

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Nadine K. Nakamura, Chair;
The Honorable Troy N. Hashimoto, Vice Chair;
and Members of the House Committee on Housing

From: Isaac W. Choy, Director
Department of Taxation

Date: Tuesday, March 22, 2022
Time: 10:00 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 2165, S.D. 1, Relating to the Low-Income Household Renters Tax Credit

The Department of Taxation (Department) offers the following comments regarding S.B. 2165, S.D. 1, for your consideration.

S.B. 2165, S.D. 1, amends the refundable income tax credit for low-income renters. The bill has a defective effective date of July 1, 2050 and otherwise applies to taxable years beginning after December 31, 2021. The bill makes the following changes to the credit:

- Increases the amount of the credit allowed per exemption;
- Phases the credit out based on adjusted gross income (AGI) thresholds;
- Bases credit eligibility on federal AGI rather than Hawaii AGI;
- Provides varying federal AGI thresholds for different filing statuses; and
- Adjusts the credit every three years based on the Consumer Price Index for Urban Honolulu (CPI).

The proposed changes are reflected in the table below:

Single or Married Filing Separately	
AGI	Credit per Qualified Exemption
Under \$20,000	\$200
\$20,000 to \$30,000	\$150
\$30,000 to \$40,000	\$100
\$40,000 and over	\$0

Head of Household	
AGI	Credit per Qualified Exemption
Under \$30,000	\$200
\$30,000 to \$45,000	\$150
\$45,000 to \$60,000	\$100
\$60,000 and over	\$0

Married Filing Jointly	
AGI	Credit per Qualified Exemption
Under \$40,000	\$200
\$40,000 to \$60,000	\$150
\$60,000 to \$80,000	\$100
\$80,000 and over	\$0

The Department notes that the previous Committee amended the credit to use *federal* AGI as the measure of credit eligibility. The Department agrees with this change as federal AGI provides a more accurate representation of a taxpayer's financial situation than does Hawaii AGI.

Finally, assuming that a functional effective date is inserted, the Department is able to administer this measure for taxable years beginning after December 31, 2021 as currently written.

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

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HOUSING
ON
SENATE BILL NO. 2165, S.D. 1

March 22, 2022
10:00 a.m.
Room 423 and Videoconference

RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS TAX CREDIT

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 2165, S.D. 1, amends the income tax credit for low-income household renters by increasing the credit amount and the income eligibility cap thresholds by establishing tax brackets, provided that the dollar amounts in the brackets increase to match inflation starting in the taxable year beginning after December 31, 2023, and in every third taxable year thereafter.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or

- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.



Committee on Housing
Chair, Nakamura, Vice Chair Hashimoto

March 22, 2022, 10 am, Videoconference
SB2165 SD1— RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS TAX CREDIT

TESTIMONY

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

Chair Nakamura, Vice Chair, Hashimoto, and Committee Members:

The League of Women Voters of Hawaii strongly supports the intent of SB2165 SD1, and suggests a revision to one section.

The League of Women Voters has long supported economic, fiscal and social policies which meet basic human needs such as housing. The low-income housing tax credit is widely used by eligible renters to help them meet basic needs within their incomes. As the preamble to SB2165 SD1 makes clear, it is high time to adjust the income eligibility and credit amounts to account for dramatic increases in housing costs. Thus our strong support for this bill.

We wish to call to this Committee's attention a section which we believe would benefit from revision.

2. pp 5. lines 16-20 continuing on p.6 lines 1-2:

"For the taxable year beginning after December 31, 2023 and every third year thereafter, each dollar amount contained in the table in section (c) shall be increased by an amount equal to that dollar amount multiplied by the percentage, if any, by which the consumer price index for June of the preceding calendar year exceeds the consumer price index for June 2022, rounded to the nearest whole dollar amount."

We believe this calculation is appropriate for 2024; but thereafter (2027, 2030, etc) the CPI for June of the preceding calendar year should be compared to the CPI in June three years previously, when the value of the credit was last adjusted.

Thank you for the opportunity to submit testimony.

League of Women Voters of Hawaii
P.O. Box 235026 ♦ Honolulu, HI 96823
Voicemail 808.377.6727 ♦ my.lwv.org/hawaii ♦ voters@lwvhi.org

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TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase and Index Tax Credit for Low-income Household Renters

BILL NUMBER: SB 2165 SD 1

INTRODUCED BY: Senate Committee on Ways & Means

EXECUTIVE SUMMARY: Increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets. Provides for inflation increases every 3 years based on the urban Hawaii consumer price index. Effective 7/1/2050. Our view is that it would be more efficient to get low-income taxpayers out of the tax system entirely than to add the complexity that this bill does.

SYNOPSIS: Amends section 235-55.7, HRS, to amend the credit brackets as follows (MFS = married filing separately, HOH = head of household, MFJ = married filing jointly):

Adjusted gross income (single or MFS)	Credit per exemption
Under \$20,000	\$200
\$20,000 under \$30,000	\$150
\$30,000 under \$40,000	\$100
\$40,000 and up	\$ 0
Adjusted gross income (HOH)	Credit per exemption
Under \$30,000	\$200
\$30,000 under \$45,000	\$150
\$45,000 under \$60,000	\$100
\$60,000 and over	\$ 0
Adjusted gross income (MFJ or surviving spouse)	Credit per exemption
Under \$40,000^h	\$200

\$40,000 under \$60,000	\$150
\$60,000 under \$80,000	\$100
\$80,000 and over	\$ 0

For the taxable year beginning after December 31, 2023, and in every third taxable year thereafter, each dollar amount contained in the table in subsection (c) shall be increased by an amount equal to that dollar amount, multiplied by the percentage, if any, by which the consumer price index for June of the preceding calendar year exceeds the consumer price index for June of 2021, rounded to the nearest whole dollar amount.

EFFECTIVE DATE: Taxable years beginning after December 31, 2021.

STAFF COMMENTS: The 1970 legislature adopted a system of tax credits for household renters intended to partially offset the higher tax burden on renters resulting from the lack of tax relief like the home exemption for homeowners and the 4% general excise tax levied on rental income. The current renter credit was established by the 1977 legislature at \$20 per exemption for those taxpayers with adjusted gross incomes of less than \$20,000 who paid more than \$1,000 in rent during the tax year. Act 230, SLH 1981, increased the credit amount to \$50. Act 239, SLH 1989, increased the adjusted gross income (AGI) limit to \$30,000 to claim the credit. The proposed measure does not increase the rent qualification amount – the taxpayer still will need to pay \$1,000 in rent during a taxable year to qualify for the credit.

The proposed system adds a considerable amount of complexity to the low-income household renters credit.

There are some issues to consider with refundable credits targeted at low-income and homeless people generally.

First, a tax return is one of the most complicated documents for government agencies to process. The administrative costs associated with each one can quickly make heads spin. Furthermore, as the U.S. Treasury has experienced with the Earned Income Tax Credit, the combination of complexity and a refundable credit result in a certain percentage of improper payouts, some due to mistake or misunderstanding, and some due to bad actors.

Second, the low-income household renters' credit does nothing for most of the homeless; the credit requires payment of more than \$1,000 in rent. And even for those in the target population who do qualify for this credit, the relief that the credit provides comes in a tax refund which is paid, at the earliest, in the early part of the year after the tax return filer needs the relief. A person who qualifies for the credit in 2022, for example, won't get a check until early 2023.

Third, as a policy matter, lawmakers might prefer that the recipient of the refund not use the money obtained on certain things, illegal drugs for example. But the tax system contains no way of restricting the uses of a refund check; other departments do have systems in place to give

some assurance that the payment will go toward legitimate living expenses such as groceries (EBT, for example).

The better solution is to get such people out of the tax system entirely. They receive peace of mind because they don't have to worry about tax returns, and the department doesn't have to worry about processing those returns. If additional relief to such people is considered desirable, it can be delivered through the agencies that are better equipped to do so.

Digested: 3/19/2022



AMERICANS FOR DEMOCRATIC ACTION

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DIRECTORS

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Jenny Nomura
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MAILING ADDRESS

P.O. Box 23404
Honolulu
Hawaii 96823

March 19, 2022

TO: Chair Nakamura and Members of the Housing Committee

RE: SB 2165 SD1 RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS TAX CREDIT

Support for a Hearing on March 22

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.

Americans for Democratic Action Hawaii supports this bill as it would increase the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets and would provide for inflation increases every three years based on the urban Hawaii consumer price index beginning with taxable years beginning after 12/31/2023. This credit has quickly fallen behind the rising cost of rent. If we are serious about keeping people housed and off the streets this is a good first step. Furthermore the automatic increases in future years would reduce the chance that it falls behind like this again.

Thank you for your consideration.

Sincerely,

John Bickel, President



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

Hawai'i 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 Housing

Re: **SB 2165, SD1 - Relating to the low-income household renters credit**
Hawai'i State Capitol, Via Videoconference & Conference Room 423
March 22, 2022, 10:00 AM

Dear Chair Nakamura, Vice Chair Hashimoto, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of SB 2165, SD1, relating to the low-income household renters credit. This bill would increase the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets. It also would provide for inflation increases every 3 years.

It is well known that Hawai'i has the highest housing costs in the nation. According to the National Low-Income Housing Coalition, the "housing wage" needed to afford a one-bedroom apartment in Hawai'i in 2021 was \$28.86. Meanwhile, the average renter's wage didn't even come close, at \$17.56 per hour.¹

The high cost of housing is a major reason why Hawai'i's Department of Business, Economic Development and Tourism (DBEDT) finds that a single parent with one child, and with employer-provided health insurance, needed to earn more than \$31 an hour "to meet their basic needs" in 2020.²

The low-income household renters' credit was created in 1977 to provide tax relief to low- and moderate-income renter households in our state. In 1981, the credit amount was set at \$50 per exemption. In 1989, the income eligibility cut off was set at \$30,000, which was just above the median household income at the time. Neither of those levels have budged in more than three decades.³

This bill rightly updates the renters' credit to recover ground lost to decades of inflation by increasing the income eligibility limit and allowing for an increase to the maximum value of the credit. It also recognizes the circumstances of head of household (single parent) and married tax filers by providing for higher credit values and eligibility limits for them. This is especially helpful to families with children.

For example, **a single mom with two children who earns \$35,000 per year is not eligible for the current renters' credit, due to her income being above the outdated \$30,000 eligibility limit. If this bill were to become law, then she would be able to claim \$150 per exemption – or \$450 for her family.** For struggling families, that could make a big difference.

Mahalo for the opportunity to provide this testimony. Please pass this bill.

Thank you,
Nicole Woo, Director of Research and Economic Policy

¹ <https://reports.nlihc.org/oor/hawaii>

² <https://files.hawaii.gov/dbedt/annuals/2021/2021-read-self-sufficiency.pdf>

³ <https://files.hawaii.gov/tax/stats/stats/credits/2018credit.pdf>



TO: Chair Nakamura, Vice Chair Hashimoto, and Members of the House Committee on Housing

FROM: Ryan Kusumoto, President & CEO of Parents And Children Together (PACT)

DATE/LOCATION: March 22, 2022; 10:00 a.m., Conference Room 423/Video Conference

RE: TESTIMONY IN SUPPORT OF SB 2165 SD 1– RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS TAX CREDIT

We support SB 2165 which increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets and provides for inflation increases every three years based on the urban Hawaii consumer price index. Wage increases in Hawaii have continued to lag behind the cost of housing increases over the last 10 years. Housing continues to be a family's biggest expense. This bill would help many of our low-income individuals and families who are most heavily impacted by Hawaii's high cost of living.

A recent Aloha United Way ALICE (Asset Limited, Income Constrained, Employed) Study reported that there are 190,390 households living at or below the poverty level, a majority of whom are employed and still struggle to make ends meet. This includes almost 40% of our seniors and roughly 50% of our families with young children. Two thirds of these individuals and families spend more than 50% of their income on housing and are battling housing increases that continue to rise at a much faster rate than wage increases.

As a provider of services to a majority of low-income and ALICE individuals and families, we see the struggles that our clients face daily. Many of these individuals and families hold steady jobs and work hard but still struggle to make ends meet. After paying rent, utilities, bills and putting food on the table, there is little to no income left. Working families who are struggling to make ends meet are often forced to make difficult choices when their income doesn't cover basic costs. They work hard to keep a roof over their heads and may end up having to choose to cut back on healthcare, healthy food options for their children and even childcare. While these choices seem to save money in the short term, they directly affect the health, safety and the future of these individuals and families and may end up having long-term negative effects.

The low-income renter's tax credit would provide a boost to those individuals and families and help to alleviate some of the stress associated with balancing the budget and making difficult choices. This bill improves the renter's credit, which has not been adjusted for inflation in nearly thirty years and would benefit over 80,000 households. The amount of credit an individual or family would receive could provide just enough to help them cover an essential cost, pay for an unexpected expense or put a little bit away as savings. By setting good public policy and supporting individuals and families to break the cycles of poverty, we encourage them to create promising futures and we build a stronger Hawaii community.

Founded in 1968, Parents And Children Together (PACT) is one of Hawaii's not-for-profit organizations providing a wide array of innovative and educational social services to under-resourced families. Assisting more than 17,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 20 programs. Among its services are: early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, childhood sexual abuse supportive group services, child and adolescent behavioral health programs, sex trafficking intervention, poverty prevention and community strengthening programs.

Thank you for the opportunity to testify in **support of SB 2165**, please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.



SENATE BILL 2165, SD 1, RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS' CREDIT

MARCH 22, 2022 · HOUSE HOUSING COMMITTEE ·
CHAIR REP. NADINE K. NAKAMURA

POSITION: Support.

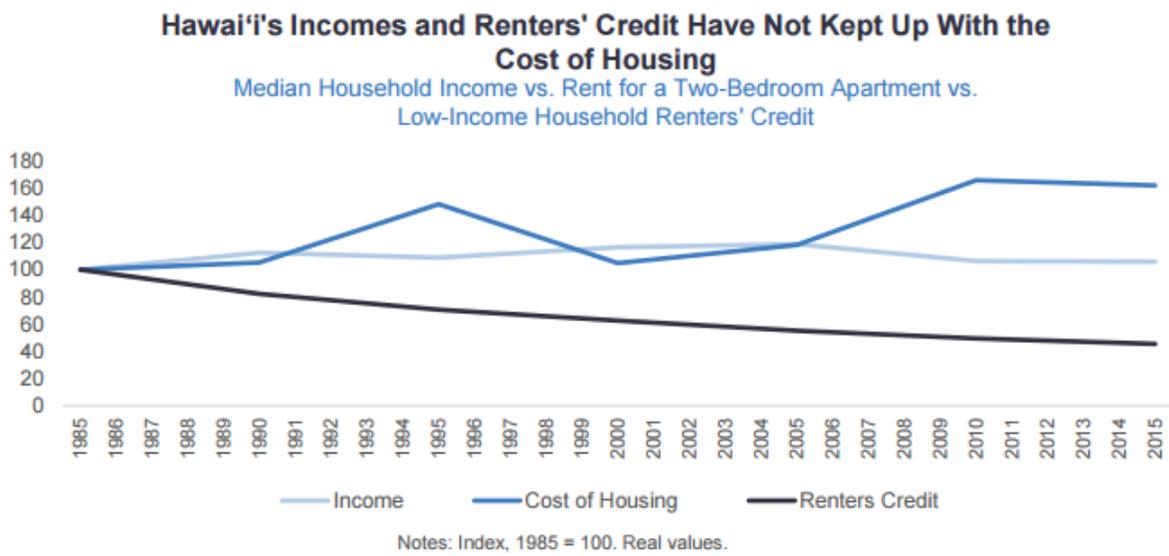
RATIONALE: The Democratic Party of Hawai'i Education Caucus supports SB 2165, relating to the low-income household renters' credit, which increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets and provides for inflation increases every 3 years based on the urban Hawai'i consumer price index.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2021* report found that a full-time worker would need to earn \$37.69/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needing to log 114 hours per week to afford a modest one-bedroom apartment at fair market value and 149 hours per week to afford a two-bedroom—a number that is equivalent to working over 20 hours a day with no days off year-round.

One out of every four households in Hawai'i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and

Economic Justice. Additionally, over 60 percent of households are severely cost-burdened, following NLIHC data, meaning that they pay more than 30 percent of their income on housing, a number that rises to over 80 percent of extremely low-income households, with only 74 homes available for every 100 households earning 80 percent of their respective area’s median income. Notably, housing costs increased during the pandemic. In Honolulu, median single-family home prices reached a record of \$1.06 million last December, driven largely by sales to residential property investors. Unsurprisingly, our state is now experiencing population decline. Hawai’i saw domestic out-migration increase for a fifth consecutive year in 2021, as the state’s high cost of living continued to push people to the mainland.

Our state’s low-income renters’ credit is in dire need of adjustment. **In 1981, the LIHRC was set at \$50. Later, in 1989, the income eligibility cutoff was established at \$30,000, just above the median household income of the time. Yet, neither of these amounts have changed since the 1980s, leaving the amount of the credit lagging far behind inflation.** We must update the renters’ credit to recover ground lost to inflation by increasing the maximum value of the credit to at least \$200 and ensuring that the credit is automatically adjusted in future years according to increases in the consumer price index, which will prevent the value of the credit from trailing our skyrocketing cost of living.



Kris Coffield · Chairperson, DPH Education Caucus · (808) 679-7454 · kriscoffield@gmail.com



SB 2165, SD 1, RELATING TO THE LOW-INCOME HOUSEHOLD RENTERS' CREDIT

MARCH 22, 2022 · HOUSE HOUSING COMMITTEE ·
CHAIR REP. NADINE K. NAKAMURA

POSITION: Support.

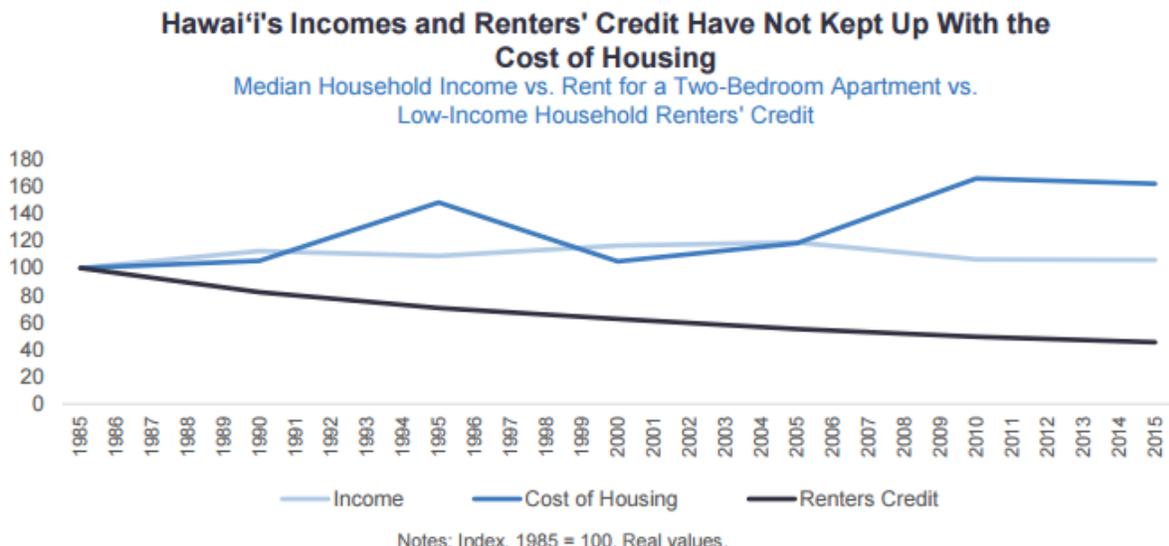
RATIONALE: Imua Alliance supports SB 2165, SD1, relating to the low-income household renters' credit, which increases the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets and provides for inflation increases every 3 years based on the urban Hawai'i consumer price index.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2021* report found that a full-time worker would need to earn \$37.69/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needing to log 114 hours per week to afford a modest one-bedroom apartment at fair market value and 149 hours per week to afford a two-bedroom—a number that is equivalent to working over 20 hours a day with no days off year-round.

One out of every four households in Hawai'i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, over 60 percent of households are severely cost-burdened, following NLIHC data, meaning that they pay more than 30 percent of their income on housing, a number that rises to over 80 percent of extremely low-income households, with only 74 homes

available for every 100 households earning 80 percent of their respective area’s median income. Notably, housing costs increased during the pandemic. In Honolulu, median single-family home prices reached a record of \$1.06 million last December, driven largely by sales to residential property investors. Unsurprisingly, our state is now experiencing population decline. Hawai’i saw domestic out-migration increase for a fifth consecutive year in 2021, as the state’s high cost of living continued to push people to the mainland. Census estimates show that our state’s population dropped by 10,358 people from July 2020 to July 2021.

To help ease Hawai’i’s highest-in-the-nation cost of living, lawmakers must pass measures enhancing tax fairness and economic justice. Our state’s low-income renters’ credit is in dire need of adjustment. **In 1981, the LIHRC was set at \$50. Later, in 1989, the income eligibility cutoff was established at \$30,000, just above the median household income of the time. Yet, neither of these amounts have changed since the 1980s, leaving the amount of the credit lagging far behind inflation.** We must update the renters’ credit to recover ground lost to inflation by increasing the maximum value of the credit to at least \$200 and ensuring that the credit is automatically adjusted in future years according to increases in the consumer price index, which will prevent the value of the credit from trailing our skyrocketing cost of living.



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



LATE

House Committee on Housing

Tuesday, March 22nd 2022, 10:00a.m. Conference Room 423

Hawai'i Alliance for Progressive Action Supports: SB2165 SD1

Aloha Chair Nakamura, Vice Chair Hashimoto and Members of the Committee,

On behalf of the Hawai'i Alliance for Progressive Action (HAPA) I am submitting testimony in **support of SB2165 SD1**, increasing the credit amount and the income eligibility cap thresholds for the income tax credit for low-income household renters by using tax brackets.

The Low-Income Household Renters' Credit was created in 1977 to provide meaningful tax relief to low- and moderate-income households in Hawai'i. However, it has not been updated in over three decades.

In 1981, the Renters' Credit was set to \$50 per exemption. The income eligibility cut off was set to \$30,000 in 1989, which was just above the median household income at the time. Neither of those levels have budged since then.

Some 75% percent of people in Hawai'i living at or near the poverty line now spend more than half of their incomes on rent and more than half of Hawai'i's renters are cost-burdened, spending more than 30% of their income on rent.

Even though renters do not own the property they reside in, they are affected by both county property taxes and the state general excise tax owners pay. Landlords pass these costs along to tenants. However, renters don't benefit from the property tax home exemption granted to owner-occupied residences.

The Renters' Credit would provide some tax equity to renters who functionally pay their landlords property taxes and the GET without the benefits of home ownership.

Given the recent spike in inflation and the ongoing affordable housing crisis The Renters' Credit is more important than ever. Please pass SB2165 SD1.

Thank you for your leadership on this issue and for the opportunity to support Hawaii's workers and families. HAPA is a member of the Hawai'i Tax Fairness Coalition.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Anne Frederick', written in a cursive style.

Anne Frederick
Executive Director

SB-2165-SD-1

Submitted on: 3/18/2022 10:42:49 PM

Testimony for HSG on 3/22/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Christy MacPherson	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Nakamura, Vice Chair Hashimoto and members of the House Committee on Housing,

I am in strong support of SB 2165, SD1. Having worked with houseless families to secure decent housing for over a decade, it became increasingly clear that Hawai`i's low-income families are simply not able to make it here without these kinds of supports. This credit could have a significant positive impact on our families.

Mahalo for your consideration.

Will Caron
Pālolo Valley
willcaronforhawaii@gmail.com

March 20, 2022

TO: House Committee on Housing
RE: Testimony in Support of SB2165 with Suggested Amendments

Aloha Committee Members,

The Low-Income Household Renters' Credit was created in 1977 to provide meaningful tax relief to low- and moderate-income households in Hawai'i. After more than three decades without an update, however, its effectiveness has been greatly diminished by inflation and other increases in the cost of living over time. In particular, the cost of housing, which the credit is meant to alleviate, has exploded over the past three decades.

While I support SB2165 and am glad to see an automatic adjustment index, I ask that the bill be amended to more accurately reflect the reality facing Hawai'i's working families in the state with the highest cost of housing, and therefore the highest cost of living, relative to our wages:

- Increase the maximum value of the credit to at least \$300 per exemption.
- Raise the eligibility threshold up to \$85,000 for joint filers—back to just above the median annual household income.
- Adjust the credit for inflation and other cost of living increases each year, not every 3 years.
- Adjust the income level scale of the credit exemption amounts to create a more gradual phasing out of the credit. For example, dropping from \$100 to \$0 in one step—as the bill currently calls for—actually makes the benefit cliff twice as steep as it was before.

In 1981, the Renters' Credit was set to \$50 per exemption, and the income eligibility cut off was set to \$30,000 in 1989—33 years ago. Neither of those levels have budged since then. At the time, \$30,000 was just above the median household income.

Hawai'i does a poor job when it comes to using the tax system to help low-income workers make it here. In fact, Hawai'i puts one of the highest income tax rates in the nation on its families with poverty-level earnings.

In fact, the lowest income families currently spend up to 15% of their strained earnings on state and local taxes, while the wealthiest are asked to spend less than 9% of their vast incomes on state and local taxes.

The meager return on the Low-Income Household Renters' Credit feels all the more inadequate because of its supposed purpose: to alleviate the cost burden of rent.

Some 75% percent of people in Hawai'i living at or near the poverty line now spend more than half of their incomes on rent. And more than half of Hawai'i's renters are cost-burdened, spending 30% or more of their income on rent.

We should update the Renters' Credit to recover ground lost to inflation by increasing both the maximum value of the credit and the income eligibility limits.

The maximum value of the Renters' Credit should be raised to at least \$300 per exemption for the lowest income earners, and the eligibility threshold should be lifted back to just above the median, up to \$85,000 in annual income for joint filers. Then the credit should automatically adjust for inflation each year, in order to prevent future erosion of its value.

Adjusting the amount of the credit, as well as its income eligibility limits to catch up with inflation, would benefit tens of thousands of households and put millions of dollars back into the pockets of Hawai'i's low and moderate-income families. That's good for all of us, because two-thirds of our economy is dependent on consumer spending, so when working families thrive, we all thrive.

Mahalo for the opportunity to support this important measure.

SB-2165-SD-1

Submitted on: 3/20/2022 4:22:26 PM

Testimony for HSG on 3/22/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Mona Bomgaars	Individual	Support	Written Testimony Only

Comments:

According to my information this low income renter's support hasnt been increased in over three decades. Amazing and appalling! It is definitely time to increase this amount.

No wonder we have a major problem with the houseless on Oahu and the numbers are expected to increase. Please do the needful and pass this bill.

Mahalo.