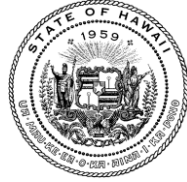


DAVID Y. IGE
GOVERNOR

SHANTSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, April 6, 2015
Time: 1:30P.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1182, H.D. 1, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 1182, H.D. 1 and provides the following comments for your consideration.

H.B. 1182, H.D. 1 amends the income tax credit for expenses for household and dependent care services necessary for gainful employment by changing the applicable percentage for calculating the credit. This bill applies to taxable years beginning after December 31, 2014 and has a defective effective date of July 1, 2030.

Because this bill only changes the percentages for calculating the credit, the Department will be able to administer this change for the 2015 tax year.

The estimated revenue loss would be \$0.6 million per year, starting in FY 2016.

Thank you for the opportunity to provide comments.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase dependent care credit

BILL NUMBER: HB 1182, HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 235-55.6 to increase the amount of the dependent care credit as follows:

| Adjusted gross income | Tax credit |
|-------------------------------------|------------|
| Not over \$25,000 | 25% |
| Over \$25,000 but not over \$30,000 | 24% |
| Over \$30,000 but not over \$35,000 | 23% |
| Over \$35,000 but not over \$40,000 | 22% |
| Over \$40,000 but not over \$45,000 | 21% |
| Over \$45,000 but not over \$50,000 | 20% |
| Over \$50,000 | 15% |

The percentage is applied to the “employment-related expenses” of the taxpayer, meaning expenses for household services and expenses for care of a qualifying individual.

EFFECTIVE DATE: July 1, 2030; applicable to tax years beginning after December 31, 2014

STAFF COMMENTS: The dependent care credit is available only if the care provided permits taxpayers to be gainfully employed. The credit ranges from 15% to 25% of eligible expenses. The percentage amount varies with income, with higher percentage amounts applicable to lower income taxpayers. This measure provides a modest increase in the dependent care credit, and lowers the income thresholds at which the additional credit may be claimed.

Digested 4/4/15



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 11182 HD1: Relating to Taxation

TO: Senator Jill N. Tokuda, Chair, Senator Ronald D. Kouchi, Vice Chair,
And Members, Committee on Ways and Means

FROM: Trisha Kajimura, Social Policy Director, Catholic Charities Hawaii

Hearing: Monday, April 6, 2015; 1:30 PM; Conference Room 211

Thank you for the opportunity to provide written testimony in support of HB1182 HD1, which would provide for a modest increase in the dependent care credit, and would lower the income thresholds at which the additional credit may be claimed.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawaii.

Hawaii's high cost of living, including the highest cost of shelter in the country¹ and food costs for a family of four at 68% more than the mainland², makes living with a low to moderate income very difficult. Not only are families with this level of income spending a high percentage of their income on basic living expenses but also on the regressive General Excise Tax.

Increasing the dependent care credit will help to address the disproportionate tax burden faced by local families, and will help to reduce the high cost of living in our state. It is important to note that this bill impacts not only those families that have high child care costs, but also impacts caregivers who incur out-of-pocket costs to provide care for an elderly or otherwise incapacitated family member.

Thank you for the opportunity to testify. Please contact me at (808) 527-4810 or trisha.kajimura@catholiccharitieshawaii.org if you have any questions.

¹ Hawaii 2013 State Housing Profile, National Low Income Housing Coalition. <http://nlihc.org/sites/default/files/SHP-HI.pdf>.

² Based on the U.S. Department of Agriculture's Thrifty Food Plan, which is used as the basis for Supplemental Nutrition Assistance Program benefits. See <http://www.cnpp.usda.gov/usdafoodplanscostoffood.htm>.



Catholic
Charities
USA



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

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TO: Senator Jill N. Tokuda, Chair
Senator Ronald D. Kouchi, Vice Chair
Members, Senate Committee on Ways & Means

FROM: Scott Morishige, MSW
Executive Director, PHOCUSED

HEARING: **Monday, April 6, 2015 at 1:30 p.m. in Conf. Rm. 211**

Testimony in Support of HB1182 HD1, Relating to Taxation.

Thank you for the opportunity to provide testimony in **support** of HB1182 HD1, which would provide for a modest increase in the dependent care credit, and would lower the income thresholds at which the additional credit may be claimed. PHOCUSED is a nonprofit membership and advocacy organization that works together with community stakeholders to impact program and policy change for the most vulnerable in our community, including low-income families.

Hawaii has the highest cost of living in the nation – at almost 160% of the national average. As a result, many local families struggle to afford basic living costs, including housing and child care. According to our member organization PATCH (People Attentive to Children), child care is generally the *second highest* cost that Hawaii families pay after rent or mortgage. The struggle to afford basic costs of living is exacerbated by Hawaii's regressive tax structure, and the fact that Hawaii's low-income residents face the second highest tax burden in the country.

Increasing the dependent care credit will help to address the disproportionate tax burden faced by local families, and will help to reduce the high cost of living in our state. It is important to note that this bill impacts not only those families that have high child care costs, but also impacts caregivers who incur out-of-pocket costs to provide care for an elderly or otherwise incapacitated family member.

Once again, PHOCUSED urges your support of this bill. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at admin@phocused-hawaii.org.

The Twenty-Eighth Legislature
Regular Session of 2015

THE SENATE

Committee on Ways and Means

Senator Jill N. Tokuda, Chair

Senator Ronald D. Kouchi, Vice Chair

State Capitol, Conference Room 211

Monday, April 6, 2015; 1:30 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1182, HD1
RELATING TO TAXATION**

The ILWU Local 142 supports H.B. 1182, HD1, which amends the income tax credit for expenses for household and dependent care services necessary for gainful employment by changing the manner in which the taxpayer's applicable percentage is determined.

H.B. 1182, HD1 attempts to bring some fairness and equity to Hawaii's tax structure, which is said to be among the highest in the nation. The bill will help low-wage workers with dependents pay taxes in proportion to their income and in recognition of the high cost of living in Hawaii. To do otherwise would unfairly penalize those who diligently work yet are unable to bring themselves out of the ranks of the working poor.

Obviously, the best solution would be to increase the wages and salaries of all who work for a living, but the Legislature is not in a position to dictate to employers how much they should pay to their employees—other than setting a minimum wage. However, the Legislature is in a position to help working people in Hawaii with a fair tax structure.

One measure that has been considered in the past, but does not appear to be considered this session, is an Earned Income Tax Credit as is provided by the federal government. The EITC is a proven means of assisting low-wage workers to build up savings to lift themselves out of poverty.

Nevertheless, H.B. 1182, HD1 is a small but good step in the right direction. With a more equitable tax structure, low-wage workers may be able to accumulate some savings with which to pay deposits to rent a dwelling, provide for a rainy day, and develop some financial security. The alternative would be more low-wage workers qualifying for SNAP (food stamps) and QUEST coverage for their children.

The ILWU urges passage of H.B. 1182, HD1 for the sake of low-income taxpayers and their families. Thank you for considering our testimony.



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Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting House Bill 1182 Relating to Taxation
Senate Committee on Ways and Means
Scheduled for Hearing Monday, April 6, 2015, 1:30 PM, Room 211

Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit law firm created to advocate on behalf of low income individuals and families in Hawai'i on policy and legal issues. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

Thank you for the opportunity to testify in **strong support** of House Bill 1182, which would expand the dependent care credit for households earning between \$20,000 and \$40,000 and make households with income between \$40,000 to \$50,000 eligible for the credit.

Low and even moderate-income households struggle to make ends meet in Hawai'i, which has the highest cost of living in the country. These hardships are made even worse by Hawai'i's regressive tax structure. In fact, Hawai'i's low-income residents face the second highest tax burden in the country. Even working families with children who struggle in poverty can owe hundreds of dollars in income tax. Increasing the dependent care credit to cover more expenses for a greater number of families will help address this disproportionate tax burden and alleviate the high cost of living in Hawai'i.

Childcare is generally the second largest expense after housing. In 2012, the cost of childcare in Hawai'i averaged \$12,500—more than the cost of tuition at the University of Hawai'i. This credit is an important support for these families who need quality childcare so that they can achieve and maintain financial security.

Again, thank you for the opportunity to testify in **support** of HB 1182 to help our working families make ends meet, achieve and maintain financial self-sufficiency, and reduce their tax burden.

HB1182

Submitted on: 4/3/2015

Testimony for WAM on Apr 6, 2015 13:30PM in Conference Room 211

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|------------------------------------|---------------------------|---------------------------|
| Gino Soquena | Hawaii Laborers Union Local 368 | Support | No |

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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