

**SB 162**

TESTIMONY BY **KALBERT K. YOUNG**  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 162, PROPOSED S.D. 1

February 18, 2011

RELATING TO TAXATION

Senate Bill No. 162, Proposed S.D. 1, taxes employer-funded pension income, effective for taxable years beginning after December 31, 2010, but caps the amount of pension that is excluded from income tax. Under current law, government retirees and certain employer-funded pension income is entirely exempt from State taxation.

The Department of Budget and Finance **supports** this measure but prefers the lower exclusion thresholds found in the Administration bills, Senate Bill No. 1319 and House Bill No. 1092, which excludes from taxation pension income of less than \$37,500 for single filers, \$56,250 for heads of households and \$75,000 for joint filers. According to the Department of Taxation, the Administration bill provisions will generate revenues of \$112.3 million for FY 2012 and each year thereafter. These revenues are an integral part of the Administration's general fund financial plan.

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1530  
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FREDERICK D. PABLO  
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

## SENATE COMMITTEE ON WAYS & MEANS

### TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 162 PROPOSED SD1 RELATING TO TAXATION

**TESTIFIER:** **FREDERICK D. PABLO**, DIRECTOR OF TAXATION  
(OR DESIGNEE)

**COMMITTEE:** WAM

**DATE:** FEBRUARY 18, 2011

**TIME:** 9:30AM

**POSITION:** SUPPORT; PREFER SB 1319

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This measure amends the current law that excludes employer-funded pension income from income tax. It treats employer-funded pension income like all other income, similar to that of the federal tax code. It starts in the 2011 tax year.

The Department of Taxation (Department) **supports** this measure.

**FAIRNESS**—This proposal makes taxation of pensioners more "even handed." Currently, retirees without employer-funded pensions are taxed on their retirement income, such as 401K, dividends, rental income, and other sources of income. It is a fair tax policy to treat the taxation of employer-funded retirement income similar to the self-funded retirement income.

The 1995-1997 and 2001-2003 Tax Review Commission recommended a phase in taxation of all pension income. Similarly, the 2005-2007 Tax Review Commission recommended conforming to the federal tax treatment of retirement income, excluding an annual base amount (e.g.: \$50,000). Hawaii is one of only ten (or 20%) states that

exclude all federal, state and local pension income from taxation<sup>1</sup>. Forty (or 80%) states taxed pension.

**PRESERVE THE EXEMPTION FOR THOSE WITH MODEST INCOME—**

This measure proposes to preserve the exemption of the pension income for those with a federal Adjusted Gross Income of less than:

- \$75,000 for single or married filing separately;
- \$100,000 for head of household or surviving spouse;
- \$125,000 for joint returns.

The Abercrombie-Schatz Administration proposes to preserve the exemption of the pension income for those with a federal Adjusted Gross Income of less than:

- \$37,500 for single or married filing separately;
- \$56,250 for head of household or surviving spouse;
- \$75,000 for joint returns.

The thresholds chosen by the Administration took into consideration the average household income and average pension amount. According to the US Census Bureau, average Hawaii household income in 2008 was \$66,701. According to the 2008 Federal Individual Income tax data, the average Hawaii residents' pensions and annuities taxed at the federal level was \$22,686. According to the 2009 State Individual Income tax data, the amount of pensions taxed at the federal level but not by the State is \$2.61 billion. This exemption currently benefits approximately 96,200 taxpayers, or only 18% of Hawaii resident taxpayers<sup>2</sup>.

This measure will impact 15,395 taxpayers (or approximately 2.9% of Hawaii resident taxpayers), whereas the Administration's proposal will impact 43,520 taxpayers (or approximately 8.1% of Hawaii resident taxpayers).

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<sup>1</sup> The ten (10) states are as follows: Alabama, Hawaii, Illinois, Kansas, Louisiana, Massachusetts, Michigan, Mississippi, New York and Pennsylvania.

<sup>2</sup> Total number of 2009 resident individual income tax returns is 535,996.

**REVENUE GAIN**—This legislation will result in an estimated revenue gain of \$50.1 million per year for FY 2012 and thereafter, whereas the Administration's proposal will result in an estimated revenue gain of \$112.3 million per year for FY 2012 and thereafter.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax on pensions

BILL NUMBER: SB 162, Proposed SD-1

INTRODUCED BY: Senate Committee on Ways and Means

**BRIEF SUMMARY:** Adds a new section to HRS chapter 235 to provide that beginning after December 31, 2010, pension income under HRS sections 88-91, 235-7(a)(2), and 235-7(a)(3) shall be subject to state income taxation if a taxpayer's federal adjusted gross income (FAGI) is: (1) \$75,000 and over for a taxpayer filing a single return or a married person filing separately; (2) \$100,000 and over for a taxpayer filing as a head of household or surviving spouse; or (3) \$125,000 and over for a taxpayer filing a joint return.

**EFFECTIVE DATE:** Tax years beginning after December 31, 2010

**STAFF COMMENTS:** This measure proposes that certain pension income shall be taxable under the state income tax. While Hawaii does not currently tax pension income, this measure recognizes those who depend on that pension income for their basic needs by setting a floor before pension income is to be included in gross income for state income tax purposes. This "floor," or threshold, is set at \$75,000 of federal adjusted gross income for individuals, \$100,000 for heads of households, and \$125,000 for those filing a joint return. The problem with using "federal adjusted gross income" is that not only does it already include pension income, but it may also include one-half of the taxpayer's Social Security benefits. Thus, this proposal not only changes the policy regarding the taxation of pension income, but it also changes the policy with regard to the taxation of Social Security benefits (See HRS Section 235-2.3, paragraph 3). It is not that the state tax will be levied on Social Security benefits per se, but because federal adjusted gross income includes Social Security benefits which then define whether or not one's pension becomes taxable for state income tax purposes, it has an indirect effect of taxing those benefits.

This approach also ignores the actual size of the retiree's pension income as exceeding the threshold or floor and throws all of the retiree's income on the table to be taxed. So, the retiree may have been employed at a business where the pension plan met the bare minimum requirements of the law and the contributions to the plan may have been relatively small in favor of paying more generous wages. That retiree, being prudent, set aside some of those generous wages either in savings or purchased equities to provide for his or her retirement. As a result, the earnings of those savings and investments provide for the bulk of the retiree's income. Because these sources of income are included along with what might be considered a pittance of pension income, the retiree exceeds the threshold subjecting all of the pension income to the state income tax. On the other hand, another retiree's only source of income is his pension, but that pension falls just below the proposed threshold of federal adjusted gross income and thus escapes any state income tax.

It would seem fairer that if pension income is now to be taxable for state income tax purposes, the threshold be measured only against the form of income called pensions. Treatment of this form of

income would be identical regardless of other sources of income and regardless of the federal definition of income.

This measure sets the FAGI threshold at much higher levels than the administration's proposal. One has to wonder whether or not an evaluation of taxable pension income was done by the tax department and thresholds, as proposed, by the administration produced substantially more income than those proposed in this measure. If that is the case, lawmakers may want to be generous in this bill only to find that at these thresholds, the revenues to be generated will be insufficient to address the budget shortfall. Thus, lawmakers may come back next session and have to reduce the thresholds. For once established as taxable income, pensions are subject to the "slippery slope" as the need for additional revenues becomes more apparent. Given the unpopular reaction this proposal has received, consideration might be given to setting a sunset date that would give both pensioners and lawmakers a chance to evaluate the impact of taxing pensions has on Hawaii's seniors.

That said, one has to ask why has it come to this point that the state has to tax a source of income that traditionally has been exempt? All taxpayers, both workers and retirees, must share the blame as few paid attention to how lawmakers frittered our tax dollars away on this or that program. Now that many of those programs and services lawmakers initiated in the last few years have constituencies, it has been difficult for lawmakers to rein in that spending. The swift and vehement rejection of the proposal to tax pensions lies not so much in the fact that it will now tax income that was formerly exempt as much as it is the fact that taxpayers already reel under the heavy burden of taxes in Hawaii. As one senior noted, "What have lawmakers been doing with all the taxes we pay?"

Digested 2/15/11



Senate Committee on Ways and Means  
Friday, February 18, 2011  
9:30 a.m.

**SB 162, SD 1, Relating to Taxation.**

Dear Chairperson Ige and Committee Members:

On behalf of the Board of Directors of the University of Hawaii Professional Assembly (UHPA), our union **does not support** SB 162, SD 1. This proposal is unfair to retirees who have counted on their pension income to be non-taxable in Hawaii. To break commitments made to these retired public employees, who retired knowing their level of income, jeopardizes their future economic security. 90% of retired public employees remain in Hawaii. The \$1 billion of **earned** retirement payments provide a steady stream of support to our local economy during these times of downturns. Reducing the money that these citizens have available to spend will result in negative consequences to our local small business. The unanticipated social costs of not having these dollars available will drive many retirees to seek assistance, especially those who are the most elderly.

Further this proposed legislation grants exemptions for payment of income tax for U.S. military and Hawaii reservist who receive retirement benefits. Although these men and women have given sometimes extraordinary public service, the public service given to by former public workers of our state is no less deserving. It is unclear as to reasons for granting such an exemption for one group while excluding retired Hawaii public employees.

UHPA is concerned that the specific impact of SB 162, SD 1 is not known. How much revenue will be generated and how many retirees will be affected? What is the impact on local economies dependent on steady retiree expenditures each month?

UHPA strongly advocates undertaking a broad analysis to create a tax and revenue system that can meet and sustain the needs of Hawaii. Piecemeal efforts are more likely to add to issues of unfairness creating winners and losers. Hawaii needs a tax system that is robust while being fair to all residents. We urge this committee to consider supporting an effort to examine and restructure the entire state tax revenue system with all possible issues for both taxation and revenue growth being considered.

Respectfully submitted,

**Kristeen Hanselman**

Associate Executive Director

UNIVERSITY OF HAWAII  
PROFESSIONAL ASSEMBLY

1017 Palm Drive • Honolulu, Hawaii 96814-1928  
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Web Page: <http://www.uhpa.org>

# THE OAHU VETERANS COUNCIL

## OAHU VETERANS COUNCIL

President - Fred Ballard  
1st V.P. - Cecil Meadows  
2nd V.P. - Jim Santos  
Secretary - John Harms  
Treasurer - Eugenia Woodward  
Chaplain - Frank Lamson

## OAHU VETERANS CENTER EXECUTIVE DIRECTOR

Sandy Ballard

## MEMBER ORGANIZATIONS

5th Regimental Combat Team -  
45th Infantry Division Association.  
Air Force Assn. - Chapter 138  
Air Force Sergeants Association  
American Legion Aux. - Dept. of HI  
American Legion - Dept. of HI  
American Legion - Post 32  
American Veterans Empowerment & Support -  
Community Operations  
BPOE VAWS - Hawaii Dist.  
China-Burma-India Veterans Association.  
Chosin Few - Aloha Chapter  
Combat Infantrymen's Association.  
Combat Veterans Motorcycle Club  
Disabled American Veterans - Chapter 3  
Fleet Reserve Association - Branch  
and Unit 46  
Hawaii Multiple Schools Unit - Jr. ROTC  
Korean War Veterans Assn - Chapter 1  
Military Officers Assn. of America -  
Aloha Chapter  
Military Officers Assn. of America -  
Hawaii State Chapter  
Military Order of the Purple Heart  
Military Order of World Wars  
National Association. for Atomic Veterans  
National Association. of Uniformed Services  
National Sojourners - Hawaiian # 9  
National Sojourners - Honolulu # 11  
National Sojourners - Kamehameha #439  
Pearl Harbor Survivors Association  
Radiated Veterans  
Samoan Providers  
Society of Military Widows- Aloha Chapter  
Sons & Daughters of Pearl Harbor Survivors  
Special Forces Association. - Chapter VIII  
State Office of Veterans Services  
Veterans of Foreign Wars - Dept. of Hawaii  
Veterans of Foreign Wars - Post 970  
Vietnam Veterans of America - Chapter 858  
Waves National - Unit 131  
Women Veterans of America #26



"a gathering place for veterans"  
OAHU VETERANS CENTER

January 27, 2011

## TESTIMONY REGARDING SENATE BILL 162 RELATING TO TAXATION

### SENATE COMMITTEE ON WAYS AND MEANS HEARING ON FRIDAY, FEBRUARY 18TH, AT 9:30AM, IN CONFERENCE ROOM 211

Aloha Chair Ige: The Oahu Veterans Council's member organization's identified in the left margin represent the interests of over 80,000 veterans and their families. The subject tax issue was brought to the full council's attention, in Saturday January 22<sup>nd</sup>. On Thursday, January 27<sup>th</sup>, our legislative committee voted to testify, regarding Senate Bill 162, as follows:

Oahu Veterans Council delegates represent the interests of "retired" uniformed service personnel who perform creditable service, indefinitely, at their respective Service Secretary's pleasure. While proposed Senate Draft 1 (SD1) exemptions are advertised protect all but the wealthiest pensioners, we are concerned, the very existence of these exemption, expose our retired Kupuna to undue anxiety. As a matter of established principle, we believe our **tradition of not taxing their "retired pay" should never be diminished** in any way.

We thoughtfully and respectfully encourage your committee to remind those who are asking you to diminish aloha toward our retired Kupuna to consider the new conditional legacy they are establishing in SB162, as amended.

Mahalo for allowing us to testify regarding this very important Bill.

*Fred Ballard*

**Fred Ballard; President**



1298 Kukila Street, Honolulu, Hawaii 96818

Email: sballard@oahuveteranscenter.com; Phone: 808-422-4000; Fax: 808-422-4001

www.oahuveteranscenter.com



Hawaii Chapter, MOAA  
P.O. Box 1185  
Kailua, Hawaii 96734-1185

**Testimony of **Thomas Smyth**, President**  
**Military Officers Association of America, Hawaii Chapter**  
**Before the Committee on Ways and Means**  
**Friday, February 18, 2011, 9:30 pm, Room 211**  
**SB 162 (Proposed SD1) Relating to Taxation**  
**Chair Ige, Vice Chair Kidani and Committee Members**

Our chapter of 400 retired and currently serving officers of the Uniformed Services strongly **opposes** SB 162, Proposed Senate Draft 1, that would tax pensions and annuities of current and future retirees with federal adjusted gross income above a defined threshold.

This issue has been given much publicity as part of the Governor's State of the State address and in his recent Star-Advertiser op-ed piece. Since this bill is not the same as he has proposed, it is not clear whether social security payments or disability retired pay would be taxed and whether the thresholds would be indexed for inflation.

Of particular concern is the notion that only 10 states do not tax pensions. That is very misleading in that 8 states have no personal income tax and 2 others only tax dividend and interest income. The fact is that 13 states with income tax do not tax military pensions, another 20 states provide military pension exclusions with either dollar amounts or age exemptions, from 55 to 65 years of age. Other states allow those with full disability an exclusion similar to those above a certain age. Still other states only tax military retired pay for those retiring after a certain date.

As you can see from the 50 state data I have provided, comparison with other states is complex. If Hawaii taxes military retired pay, it will certainly become known as a "military-unfriendly" state at a time when the Department of Defense is one of the most significant contributors to our economy and we go out of our way to welcome military personnel, their families and the money they spend.

**We urge you to carefully consider the facts in this matter and not listen to the rhetoric that pensioners are not “giving back” enough. I can’t speak for all retirees but I know from my personal experience and that of my nearly 500 members that we do, in fact, “give-back” a lot, partly because we have more time to contribute to the community than younger families trying to raise children while working long hours. Many of you are aware of the hundreds of community activities that are led by, or supported by retired military personnel. They served their country and state while in military service and most continue to serve in retirement.**

**Finally, it is clear to me from comments made by the members of my chapter, that if these draconian taxes are put in place immediately and without any prior warning, many will leave the state and few more will come here to retire. That means a significant loss of state revenue as they spend their discretionary income somewhere else. That revenue loss, which is measurable, should be factored into the fiscal equation that so far is only counting revenue gain from new taxation. There is a “cost-benefit” ratio analysis needed before a major mistake is made using false calculations.**

**Thank you for the opportunity to provide testimony.**

TO : COMMITTEE ON WAYS AND MEANS  
Senator David Y. Ige, Chair  
Senator Michelle Kidani, Vice Chair

FROM: Eldon L. Wegner, Ph.D.  
Policy Advisory Board for Elder Affairs

HEARING: 9:30 am Friday, February 18, 2011  
Conference Room 211, Hawaii State Capitol

SUBJECT: SB162 Proposed SD1 Relating to Taxation

POSITION: PABEA supports the intent of SB 162 proposed draft SD1. We prefer SB1319 but we will offer a suggestion for amending SB 162.

RATIONALE:

- We support the intent that public employee retirees with relatively high incomes should be taxed on at least a portion of their state pension. As retirees, we continue to benefit from public services and programs and have an obligation to do our share to support programs for all Hawaii residents.
- However, a new tax should be modest – keeping in mind that retirees have carefully considered their finances when making the decision to retire. Figuring out the financial viability of retirement is a challenge, but changing the rules after the game is unfair. Many middle class retirees continue to have mortgages or must pay rent, and many face increasing health care costs as they age.

§ SB 162 SD1 would tax the entire pension income of anyone reaching the income limits (\$75,000, \$100,000, \$125,000). SB1319, on the other hand, would impose the tax only on the income which exceeded the (much lower) limits in that bill. Thus SB162 SD1 has the effect of imposing the tax on many fewer persons but making the tax much more burdensome for those who do exceed the limit.

- We suggest that SB162 SD1 be amended to tax only the portion of the income which exceeds the income limits (\$75,000, \$100,000, \$125,000). If this would provide insufficient revenue, the income limits could be lowered (e.g. \$50,000) so that a larger number of retirees would have a tax obligation but the obligation would be modest in size.

Thank you for the opportunity testify.

TO.: COMMITTEE ON WAYS AND MEANS  
Senator David Y. Ige, Chair  
Senator Michelle Kidani, Vice Chair

FROM: Eldon L. Wegner, Ph.D.  
Policy Advisory Board for Elder Affairs

HEARING:9:30 am Friday, February 18, 2011  
Conference Room 211, Hawaii State Capitol

SUBJECT:PROPOSED AMENDMENT TO SB162 Proposed SD1 Relating to Taxation

The Policy Advisory Board for Elder Affairs suggests that SB162 SD1 be amended to tax only the portion of the income which exceeds the income limits (\$75,000, \$100,000, \$125,000). If this seems too modest, the income limits could be lowered (e.g. \$50,000) so that a larger number of retirees would have a tax obligation but the obligation would be modest in size.

# Hawai'i Alliance for Retired Americans

An affiliate of the Alliance for Retired Americans  
c/o AFSCME • 888 Millilani Street, Suite 101 • Honolulu, Hawaii 96813

AFT Hawaii Retirees  
HGEA Retirees  
HSTA – Retired  
ILWU Retirees  
Kokua Council  
Machinists Union Retirees  
UPW Retirees  
ADA/Hawaii  
Hawaii Family Caregivers Coalition  
Kupuna Education Center

(Submitted by email to: [WAMTestimony@capitol.hawaii.gov](mailto:WAMTestimony@capitol.hawaii.gov) February 17, 2011)

Statement of Al Hamai, President, on SB 162, Proposed SD1, Relating to  
Taxation of Pension Income

## Hearing Senate Ways and Means Committee

February 18, 2011, 9:30 a.m. Conference Room 211

Chair David Y. Ige, Vice Chair Michelle Kidani and Members of the  
Committee on Ways and Means,

The proposed SD1 proposes to tax pension income of taxpayers with a certain federal adjusted gross income and filing status.

The Hawaii Alliance for Retired Americans (HARA) is mindful of the dire fiscal situation that the State currently faces. But while the recession has taken its toll on businesses, jobs, and the entire economy, things are looking up. Tourism numbers are improving by the day, and construction is beginning to pick up. Even retail sales are improving.

Nevertheless, the projected budget deficit of more than \$700 million is a huge hole to fill, especially if we want to preserve our safety net services and address the needs of the poor and disadvantaged. We recognize that shared sacrifice will be required and agree that retirees must also contribute to keep our State solvent. The affiliates of HARA have thus taken the following position to:

1. Support a temporary increase in the general excise tax (GET). We recognize that the GET is regressive and will impact the poor and senior citizens

living on fixed incomes disproportionately more than it would others. However, if the increase is temporary, the State should be able to generate sufficient income to see us through this fiscal crisis, with even our tourists contributing. We see better days ahead.

2. Support a tax on pension income that exceeds a specified threshold. For most retirees, especially those with low and middle incomes, their pension income should not be taxed. Taxing them would place an extraordinarily huge burden on these pensioners, many who are barely making it, and we strongly oppose taxing their pensions. However, we are willing to support a tax on pension income, especially for those with the highest income, that exceeds a specified threshold. While taxing only pension amounts above a specified threshold may not generate a huge amount, it will capture revenue from wealthier retirees and, coupled with an increase in the GET, should make a substantial dent in the deficit.

Helping to resolve the state deficit, while taking care of the important programs and activities of all citizens—children, working people, retirees and seniors, et al—is everybody’s business, including seniors and retirees. By taking the positions of supporting an increase in the GET and of supporting a tax on pension income that exceeds a specified threshold, HARA wants to be a part of this important public decision making process.

*HARA is a strong voice for Hawaii’s retirees and seniors; a diverse community-based organization with national roots; a grassroots organizer, educator, and communicator; and a trusted source of information for decision-makers.*

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 17, 2011 12:13 PM  
**To:** WAM Testimony  
**Cc:** gmayehara@aarp.org  
**Subject:** Testimony for SB162 on 2/18/2011 9:30:00 AM

Testimony for WAM 2/18/2011 9:30:00 AM SB162

Conference room: 211  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Ginger Mayehara  
Organization: AARP  
Address:  
Phone:  
E-mail: [gmayehara@aarp.org](mailto:gmayehara@aarp.org)  
Submitted on: 2/17/2011

Comments:

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**From:** Joel Fischer [jfischer@hawaii.edu]  
**Sent:** Wednesday, February 16, 2011 2:01 PM  
**To:** WAMTestimony@capitol.hawaii.gov  
**Subject:** SB162; WAM; @/18/11; 9:30AM; Rm 211

**Importance:** High

SB162, Relating to... Broken Promises!  
WAM; Chair, Sen Ige

**PLEASE **KILL THIS BILL**, MAKE-DIE-DEAD!!**

**This bill is cruel, cruel, cruel!**

I believe Gov Neil has lost it! All those years of fighting for progressive causes and on behalf of working people, and in one fell swoop, in his State of the State address, he repudiates everything he ever stood for.

he said in that address that "everyone should contribute" to reducing the deficit, but his definition of "everyone" includes only the poor, old and retired. Broken promises, a broken social contract, taking away from the have-nots to give to the haves: these are what characterize the "new" Abercrombie!

What about ANY suffering by the rich? Why no mention of tax credits that benefit only the rich and that research shows are the worse way to stimulate an economy. Why not visit the tax code revisions enacted under another fake liberal, Ben Cayetano, which have stolen hundreds of millions of dollars of badly needed revenue from the state.

I urge this committee to send a **STRONG** message to the governor that these outrages will not be allowed to stand.

Thank you.

Aloha, joel

**Dr. Joel Fischer**, ACSW  
Professor (Ret.)  
University of Hawai'i, School of Social Work  
Henke Hall  
Honolulu, HI 96822

"It is reasonable that everyone who asks justice should DO justice."  
Thomas Jefferson

"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but one must take it because one's conscience tells one that it is right."  
Dr. Martin Luther King, Jr.

"Never, never, never quit."  
Winston Churchill

It is better to be "over the hill" than under it.  
Anonymous

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**From:** Deana Shelby [deana\_shelby@hotmail.com]  
**Sent:** Tuesday, February 15, 2011 6:08 PM  
**To:** WAM Testimony  
**Subject:** SB 162 SD1, Relating to Taxation

To: Senate Committee on Ways and Means, Senator David Y. Ige, Chair

Date: Friday, February 18, 2011, State Capitol Conference Room 211, 9:30am.

Re: SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in strong **OPPOSITION** to SB 162 SD1, Relating to Taxation.

I am still working though I turn 62 this year.

I am opposed to this bill because as prices increase and income decreases due to the current less than stellar recovery from our countries recent financial crisis, I find myself squeezed on both ends.

Now this pension proposal makes planning for a secure future even more difficult..

I urge you to support seniors by voting NO on SB 162 SD1.

**Deana Shelby**

Anahola, HI on the island of Kauai

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**From:** David Klemer [davidklemer@yahoo.com]  
**Sent:** Tuesday, February 15, 2011 6:10 PM  
**To:** WAM Testimony  
**Subject:** SB 162 SD1, Relating to Taxation

To: Senate Committee on Ways and Means, Senator David Y. Ige, Chair

Date: Friday, February 18, 2011, State Capitol Conference Room 211, 9:30am.

Re: SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in strong **OPPOSITION** to SB 162 SD1, Relating to Taxation.

I am currently retired and living on my savings. I am opposed to this bill because I have worked all my life to earned some piece of mind in my old age, and now the government is planning to raid my retirement moneys.

I urge you to support seniors by voting NO on SB 162 SD1.

**David Klemer**

Anahola, HI on the island of Kauai

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**From:** LEEBJNTUFFY@aol.com  
**Sent:** Wednesday, February 16, 2011 10:46 AM  
**To:** WAM Testimony  
**Subject:** Taxing senior pensions

**Betty and I chose to stay in Hawaii after our retirement, even though the cost was higher than other locals we could have retired to. The principle reason was the lack of state tax on our pensions helped to partley defray the difference in cost. Our pensions are fixed but costs are not. As retirees and AARP members we consider this proposed tax unfair, we may have to move from where we love!!!!**

**Mahalo for your consideration,**

**Lee and Betty Peppell**

**155 Paoakalani Ave #904**

**Honolulu HI 96815**

To: Senate Committee on Ways and Means, Senator David Y. Ige, Chair

Date: Friday, February 18, 2011, State Capitol Conference Room 211, 9:30am.

Re: SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in Strong OPPOSITION to SB 162 SD1, Relating to Taxation. My name is Roy T. Matsuo, and I am recently retired and live in the Kalihi Valley area on Oahu. I am Opposed to this bill based on the following:

- As a recent retiree, I am now on a fixed income and no longer receive any salary increases each year.
- This proposal “pulls the rug out” from my retirement plan, as I have not planned for this extra expense that unfairly targets senior like myself.
- I recently re-financed my home mortgage in order to increase my cash flow on my modest fixed income, but any additional taxes to my pension will negatively impact that cash flow.
- Any taxes on my pension will require that I go back to work just to help pay these additional taxes; this is not very fair to me and to those who have worked all of their lives and are now seeking to rest and enjoy their retirement years.
- My having to go back to work just to pay any increase in taxes will also prevent me from continuing to do volunteer work in my community, as well as other important work helping the elderly people in my Church community.

I urge you to support seniors by **voting NO** on SB 162 SD1.

Thank you for the opportunity to submit my testimony.

Respectfully submitted,

**Roy T. Matsuo**

Senatorial District No. 14

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 17, 2011 7:54 AM  
**To:** WAM Testimony  
**Cc:** hwil@hawaiiantel.net  
**Subject:** Testimony for SB162 on 2/18/2011 9:30:00 AM

Testimony for WAM 2/18/2011 9:30:00 AM SB162

Conference room: 211  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Louis Wilhelm  
Organization: Individual  
Address:  
Phone:  
E-mail: [hwil@hawaiiantel.net](mailto:hwil@hawaiiantel.net)  
Submitted on: 2/17/2011

Comments:

As a retiree, I am already over taxed by the Federal government, and now your going to add the State to that??? Why pick on us, we paid our dues!!!

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**From:** HFD, E31R [HFDE31R@honolulu.gov]  
**Sent:** Thursday, February 17, 2011 8:04 AM  
**To:** WAM Testimony  
**Subject:** S.B. No. 162 Relating to Taxation, Proposed S.D. 1

Aloha all,

I am **opposed** to S.B. No. 162 Relating to Taxation, Proposed S.D. 1.

These civil service workers tend to be on a fixed income when they retire.

Firefighters and Police have 50% of their Social Security income taken away upon retirement, by the Federal Government.

Please don't take away anymore.....

Thank you for your time.

**Brett Aweau**  
2014 Kamalalehua Place  
Honolulu, HI. 96813

Ph. 808-383-7831

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**From:** Michael Dahlberg [taniyamain@hawaii.rr.com]  
**Sent:** Thursday, February 17, 2011 8:46 AM  
**To:** WAM Testimony  
**Subject:** Pension Tax - SB 162 SD1

**To:** Senate Committee on Ways and Means, Senator David Y. Ige,  
Chair  
**Date:** Friday, February 18, 2011, State Capitol Conference Room 211,  
9:30am.  
**Re:** SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in **OPPOSITION** to SB 162 SD1, Relating to Taxation. My name is MICHEL DAHLBERG and I am a scientist retired from 36 years of federal service with NOAA and live in Ma'alaea Village, Maui. I am opposed to this bill as:

I am a senior (age 72) living on a fixed income and even though my income is fixed, my costs are not. For example, in 2009 my out of pocket medical expenses exceeded \$5000 for insurance and medications; my health insurance does not cover dental and that was a major cost. I spend more on health care than I do on food and I am a healthy individual. In addition, housing costs continue to increase along with the cost of food but my pension received no cost of living increase in 2010 or 2011. I am paying more and more to live and receiving less and less from my investments and savings.

I urge you to support seniors by voting NO on SB 162 SD1.  
Thank you for the opportunity to submit my testimony.

**Michael Dahlberg**  
Ma'alaea Village, Maui

GLENN T. SOMA

2436 HOLOMUA PL.

HON., HI 96816

FEBRUARY 16, 2011

WAYS & MEANS COMMITTEE  
SENATE

SUBJECT: TESTIMONY FOR SB 162, SD 1

OUR GROUP OF RETIREES, MOSTLY RECENTLY RETIRED, CAREFULLY WEIGHED OUR DECISIONS TO RETIRE, BALANCING OUR PENSIONS AGAINST MORTGAGES, CAR LOANS, PERSONAL LOANS, HOUSEHOLD (FOOD, UTILITIES) EXPENDITURES, PROPERTY TAXES, INSURANCE PREMIUMS, VEHICLE REGISTRATION FEES, AUTO AND HOME REPAIRS, THE RISING COST OF GASOLINE, ETC. EACH OF US WAS HESITANT TO RETIRE, KNOWING THAT OUR PENSIONS WOULD BE SIGNIFICANTLY LESS THAN OUR WORKING SALARIES. WE ARE THUS EXTREMELY UPSET THAT SB 162 SD 1 NOW PROPOSES TO TAX OUR PENSIONS AND UPSET THE DELICATE BALANCE BETWEEN PENSION AND COST-OF-LIVING IN HAWAII.

(OVER)

MANY RETIREES CHOOSE TO RESIDE IN HAWAII  
BECAUSE THEIR PENSIONS ARE NOT TAXED HERE.

THE STATE'S DECISION TO TAX THESE RETIREES'  
PENSIONS WILL RESULT IN AN OUT-MIGRATION OF  
RETIREES TO OTHER STATES LIKE FLORIDA, NEVADA,  
WASHINGTON, ETC. THE LOSS OF THESE PENSIONERS  
WILL ADD TO GREATER FUTURE BUDGET DEFICITS, AS  
MORE AND MORE PENSIONERS LEAVE HAWAII, TAKING  
THEIR PENSIONS THAT SUPPORT HAWAII'S COMMERCE,  
GOVERNMENT, NON-PROFIT AGENCIES AND CHARITIES  
WITH THEM.

PLEASE DO NOT SACRIFICE HAWAII'S LONG-TERM  
FINANCIAL FUTURE WITH THIS SHORT-SIGHTED MEASURE.  
WE BEG YOU TO KILL SB 162, SD 1

SINCERELY,



GLENN T. SOKA

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 17, 2011 11:00 AM  
**To:** WAM Testimony  
**Cc:** web@cartoonistforchrist.org  
**Subject:** Testimony for SB162 on 2/18/2011 9:30:00 AM

Testimony for WAM 2/18/2011 9:30:00 AM SB162

Conference room: 211  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lee McIntosh  
Organization: Individual  
Address:  
Phone:  
E-mail: [web@cartoonistforchrist.org](mailto:web@cartoonistforchrist.org)  
Submitted on: 2/17/2011

Comments:

Mr. Chair and Members of the Committee on Ways and Means:  
Aloha, my name is Lee McIntosh. I live in Kau on the Big Island. I am not in favor of the new proposed language for SB 162, which attempts to tax the pension income of my parents. Pensions should not be taxed, because these individuals worked hard to receive this money to help them live after they retire, and for the most part are no longer able to work. Many retirees move to Hawaii because it is one of about 10 states that do not tax pensions. Their income is set, and cannot afford the Legislature to begin taxing it. This bill fails to mention that retirees do contribute to the tax system by paying the GET on the services or products that they purchase. The proposed language will deter people from retiring to Hawaii, and retirees that reside in Hawaii will be forced to leave the State, separating families. Although the language does not completely repeal the pension tax credit, only affecting those who the Legislature deems can afford it, the Legislature will continue to lower the credit to address the deficit and fund their out-of-control spending until those who cannot afford it are included. Thank you for the opportunity to testify on the new proposed language for SB 162.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 17, 2011 12:36 PM  
**To:** WAM Testimony  
**Cc:** aumari22@aol.com  
**Subject:** Testimony for SB162 on 2/18/2011 9:30:00 AM

Testimony for WAM 2/18/2011 9:30:00 AM SB162

Conference room: 211  
Testifier position: comments only  
Testifier will be present: Yes  
Submitted by: Marianne Au  
Organization: Individual  
Address:  
Phone:  
E-mail: [aumari22@aol.com](mailto:aumari22@aol.com)  
Submitted on: 2/17/2011

Comments:

increase in taxes on timeshares and seniors

Your Message I am writing a personal letter as opposed to the form letters I could use. Therefore it is not directed at a specific senate or house bill but several under consideration. Each day I hear a different tax that will directly affect me. I have my deceased husband's HECO private pension. I have social security and I have to take RMD since I am over 71. I was privately employed so I needed to save in an IRA for my self financed retirement. It all adds up to just over your threshold for being taxed as a single for State Income. The only traveling I can afford is using my timeshare which I have had for 10 years. I understand that the TAT on that is in current bills to increase by 300%. City and County RP (2 of my SS payments), auto taxes, and federal taxes need to be considered when computing the impact that additional state taxes will have on retired middle income seniors. There are higher income citizens who can better afford extra taxes that will not significantly impact their lives. Aloha Marianne Au

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**From:** flemming carstensen [flemming@hawaii.rr.com]  
**Sent:** Thursday, February 17, 2011 1:10 PM  
**To:** WAM Testimony  
**Subject:** Bill to Tax Pensions - SB 162 SD1

**To:** Senate Committee on Ways and Means, Senator David Y. Ige, Chair

**Date:** Friday, February 18, 2011, State Capitol Conference Room 211, 9:30am.

**Re:** SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in strong OPPOSITION to SB 162 SD1, Relating to Taxation. My name is Flemming H. Carstensen, my wife Hortense and I live in a retirement place at Waialae Nui, lower ridge area. **We strongly oppose to Bill SB SD1**

We like many other seniors live of our Pension and Social Security which barely cover our expenses now. With the world wide raising food prices due to crop failure as well as inflation, taxing our pension will simply "push us over the cliff".

Also, we are still recovering from the impact of the recession which wiped out a small investment that we had built up over the years. Now this proposal of taxing the pension makes retirement even more difficult, and life may not be worth while living

Chair Ige, I urge you to support seniors by voting **NO on SB 162 SD1**.

Thank you for the opportunity to submit our testimony.

**Flemming and Hortense Carstensen**

Waialae Nui, lower ridge area

To: Senate Committee on Ways and Means, Senator David Y. Ige,  
Chair  
Date: Friday, February 18, 2011, State Capitol Conference Room 211,  
9:30am.  
Re: SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in strong OPPOSITION to SB 162 SD1, Relating to Taxation. My name is Vaughn Mitchell and I am twenty five years retired and live in the Waikiki area. I am opposed to this bill as:

• I am a senior on a fixed income and even though my income is fixed, my costs are not. Property taxes, lease fees, GET, food, medicine, and energy have increased significantly. Hawaii's electricity rate is double the national average.

• This proposal "pulls the rug out" from my retirement plan, as I have not planned for this extra expense that unfairly targets seniors. Seniors ARE "the most vulnerable among us" as we are boxed in. We can't afford to pick up and move to a less expensive state because we have committed our capital here. My expertise is in manned space flight but President Obama outsourced that to Russia so I can't go back to work. Do you really intend to force me at eighty back to work? I do NOT want to become a ward of the state. Please let me keep my dignity.

• I am still recovering from the impact of the recession on my finances. Now this pension proposal makes planning for a secure retirement even more difficult. Every day seniors are demonized by the very politicians who squandered the taxes and social security payments we have made throughout our lives. Hardly a day goes by without politicians clamoring for the reduction of benefits we depend on and now increasing our taxes.

• It is incredibly unfair that we have just completed a major election and not one proponent of this bill including the governor uttered one suggestion that they would even consider, much less promote this assault on seniors retirement. I feel deprived of the democratic process. Pensioners cost the state much less because we do not have children in school and crime by seniors is virtually non-existent

I have worked all my life and have earned my pension, and now the government is raiding my retirement moneys.

I urge you to support seniors by **voting NO** on SB 162 SD1.  
Thank you for the opportunity to submit my testimony.

**Vaughn Mitchell**  
Waikiki

February 17, 2011

Chair Ige and Committee Members,

I **oppose** SB 162 SD1. My name is Connie Oliva, I live in Kailua, and I am a retiree. Several family members live on Oahu, and my husband and I share our retirement funds by supporting personal causes, supporting my elderly father in law (and keeping him home with us), paying for school tuitions for grandchildren, financing family outings. We don't hold onto our pensions, we spend the money here for the most part. Absolutely, our choice of retirement community (the state of Hawaii) included the financial facts of taxation of pensions upon retirement. Family members moved here after we did eleven years ago.

I think the proposed taxation is ultimately bad for the state. If pensions are taxed, it is realistic to anticipate less retirees staying here or moving here, less money spent here and people "holding on" to what they have instead of feeling comfortable spending. What's that famous line from HELLO DOLLY? "Money is like manure, it needs to be spread around" and I think the spending would be greater without this proposed further taxation. Certainly in our family, that would be the case.

This is not the time to further burden senior citizens. We worry enough about how to fund home care, long term care, medical costs. We are on fixed incomes, but the costs rise. I take care of a 95 year old at home, not burdening the state. I would appreciate the opportunity to continue to do so, and not have to worry about yet another tax bite.

Respectfully,

**Connie Oliva**

To: Senate Committee on Ways and Means, Senator David Y. Ige, Chair  
Date: Friday, February 18, 2011, State Capitol Conference Room 211, 9:30am.  
Re: SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in strong **OPPOSITION** to SB 162 SD1, Relating to Taxation. My name is **John Patterson**; I am retired with my wife living in Hawaii Kai.

SB 162 SD1 represents the worst form of tax legislation. It attempts to solve a broad general problem, that of an imbalance between revenues and outlays, by disproportionate burdening of a specific minority, namely aging retired annuitants. It is retrospective taxation in that it targets benefits earned long ago when people made decisions regarding employment, retirement, relocation, and long term financial commitment such as mortgages based on a Hawaii policy they had every expectation would follow them through their retirement.

The same government that used its favorable retirement tax policy to attract people to relocate to the islands is now considering a punitive reversal at a time when few of the affected retirees have much flexibility in their financial planning.

The impact is not modest; Hawaii has the highest marginal tax rate in the country. Affected retirees could see in excess of 10% of their income suddenly stripped from them. Such a reduction could have catastrophic impacts on Hawaii's aging retirees.

In summary, the proposal to tax annuities is punitive, disproportionate, and cruel to the aging citizens of Hawaii.

Thank you for your attention.

To: Senate Committee on Ways and Means, Senator David Y. Ige,  
Chair  
Date: Friday, February 18, 2011, State Capitol Conference Room 211,  
9:30am.  
Re: SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in strong OPPOSITION to SB 162 SD1, Relating to Taxation. My name is Mike Smith and live in the Hawaii Kai area. I am opposed to this bill as:

- I am a senior on a fixed income and even though my income is fixed, my costs are not. Food is up, association fees are up 25%, medical costs are up, gasoline is up, and energy has increased significantly. Hawaii's electricity rate is double the national average with many more increases on the horizon.

- This proposal "pulls the rug out" from my retirement plan, as I have not planned for this extra expense that unfairly targets seniors. Seniors are one of the most vulnerable groups because we are boxed in. We committed our resources here based on current tax law and can't afford to pick up and move to a less expensive state. Job opportunities are virtually nonexistent. My expertise is in manned space flight, which the current administration outsourced to Russia. There is nothing FAIR about changing rules of the game AFTER seniors have committed their one shot capital to this state having carefully balancing resources and expenses.

- I am still recovering from the impact of the recession on my finances. Now this pension proposal makes planning for a secure retirement even more difficult. The very politicians who squandered the taxes and social security payments we have made throughout our lives now demonize seniors. Hardly a day goes by without politicians clamoring for the reduction of benefits we depend on and now increasing our taxes. My retirement health benefits have already been significantly impacted. Dr visits, co-pay, and deductible all up 20 to 30 % in anticipation of the so-called Cadillac tax in so called Health Care Reform. Of all the deductions and considerations in the system, why are you targeting seniors?

- We have just completed a major election and not one proponent of this bill including the governor uttered one suggestion that they would even consider, much less promote this assault on seniors retirement. I feel deprived of the democratic process. This is NOT FAIR. Seniors may seem like an easy target because we are so trusting but, we talk, we

will learn, and yes, we will vote!

In general, pensioners cost the state less because they do not have children in school and crime by seniors is virtually non-existent. They also bring the Capital of their life savings, make good neighbors and tend to volunteer in the community. Laws like this will cause seniors with pension income to avoid Hawaii in favor of more tax friendly, lower cost of living states, which is likely to result in a net revenue loss over time.

□□□□□□□□ I have worked all my life and have earned my pension, and now the government is raiding my limited retirement moneys.

President Obama's stated policy is not raising income taxes on any family making less than \$250000/yr. As a minimum, you should support his policy here by raising this tax threshold to \$250000.

I urge you to support seniors by **voting NO** on SB 162 SD1.  
Thank you for the opportunity to submit my testimony.

**Mike Smith**  
Hawaii Kai

To: Senate Committee on Ways and Means, Senator David Y. Ige, Chair

Date: Friday, February 18, 2011, State Capitol Conference Room 211, 9:30 AM

Re: SB 162 SD1, Relating to Taxation

Chair Ige and Committee Members, thank you for the opportunity to submit written testimony in **OPPOSITION** to SB 162 SD1, Relating to Taxation. My name is Niyati Brown and I am a recently retired special education teacher from Hawaii island. As you consider cutting and/or taxing retiree benefits, I would like to put a face to what you are contemplating to do.

As a state retiree, I receive a fixed income pension from the state that is now \$696.49. From that amount I have \$252.00 payable monthly back to the EUTF state system for my half of medical premiums since I was hired a few months after the law changed in July of 1996 and can't get full medical premiums from the state. That leaves an amount of \$444. When I retired last April things looked okay but with insurance increases doubling and taxes now being withheld federally, I cannot use my pension to cover my house payment any more.

In this bill you are suggesting another round of cuts for pensioners to pay into state taxes. At 10% of the original pension, that would eat out about another \$70. per month bringing the total I receive down to \$274.00 left per month. Do you really think I can live on this amount? I am not alone in this problem. Over 600 other teachers are required to pay part of their medical premiums also. Some retirees, now in their 80's bring in less than \$200. per month in a pension because they retired so long ago. This is not the kind of retirement we were promised when we began teaching here in Hawaii. Is this how we should honorably treat our kapuna?

The impact of the recession has been devastating to all Hawaiian citizens I know. I believe the fair thing to do is to look at a tax that would assess all citizens equally, not just those who have devoted their lives to making the state as great as it is today or consider raising the retirement tax cap from \$37,000 for an individual to something more in line with poverty and high cost of living in Hawaii.

It is unthinkable to balance the budget on the backs of those who can fight back the least ie. school children, handicapped, and the elderly. That is wolf pack mentality; taking out the weakest to save those who are able to work and have the most already at their disposal. I know that you became legislators so that you could make a difference for the people of Hawaii. Will that difference be a legacy of older people losing their homes, not having their medications, or not having enough to eat? Or will you find a more equitable solution that honors the teachers, firefighters, police, and other workers that have made Hawaii the wonderful place it is today.

Thank you for allowing me to present testimony. **Niyati Brown**; PO Box 82; Paauilo, HI 96776.