and $11 million for couples). The exemption amount was only $675,000 in 2001, or less than one-eighth of the exempted amount today.

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 difficult to move up on the socioeconomic ladder. Unencumbered transfers of wealth perpetuate inequalities and cement them into the foundations of the next generation.

Here in Hawaii, 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 for Budget and Policy Priorities found that in 2019, there were only 30 estate tax collections in the state.

Mahalo for considering our testimony in support of HB445.

If you have any questions, please contact Faith Action Executive Director Ashleigh Loa (808-746-2741, aloa@faithactionhawaii.org).

HB-445
Submitted on: 2/9/2021 10:08:29 PM
Testimony for CPC on 2/11/2021 2:00:00 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, we are in full support of passing HB445 to fairly tax inherited wealth.

Mahalo for your kind attention,

Dave Mulinix

Statewide Community Organizer

Our Revolution Hawaii

TAX FOUNDATION OF HAWAII

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

SUBJECT: ESTATE, Lowers applicable exclusion amount to $1 million.

BILL NUMBER: HB 445; SB 1300

INTRODUCED BY: HB by PERRUSO, ICHIYAMA, KAPELA, LOPRESTI, MARTEN, Tam; SB by ACASIO, CHANG, RHOADS, SAN BUENAVENTURA, Shimabukuro

EXECUTIVE SUMMARY: Lowers the exclusion amount of Hawaii's estate tax to $1,000,000. Applicable to decedents dying or taxable transfers occurring after 12/31/2020.

SYNOPSIS: Amends section 236E-6, HRS, to slash the applicable exclusion amount from the 2017 federal unified credit amount to $1 million.

EFFECTIVE DATE: Shall apply to decedents dying or taxable transfers occurring after December 31, 2020.

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 $1 million. That would 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 2/9/2021

HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

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Lyn Pyle
Bill South
Zahava Zaidoff

MAILING ADDRESS
P.O. Box 23404
Honolulu
Hawaii 96823

February 9, 2021

TO: Chair Baker and members of CPC Committee

RE: SB 445 Relating to Increasing the Estate Tax

Support for hearing on Feb. 11

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 SB 445 as we support a more progressive tax structure. The current exemption allows estates over a million dollars to avoid taxes. People inheriting this much money can afford to pay more than so many low income tax payers. Appleseed has estimated the lowest one fifth of income earners are paying the highest percentage of their income in state taxes. Why should they pay so much when people inheriting over a million are tax exempt? This bill moves a little closer to fairness.

Thank you for your favorable consideration.

Sincerely,
John Bickel, President

HB-445
Submitted on: 2/10/2021 10:18:10 AM
Testimony for CPC on 2/11/2021 2:00:00 PM

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 445 to increase tax fairness.

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

HAWAII STATE TEACHERS ASSOCIATION
Teaching Today for Hawaii's Tomorrow

TESTIMONY BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

RE: HB 445 - RELATING TO INCREASING THE ESTATE TAX

THURSDAY, FEBRUARY 11, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Johanson and Members of the Committee:

The Hawaii State Teachers Association **supports HB 445**, relating to increasing the estate tax. This bill lowers the exclusion amount of Hawaii's estate tax to $1,000,000. 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 Hawaiʻi to $1 million (instead of 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, Hawaiʻi 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 Hawaiʻi 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!!

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

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.

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.

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

February 10, 2021

TO: House Committee on Consumer Protection & Commerce

RE: Testimony in Support of HB445

Dear Representatives,

Young Progressives Demanding Action (YPDA) stands in **strong support of HB445**, which would would lower the amount of inheritance that's excluded from Hawai'i'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 Hawaiʻi'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, Hawaiʻi 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 Hawaiʻi'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 Hawaiʻi 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 Hawaiʻi Tax Fairness Coalition to close the deficit without slashing critical government spending. Tax fairness is about strengthening Hawaiʻi'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

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawaiʻi Appleseed Center for Law and Economic Justice
Supporting HB 445 – Relating to Increasing the Estate Tax
House Committee on Consumer Protection & Commerce
Thursday, February 11, 2021, at 2:00 PM in conference room 329

Dear Chair Johanson, Vice Chair Kitagawa, and members of the Committee:

Thank you for the opportunity to provide testimony in **SUPPORT** of **HB 445**, which would lower the amount of inheritance that is excluded from Hawaiʻi's estate tax to $1 million. Doing so would raise the amount of revenue collected when property and wealth is transferred from a deceased person to their heirs.

Mahalo for acting in 2018 to decouple Hawaiʻi from the federal estate tax exemption levels, which doubled from $5.5 million to $11.2 million. By doing so, Hawaiʻi's exemption is now held at $5.5 million. Even so, Hawaiʻi still has the fourth-highest estate exemption amount among the states that have estate taxes.[i] The exemption amount was only $675,000 in 2001, or more than eight times *less* than the amount today.[ii] The exemption has risen to such a level that in 2019 there were only 30 estate tax collections in the state according to a finding by the Center on Budget and Policy Priorities (CBPP).

Even with the decoupling from the federal exemption level, Hawaiʻi's wealthy taxpayers are no longer be required to pay between 18 and 40 percent of their estate values between $5.5 million and $11.2 million for singles (and between $11 million and $22 million for couples) in federal tax.

This is a tremendous tax break for literally the richest among us. Therefore, your committee could reasonably consider dropping our state's exemption level lower, since it has increased so sharply over the past two decades.

Since these taxpayers will be saving huge amounts at the federal level, they can afford to pay more at the state level. Currently Hawaiʻi's top estate tax rate is 15.7 percent. Washington state's maximum estate tax rate is 20 percent and it exempts only the first $2.2 million of an estate.

Dropping our state's exemption level to $1 million is projected to generate $18.3 million in additional tax revenue per year according to CBPP.

We appreciate your consideration of this testimony.

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[i] https://www.nerdwallet.com/blog/taxes/which-states-have-estate-inheritance-taxes/
[ii] https://en.wikipedia.org/wiki/Estate_tax_in_the_United_States

HOUSE BILL 445, RELATING TO INCEASING THE ESTATE TAX

FEBRUARY 11, 2021 · HOUSE CONSUMER PROTECTION AND COMMERCE COMMITTEE · CHAIR REP. AARON LING JOHANSON

POSITION: Support.

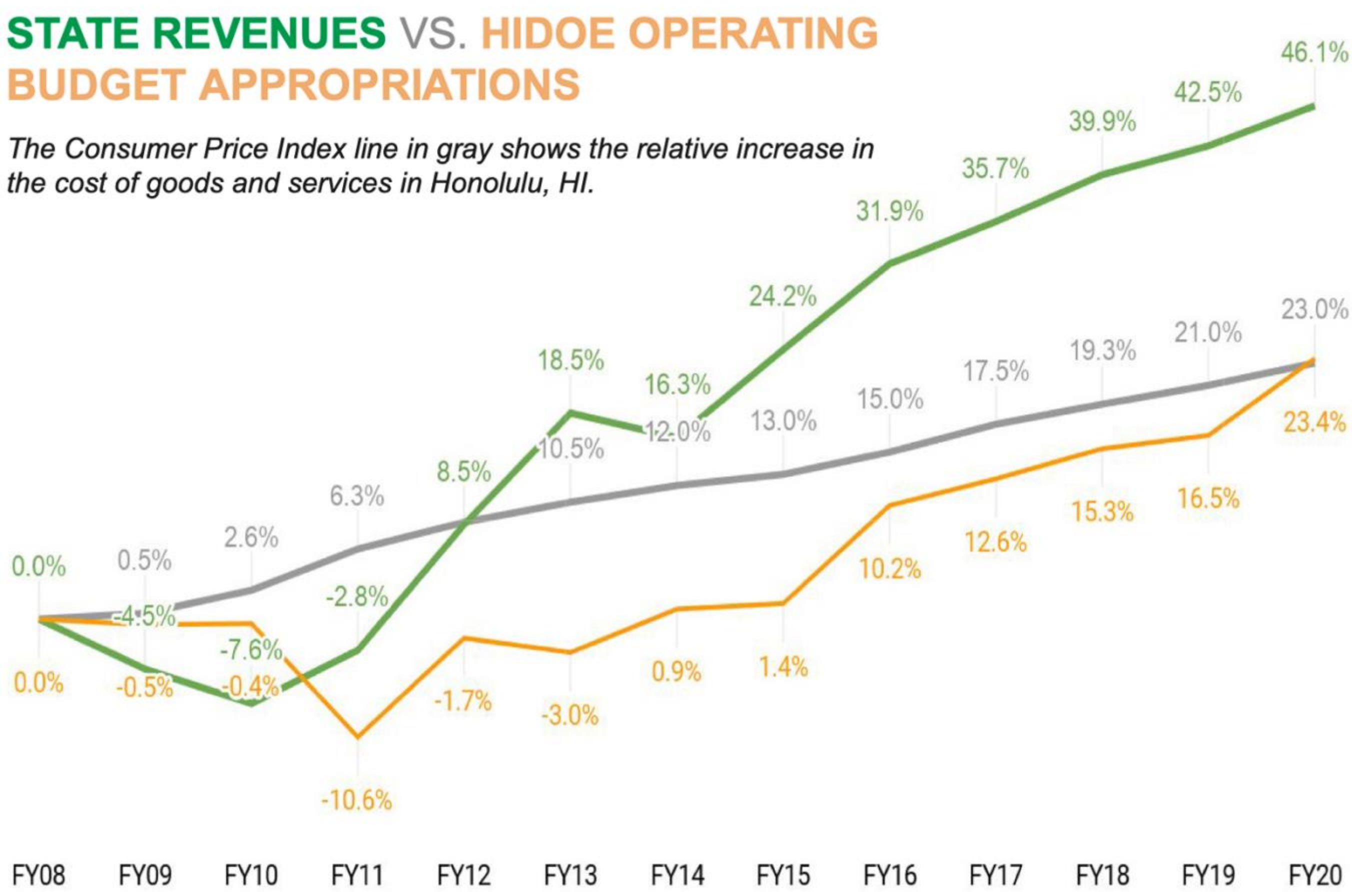
RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** amendments for HB 445, relating to increasing the estate tax, which lowers the exclusion amount of Hawaii's estate tax to $1,000,000.

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

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

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. 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

HB 445, RELATING TO INCREASING THE ESTATE TAX

FEBRUARY 11, 2021 · HOUSE CONSUMER PROTECTION AND COMMERCE COMMITTEE · CHAIR REP. AARON LING JOHANSON

POSITION: Support.

RATIONALE: Imua Alliance **supports HB 445**, relating to increasing the estate tax, which lowers the exclusion amount of Hawaii's estate tax to $1,000,000.

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. 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

TESTIMONY IN SUPPORT OF HB 445

TO: Chair Johanson, Vice-Chair Kitagawa, & Committee Members

FROM: Nikos Leverenz
Grants, Development & Policy Manager

DATE: February 11, 2021 (2:00 PM)

Hawaiʻi Health & Harm Reduction Center (HHHRC) **strongly supports** HB 445, which would lower the exclusion amount of Hawaiʻi's estate tax to $1 million. According the Center on Budget and Policy Priorities, this policy change would generate $18.3 million in additional state revenues per year.

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.

HAWAIʻI BUDGET & POLICY CENTER
Better information. Better policy. Better Hawaiʻi.

February 11, 2021. 2:00 p.m.

To: Chair Aaron Ling Johanson, Vice Chair Lisa Kitagawa, and members of the House Committee on Consumer Protection & Commerce

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

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

Thank you for the opportunity to testify. The Hawaiʻi Budget & Policy Center provides the following comments in support of HB445, 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 Hawaiʻi'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. Hawaiʻi'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.

Hawaii Automobile Dealers' Association

John Uekawa, President
Dave Rolf, Executive Director

HADA Testimony with OPPOSED to HB445

RELATING TO INCREASING THE ESTATE TAX

Presented to the House Committee on Consumer Protection and Commerce at the
Public Hearing 2 p. m. Thursday, February 11, 2021 in Room 329
VIA VIDEO CONFERENCE
Hawaii State Capitol
by David H. Rolf for the members of the Hawaii Automobile Dealers Association

Chairs Johanson, Vice Chair Kitagawa and members of the committee:

HADA is OPPOSED to this bill.

The bill proposes to lower the exclusion amount of Hawaii estate tax to $1,000,000, and applicable to decedents dying or taxable transfers occurring after 12/31/2020.

The bill punishes consumers and punishes family businesses. The bill's proposed action is in stark contrast to the very name and function of this committee which is to protect consumers and foster commerce in Hawaii.

This bill proposes that more money will be taken away from the consumers by the State; and by taking away money from family-businesses the bill damages commerce.

HADA was actively involved at the federal level in helping to create a fair and equitable estate tax law.

We would ask that the committee take this opportunity to amend this bill to conform to the estate tax exclusion amounts in federal law.

Respectfully submitted,
David H. Rolf for the Hawaii Automobile Dealers Association

HB-445
Submitted on: 2/9/2021 4:21:36 PM
Testimony for CPC on 2/11/2021 2:00:00 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 to lower the exclusion amount of Hawaii's estate tax to $1,000,000. Currently Hawaii's estate tax exemption is $5.49 million which has been in effect since 2018, which should be maintained at this level.

I like many other senior citizens are on a fixed income with our major asset, our homes that are assessed at near or at $1 million.in property value. In a multi-generational home, when the parents who are the 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 or else there would be many more homeless.

Reducing the estate tax to $1 million will cause many negative unintended consequences, increased costs to families, and tax burden for Hawaii residents.

I strongly oppose this measure HB 445 and urge that it be deferred.

HB-445
Submitted on: 2/9/2021 4:41:42 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

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

Comments:

Shame on you. In many instances a person's home is worth more than $1 million. This bill will hurt many Hawaii residents, who may be forced to sell a home to pay estate taxes. Better we should have all state tax rates equal to the federal applicable exclusion amount. While you are at it, you should also cerate a system whereby if a person takes an IRA distribution from a financial institution(s) that they an have that institution(s) without an amount for state income taxes, as can be done for federal taxes.

HB-445
Submitted on: 2/9/2021 5:18:25 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Calvin Foo Pham	Individual	Support	No

Comments:

Nuff hoarding the wealth already.

HB-445
Submitted on: 2/9/2021 5:59:15 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

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

Comments:

Strong support!

HB-445
Submitted on: 2/9/2021 6:54:11 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Darlene Pang	Individual	Oppose	No

Comments:

Though I do not oppose the overall intent of this bill, the amount of $1 million would affect most homeowners in the state. The last time the amount was $1 million was in 2003 when the median price of a home was between $350 - 450,000. Today, an average home (according to Star Advertiser) is over $800,000. Thus a modest middle class home and a modest 401 K would make a person liable for estate taxes. The amounts in this bill have to be drastically increased - I would suggest reverting to the federal amounts before the Trump Administration doubled the estate taxes amount.

HB-445
Submitted on: 2/9/2021 7:11:44 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

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

Comments:

Dear Committee Members,

I STRONGLY OPPOSE HB445 to lower the exclusion amount of Hawaii's estate tax to $1,000,000. The State of Hawaii's estate tax exemption is currently $5.49 million which has been in effect since 2018. I STRONGLY FEEL that the estate tax exemption of $5.49 milliion should be kept at this level.

I am a senior citizen who has worked very hard to have my own home and put aside some monies for my children and grandchildren. Homes in Hawaii are already at or near the $1 million value. My children/grandchildren would have to sell my hard worked for assets in order to pay the estate tax to the state if it is lowered to a $1 million exemption. To live in Hawaii is already quite expensive. Putting this tax burden on our Hawaii residents is very unfavorable.

I beg you to please oppose HB445 and to leave the current Hawaii estate tax exemption to $5.49 million.

HB-445
Submitted on: 2/9/2021 7:48:28 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Christine Russo	Individual	Support	No

Comments:

Aloha Chair Johanson and members of the committee,

It is time to drop Hawaiʻi's estate tax exemption to $1 million, which would generate $18.3 million in additional tax revenue per year, according to the Center on Budget and Policy Priorities. Our state currently has the 4th highest exemption rate among states collecting estate taxes. To help provide crucial state services for our community members, we need to find ways lto generate income from those who can bear the burden, and not on the shoulders of those who can not.

Christine Russo

HB-445
Submitted on: 2/9/2021 7:50:11 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

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

Comments:

I do not want the State of Hawaii to lower the estate tax exemption from $5.49 million down to $1 million.

The Federal estate tax exemption is $11 million. Our state estate tax exemption is half of that. Other states have followed the Federal estate tax exemption to be $11 million for their State estate tax exemption.   What is wrong with our state!!

I strongly oppose the lowering of our State of Hawaii estate tax exemption from $5.49 to $1 million!

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 Consumer Protection & Commerce

Re: **HB 445 - Relating to increasing the estate tax**
Hawaiʻi State Capitol, Room 329
February 11, 2021, 2:00 PM

Dear Chair Johanson, Vice Chair Kitagawa, and committee members,

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in support of HB 445, relating to increasing the estate tax. This bill would lower the amount of property transferred from the deceased to their heirs that is excluded from Hawaiʻi's estate tax to $1 million.

As the state legislature 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 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 them to pay a little more.

The amount of inheritances that are exempted from Hawaiʻi's estate tax has multiplied more than eight times from $675,000 in 2001 to $5.5 million (and $11 million for couples) this year. In addition, the federal Tax Cuts and Jobs Act gave a 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.

Among the states that have estate taxes, Hawaiʻi has the fourth-highest exemption amount at $5.5 million. If Hawaiʻi's exemption were dropped to $1 million, the Center on Budget and Policy Priorities estimates it would generate approximately $18.3 million in additional taxes per year. That won't close our 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 HB 445.

Thank you,

Nicole Woo
Director, Research and Economic Policy

HB-445
Submitted on: 2/9/2021 8:20:14 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

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

Comments:

I strongly oppose HB445 to lower the exclusion amount of Hawaii's estate tax to $1 million. Currently Hawaii's estate tax exemption is $5.49 million. I strongly feel that the $5.49 million should stay as is.

Please take care of our hard working monies. Let it stay with our families to help them with the high cost of living in Hawaii. Don't penalize us for all our hard work for our families.

I strongly feel that you should oppose measure HB445.

HB-445
Submitted on: 2/9/2021 9:24:30 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

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

Comments:

I strongly support this bill. Why wouldn't we choose to bring in more revenue at a time like this and for the long recovery we have ahead of us? Tax those who can afford to be taxed.

HB-445
Submitted on: 2/10/2021 8:23:05 AM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Lacques	Individual	Support	No

Comments:

Please pass HB445 to help ensure that local families have a fairer playing field when contributing to their children's financial security.

HB-445
Submitted on: 2/10/2021 10:14:08 AM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Leimomi Khan	Individual	Oppose	No

Comments:

In general, this measure harms the citizens of Hawaii who have saved and purchased a home here. For most, it is their biggest asset. They will be unable to pass it down to their children who might not be able to afford the tax burden.

The wealthy use tax havens, life insurance trusts, family limited partnerships, and other shelters to avoid taxation. The only people this would target are the hardworking citizens who don’t have the estate large enough to warrant that level of financial maneuvering.

HB-445
Submitted on: 2/10/2021 10:21:49 AM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Kowal	Individual	Oppose	No

Comments:

I strongly oppose bill HB445. This bill would negatively affect an already struggling economy in Hawaii. The high cost of living and lack of jobs are enough alone but this bill would drive even more kamaaina families off the island. Please do not pass this bill during an already difficult time.

HB-445
Submitted on: 2/10/2021 3:37:46 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marilyn Mick	Individual	Support	No

Comments:

HB445 starts a conversation around how to fairly tax inherited wealth while ensuring that local families can contribute to their children's financial security.

Among the states that have estate taxes, Hawaiʻi has the fourth-highest exemption amount of $5.5 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 Hawaiʻi's estate tax exemption were dropped to $1 million, that would generate $18.3 million in additional taxes per year, according to the Center on Budget and Policy Priorities.

Here 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 small number of people. In fact, in 2019, the Center for Budget and Policy Priorities found that in 2019, there were only 30 estate tax collections in the state.

Mahalo, Marilyn Mick, Honolulu

HB-445
Submitted on: 2/10/2021 8:22:51 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
laurel brier	Individual	Support	No

Comments:

HB445 may not serve me personally but It's the right thing to do for a more equitable society.

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

HB-445
Submitted on: 2/10/2021 11:03:49 PM
Testimony for CPC on 2/11/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Elizabeth Laliberte	Individual	Support	No

Comments:

Our state is in a fiscal crisis and lowering the estate tax exemption to $1,000,000 is a smart and fair way to increase revenues. Our school budgets are being cut. Critical services that keep our people housed, clothed, and safe during this pandemic are being slashed. Meanwhile the wealthiest among us are rolling in the dough! Their incomes, mostly generated via investment have ballooned by trillions of dollars ove the past year. It's time that ALL the people of Hawaii pay their fair share of taxes to keep public services running.

The estate tax exemption should be lowered because estates handed down from one person to another is unearned wealth. The inheritor did not engage in any productive work to get that estate, yet they can simply walk away with millions of dollars of assets. It's also important to consider that for may estates, a large share of the assets are unrealized capital gains that have never been taxed. The wealth generated added no productive value to society, hoever it depended on a fully-functioning society of laws and legal systems that it should pay back into, in the form of taxes. Progressive taxation is stable taxation in times of economic instability. The state should be taxing those who can most afford it, to keep our schools and services running. Thank you.