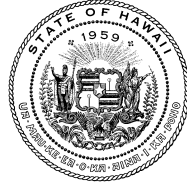


DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
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

JOSEPH K. KIM
DEPUTY DIRECTOR

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

Date: March 29, 2016

Time: 9:35 A.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 2166, H.D. 1, S.D. 1, Relating to Income Tax Credits.

The Department of Taxation (Department) appreciates the intent of H.B. 2166, H.D. 1, S.D. 1, and offers the following comments for your consideration.

H.B. 2166, H.D. 1, S.D. 1, amends the low income renters' credit by changing the credit per exemption to unspecified amounts and by increasing the adjusted gross income (AGI) limit for the credit. The bill also provides separate AGI limits for single taxpayers and taxpayers filing jointly or as a surviving spouse or head of household. The bill has a defective effective date of July 1, 2030 and applies to taxable years beginning after December 31, 2016.

First, the Department notes that the S.D. 1 version of the bill deletes the annual CPI adjustment provision. The remaining proposed changes will require an adjustment to the Department's forms and instructions, however, the Department will be able to implement the amendment if it becomes effective for tax years beginning after December 31, 2016.

Finally, the Department notes that the Department of the Attorney General has previously stated that potential constitutional issues exist with the residency requirement in the refundable food/excise tax credit, which is very similar to this credit. The Department defers to the Department of the Attorney General regarding the constitutionality of this credit.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Increase renter credit

BILL NUMBER: HB 2166, SD-1

INTRODUCED BY: Senate Committee on Housing

EXECUTIVE SUMMARY: Increases the renter tax credit. These credits are proposed to provide tax relief to low-income taxpayers. Lawmakers should consider adjusting the income tax rates so those taxpayers will not need to pay tax or file returns. This would also lead to less taxpayer confusion and fewer implementation costs.

BRIEF SUMMARY: Amends HRS section 235-55.7 to increase the amount of the renter credit from \$50 to an amount based on adjusted gross income:

For unmarried taxpayers:	
Adjusted gross income	Tax credit per exemption
Not over \$20,000	\$ _____
Over \$20,000, not over \$30,000	_____
Over \$30,000, not over \$40,000	_____
For married taxpayers, surviving spouse, head of household:	
Adjusted gross income	Tax credit per exemption
Not over \$30,000	\$ _____
Over \$30,000, not over \$45,000	_____
Over \$45,000, not over \$60,000	_____

EFFECTIVE DATE: July 1, 2030; applies to tax years beginning after December 31, 2016.

STAFF COMMENTS: The 1970 legislature adopted a system of tax credits for household renters which was intended to partially offset the higher tax burden on renters resulting from the lack of tax relief similar to 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 would increase the amount of the credit from \$50 to \$ _____. It does not increase the qualification amount – the taxpayer still will need to pay \$1,000 in rent during a taxable year to qualify for the credit.

There are two more issues with refundable credits targeted at low-income 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, and are then followed by the administrative costs associated with our state's Byzantine system of having DOTAX voucher refunds over to DAGS which then cuts and mails the checks. But when refundable credits are made available to folks who don't have much (or any) tax liability, one of several things may happen:

1. Those people may give up because a tax return is too complicated to learn about and file correctly.
2. They may file correctly. Bravo!
3. They might file incorrectly because they honestly make a mistake. If this results in too much money being paid out, as is often the case with the federal earned income tax credit, then there is little or no chance of recovering it cost-effectively.
4. They might file incorrectly through negligence or fraud. If this results in too much money being paid out, then there still is little or no chance of recovering it cost-effectively.
5. They might have a legitimate claim but may be preyed upon by "tax preparers," legitimate or otherwise, who take some (or perhaps MORE than some) of the money. This results in the right amount of money being paid out, but ending up in the hands of unintended recipients.

Instead of all of the above, lawmakers should consider a way 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 agencies that are better equipped to do so, or that can do so in conjunction with targeted services that can help the struggling families dig themselves out of the hole in which they find themselves.

Digested 3/25/2016

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MAILING ADDRESS

PO. Box 23404
Honolulu
Hawaii'i 96823

March 27, 2016

TO: Honorable Senator Tokuda, Chair, Vice Chair Dela Cruz and Ways & Means Committee

RE: HB 2166 HD 1 SD 1 Relating to Income Tax Credits
SUPPORT

HEARNG DATE: March 28.

Americans for Democratic Action is a national 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.

ADA Hawaii Chapter supports HB 2166 HD1 SD 1 as it expands the low income-household renter's credit based on adjusted gross income, filing status, and the Consumer Price Index for All Urban Consumers. It has been estimated that our top fifth of income earners in Hawaii pay about 7 percent of their income in state taxes while the bottom fifth pay 14 percent. This is unacceptable. This bill would begin to solve the problem.

Thank you very much for considering the concerns of the Hawaii Chapter of Americans for Democratic Action.

Sincerely,

John Bickel
President

27 March 2016

To: Senator Jill Tokuda, Chair, Committee on Ways and Means, Hawaii Senate
CC: All members, Committee on Ways and Means, Hawaii Senate
From: Kevin Simowitz, Political Director, Caring Across Generations
Re: HB 2166, HD1,SD1

Madam Chair, and members of the Committee on Ways and Means:

On behalf of Caring Across Generations, a national campaign working to transform the way we value care and caregiving, I offer our testimony in strong support of HB 2166, HD1,SD1.

This legislation will offer much-needed assistance to low-income households. As an organization focused on caregiving, we see time and time again that one of the biggest determinants in the long-term health of seniors is their ability to receive the care they need in their home or community. Stable and affordable housing for seniors and their families is a key component of long-term care, and we urge you to support this bill.

If there is anything that we can do to be helpful, or any additional information we may provide, please do not hesitate to contact me.

Thank you for your good work and consideration of this matter.

Kevin Simowitz
Political Director, Caring Across Generations
540-847-9729 // kevin@caringacrossgenerations.org



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 2166, HD1 SD1: RELATING TO INCOME TAX CREDITS

TO: Senator Jill N. Tokuda, Chair, Senator Donovan Dela Cruz, Vice Chair, and Members, Committee on Ways and Means

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

Hearing: Tuesday, 3/29/16; 9:35 AM; Conference Room 211

Thank you for the opportunity to provide written testimony **in strong support** of HB 2166 HD1, SD1, which expands the income tax credit for low-income household renters and provides for adjustments based on the Consumer Price Index. I am Betty Lou Larson, representing Catholic Charities Hawaii. This bill speaks directly to our advocacy priority of reducing poverty in Hawaii.

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 for the most vulnerable 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-income very difficult. Not only are lower income renters spending a high percentage of their income on basic living expenses, but also on the regressive General Excise Tax.

The original intent of the low-income household renters' credit was to reduce the disproportionate share of taxes paid by low and moderate-income households. However, the credit value has not been updated since 1981 and the eligibility cutoff has not been updated since 1989. So the current tax credit, when adjusted for inflation, is worth less than forty percent of its original value. On the other hand, average rents in Hawaii have increased by well beyond the rate of inflation. In fact, in just the past 10 years, rents have increased by over 65%. The need *for this tax credit has increased while the value of the existing credit has decreased.

Catholic Charities Hawaii supports adjusting the maximum credit to \$150 per exemption. We also support raising the income thresholds and a "phase out" of the credit to avoid families facing a steep Tax Cliff. Inflation and the cost of living as well as rents have significantly devalued the credit. We appreciate the provision to tie the amount of the credit to the Consumer Price Index for future increases. This is a fair method of keeping the credit current.

Updating the low-income household renters' credit will help us in the fight to reduce and prevent homelessness. Our families need this tax credit to help with the struggle of covering their basic living expenses. Thank you for your support. Please contact me (below) for 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



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822
Phone (808) 373-0356 • bettylou.larson@CatholicCharitiesHawaii.org



Aloha United Way

COMMUNITY ALLIANCE ON PRISONS

P.O. Box 37158, Honolulu, HI 96837-0158

Phone/email: (808) 927-1214 / kat.caphi@gmail.com



COMMITTEE ON WAYS AND MEANS

Sen. Jill Tokuda, Chair

Sen. Donovan Dela Cruz, Vice Chair

Tuesday, March 29, 2016

9:35 a.m.

Room 211

STRONG SUPPORT FOR HB 2166 HD1 SD1 - LOW INCOME RENTERS CREDIT

Aloha Chair Tokuda, Vice Chair Dela Cruz and Members of the Committee:

My name is Kat Brady and I am the Coordinator of Community Alliance on Prisons, a community initiative promoting smart justice policies in Hawai'i for almost two decades. This testimony is respectfully offered on behalf of the 6,000 Hawai'i individuals living behind bars or under the "care and custody" of the Department of Public Safety. We are always mindful that approximately 1,400 of Hawai'i's imprisoned people are serving their sentences abroad thousands of miles away from their loved ones, their homes and, for the disproportionate number of incarcerated Native Hawaiians, far from their ancestral lands.

HB 2166 SD1 expands the low income-household renters' income tax credit based on adjusted gross income and filing status. Applies to taxable years beginning after 12/31/2016.

Community Alliance on Prisons strongly supports this measure. The Low-Income Household Renter's credit was created almost 40 years ago to provide meaningful tax relief to low- and moderate-income households. It has not been updated in decades. We desperately need to alleviate the tax burden on renter families struggling to afford housing.

The housing market in Hawai'i has all but denied shelter to our struggling and most vulnerable residents while we build expensive condominium units for rich foreigners. Individuals exiting incarceration reenter the community with nothing or very little and many return to their economically-challenged families.

44% of Hawaii's households are renters and more than half of our renter-households are cost-burdened, spending more than 30% of their income on rent.

Almost three-quarters of Hawai'i's people are living at or near the poverty line spend more than half of their incomes on rent, while almost two-thirds of the moderate income renters earning 51-80% of the area median income are generally ineligible for public assistance.

A full-time worker needs to make \$31.61 per hour to be able to afford fair market rent for a 2-bedroom apartment. We know that most of Hawai'i's people don't earn nearly that per hour and the recent struggle in Hawai'i to raise the minimum wage to a mere \$10/hr. in 2017 illustrates that.

Community Alliance on Prisons respects the work of Hawai'i Appleseed and supports their recommended amendments. We hope that the committee does as well.

Our low-income households face the second highest tax burden in the nation. The lowest-income households pay over 13% of their income in taxes, while the top 20% pay 8% (or less).

Community Alliance on Prisons implores the committee to pass this important legislation to help our people climb out of the death spiral of poverty. Hawai'i must make sound public policy to support the people of this land.

Mahalo for this opportunity to testify.



HACBED

Community Voice, Collective Action

Hawai'i Alliance for Community-Based Economic Development
1575 South Beretania Street, Suite 211 Honolulu, HI 96826
Ph. 808.550.2661
Email info@hacbed.org www.hacbed.org

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*Family & Individual Self-
Sufficiency Program Director*

Athena T. Esene
Bookkeeper & Office Manager

Malachi Krishok
Asset Development Specialist

Paige Allen
AmeriCorps VISTA

Will Simmons
AmeriCorps VISTA

Date: March 28, 2016

To: Senator Jill N. Tokuda, Chair, Senator Donovan M. Dela Cruz, Vice-Chair, and members of the Committee on Ways and Means

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Strong Support for HB2166 HD1 SD1

Aloha Chair Tokuda, Vice-Chair Dela Cruz, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports HB2166 HD1 SD1, which expands the low income household renters' income tax credit based on adjusted gross income and filing status.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development and asset building strategies. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. HACBED also facilitates the Family & Individual Self-Sufficiency Program (FISSP), which administers the Internal Revenues Services' Volunteer Income Tax Assistance (VITA) program as a part of its larger asset building and financial education initiatives for needy families. As such, HACBED strongly supports the proposed bill that would provide needed assistance in the area of state taxes by allowing the credit to increase based on inflation, tiering the amount of benefit based on income, and increase the household income cap to \$60,000 so that more working families can benefit from this credit.

The Family Economic Self-Sufficiency Standard (FESS) depicts the obstacles that Hawai'i families are facing. The FESS measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 25.9% of families with two adults and two children;
- 77.3% of single-adult families with one child; and
- 74.3% of single-adult families with two children.

Through the FISSP surveys, families have indicated that they have used the money to manage daily expenses, eliminate debt, open and maintain savings accounts, purchase a new home, cover education costs, and start a business.



HACBED

Community Voice, Collective Action

Hawai'i Alliance for Community-Based Economic Development

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HB2166 HD1 SD1 - Testimony in Support

March 28, 2016 - Page 2

The passage of HB2166 HD1 SD1 would go a long way to supplement the needs of these families by amending the income tax credit for low-income household renters to adjust it for inflation, tiering the amount of benefit based on income, and increasing the household income cap to \$60,000, and thus provide ongoing assistance to these families in their efforts to truly build their assets.

Mahalo for this opportunity to testify,

Brent N. Kakesako

Executive Director

Hawai'i Alliance for Community-Based Economic Development



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law & Economic Justice
Support for **HB 2166 (HD1 SD1), Relating to Income Tax Credits**
Senate Committee on Ways and Means
Scheduled for Hearing Tuesday, Mar. 29, 2016, 9:35 AM, Conf. Rm. 211

Hawai'i Appleseed Center for Law & Economic Justice is a nonprofit law firm created to advocate on behalf of low income individuals and families in Hawaii. 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.

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Senate Committee on Ways and Means:

Thank you very much for the opportunity to testify before the committee on **HB 2166, Relating to Income Tax Credits**. We **strongly support** this measure **with amendments**. The Low-Income Household Renter's credit was created 40 years ago to provide tax relief to low- and moderate-income households. This simple credit provides a refundable \$50-per-qualified-exemption tax credit to filers who made less than \$30,000 and paid more than \$1000 in rent. However the credit has not been updated for inflation since 1981 and today the \$50 credit is only worth about \$19.11 in inflation-adjusted dollars.

HB 2166 increases the per-qualified-exemption credit amount and the qualifying income threshold to unspecified amounts. These changes would bring the credit values make up for ground lost to inflation during the past 35 years of neglect.

HB 2166 also takes important steps to bring credit into alignment with widely acknowledge tax policy best practices. First, it restructures the credit schedule to gradually decrease in value as household income increases. This helps to reduce the impact of so-called "tax cliffs" that are generally recognized as undesirable tax policy. Second, it changes the qualifying income thresholds for different classes of tax filers. This has the effect of redirecting a portion of the credit away from single filers in favor of families. While it is important that we support all of Hawai'i's residents, we also want to make sure that our support is well-targeted to those most in need. These changes will ensure that the credit does the best job that it can helping our state's low-income renters, and help to reduce the overall cost of the credit.

We desperately need to alleviate the tax burden on renter families struggling to afford housing, and increasing the renters credit is an efficient and immediate way to do so.

Renters in Hawai'i face a staggering housing cost burden. Approximately 42 percent of our households rent, and a majority of them are cost-burdened, meaning they pay more than 30 percent of their income toward rent (the standard definition of housing affordability). Our rate of cost-burdened households is the highest in the nation. This is no surprise, as the fair market rent for a two-bedroom unit in Hawai'i is \$1,644 per month. A full-time worker would need to earn \$31.61 per hour for this rent to be affordable—the highest housing wage in the nation. Yet the mean wage for a renter is just \$14.49. At this wage a family needs 2.2 full-time jobs to afford rent.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

The lowest-income households face a crushing cost burden: 72 percent are paying more than half of their income in rent. Even moderate income households struggle, with 65 percent of households earning 51–80 percent of the area median income facing a housing cost burden; these households are generally ineligible for public assistance. These housing cost burdens leave families with precious little left over to make ends meet, let alone build assets or save for a down payment on a home.

At the same time, Hawai'i's regressive tax structure makes it even harder for families to afford housing. Hawai'i's low-income residents face the second highest state and local tax burden in the country. Our tax structure is heavily regressive, with the lowest income households paying over 13 cents per dollar of income toward state and local taxes and the wealthiest paying just 7 cents. The General Excise Tax is the biggest contributor to this regressivity. It hits low-income households the hardest because they must spend nearly all of their income on necessities, including their rent, that are subject to the GET. While property owners are legally responsible for paying the GET on their rental income, as well as their property taxes, they pass these costs along by increasing rents. Assuming this practice, around \$60 out of a \$1,500 rent payment goes to cover the GET owed on the landlord's rental income.

This credit also makes our tax structure fairer by providing targeted tax relief to renters. Renters, who are disproportionately low-income, do not benefit from tax breaks such as the mortgage interest, maintenance costs as well as property and GET tax deductions, which are available only to homeowners even though these costs are paid by tenants in their rent. Nor do they build equity in a home or profit from its appreciation. This credit is a modest measure to provide similar help to renters.

Under the current credit structure, a family of four trying to survive on less than \$30,000 per year would receive a mere \$200 in tax relief after having spent over \$19,000 in rent.¹ To ensure that this credit provides the meaningful tax relief it was created to we desperately need to bring it into the 21st century.

While HB 2166 (HD1 SD1), as written, would do much to refine and improve the credit's structure, we feel that the original language of HB 2166 produced the most effective version of the credit. To that end we respectfully request **the following amendments**.

1) Re-introduce inflation-indexing

The low-income household renters credit has lost significant ground to inflation because it has not been updated for decades. Because the credit's value is set by statute, it takes an act of the Legislature to fight off the value-erosion cause by inflation. This makes regular adjustments to the credit vulnerable to yearly scheduling difficulties.

¹ Based on a fair market value of a 2-bedroom apartment in Hawai'i, \$1,640/mo.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

If we are serious about providing stable and meaningful support to Hawai'i's renters, we should amend the credit to make future changes in the credit's values automatic and tie them directly to changes in the Consumer Price Index.

2) Re-introduce the credit values in the original bill

The original version of the bill contained specific dollar amounts for the credit adjustments. Those amounts were removed by the House Committee on Finance. While we recognize that this is a common practice to provide flexibility in the legislative process, the original numbers contained in the bill represented what would be required to ensure that the updated amounts accounted for ground lost to inflation.

Additionally, the rate at which the credit's value decreased as a function of income represented a smartly tailored phase out rate. This phase out rate would mitigate any potential tax cliff effects increasing the credit might create, and helps to control the costs of the credit update.

Using data from the Institute on Taxation and Economic Policy, we project that HB 2166, as originally written, should cost approximately \$20 million per year.

Once again, we thank you very much for the opportunity to express our **strong support** for efforts to modernize this important tax credit. After over three decades of neglect, HB 2166 presents an opportunity to take a meaningful step forward in reducing the costs of housing for Hawai'i's struggling families and to begin to address the counterproductive and unfair regressivity of our state tax system.



KOKUA KALIHI VALLEY COMPREHENSIVE FAMILY SERVICES

**2239 N. SCHOOL STREET ♦ HONOLULU, HAWAII 96819 ♦ TEL: 808-791-9400 ♦ FAX:
808-848-0979 ♦ www.kkv.net**

COMMITTEE ON HOUSING

Senator Harimoto, Chair

Senator Galuteria, Vice Chair

Testimony on House Bill 2166

**Submitted by David Derauf MD MPH
Kokua Kalihi Valley (KKV)**

March 28, 2016

Chair Harimoto, Vice Chair Galuteria, and Members of the Senate Committee on Housing:

Thank you very much for the opportunity to testify before the committee on HB 2166, Relating to Income Tax Credits. KKV strongly supports this measure. The Low-Income Household Renter's credit was created 40 years ago to provide tax relief to low- and moderate-income households. The credit has not been updated for inflation since 1981 and today the \$50 credit is only worth about \$19.11 in inflation-adjusted dollars.

We desperately need to alleviate the tax burden on renter families struggling to afford housing, and increasing the renters credit is an efficient and immediate way to do so. We care for about 10,000 Hawaii residents most of whom are low income. Rent is a enormous burden on this group of people , trying desperately to keep their heads above water. If we are ever going to enable them to become savers, and to help their families prosper we need to find immediate ways to offset these costs. This is one of the most immediate ways to do so. It is not a solution to the whole problem of course, but instead begins to move us in the right direction.

Thank you for your consideration of this important legislation!

David D Derauf MD MPH

Providing Medical & Dental Services, Health Education, Family Planning, Perinatal, WIC and Social
Services to

Kalihi Valley residents since 1972. Neighbors being neighborly to neighbors.



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COMMITTEE ON WAYS AND MEANS

TUESDAY, MAR 29, 2016, 9:35 A.M., CONFERENCE ROOM 211

HB 2166 RELATING TO INCOME TAX CREDITS

TESTIMONY

Beppie Shapiro, League of Women Voters of Hawaii

Chair Tokuda, Vice-Chair Dela Cruz, and Committee Members:

The League of Women Voters of Hawaii supports HB2166 HD1 SD1 which would modify calculation of the Low-Income Renter's Housing Tax Credit based on Adjusted Gross Income and Filing Status. We suggest amending this bill to address part of HB2166 which has been deleted in HD1 SD1.

It has been several decades since this credit was created. Inflation has drastically eaten away at the value of the LIHR credit since then. It is now time to make the credit commensurate with today's costs.

It is estimated that almost 45% of Hawaii's households rent their living spaces. Landlords, of course, pass their increasing costs to their tenants, and tenants cannot deduct these expenses from their taxes. Since almost three quarters (72%) of people in Hawaii living at or near the poverty line spend more than half their income on rent, many in this vulnerable population eventually become homeless because they cannot afford their increasing rent.

The original version HB2166 of this bill would prevent the same problem (decreasing value of the tax credit with future inflation) from recurring in future years by indexing future amounts to inflation. The Department of Taxation commented on some changes needed in that bill to reflect realities of CPI calculation and to accommodate the needs of that Department in implementing the proposed changes. The current version HD1 SD1 "throws out the baby with the bath water" by removing the entire idea of future indexing to CPI. We believe the bill would be much more effective if the original indexing section was re-written to accept the suggestions of the Department of Taxation, thus ensuring that low income renters continue to benefit as legislators intend in 2016.

In addition, HB2166 HD1 SD1 reforms the existing law in two valuable ways:



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- 1) It gradually phases out the credit as the renter's income increases, thus not penalizing people drastically for earning a little more money.
- 2) It considers filing status (i.e. generally, household size) when calculating the amount of the credit.

Enacting this bill is a matter of economic justice for low- and moderate-income families and a realistic way to prevent homelessness among this population. It is an efficient way to help keep people in their rental housing. Expanding and updating the Low-Income Household Renter's income tax credit will benefit not only the intended beneficiary group but also the entire community.

Please support HB2166 HD1 SD1 with the suggested restatement of annual indexing to increases in the CPI.

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: mgolojuch@hotmail.com
Subject: *Submitted testimony for HB2166 on Mar 29, 2016 09:35AM*
Date: Monday, March 28, 2016 10:15:54 AM

HB2166

Submitted on: 3/28/2016

Testimony for WAM on Mar 29, 2016 09:35AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Golojuch Jr	LGBT Caucus of the Democratic Party of Hawaii	Support	Yes

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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PARTNERS IN CARE

Oahu Continuum of Care

Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.

TESTIMONY IN SUPPORT OF HB 2166: RELATING TO INCOME TAX CREDITS

TO: Representative Jill Tokuda, Chair, Representative Donovan Dela Cruz, Vice Chair; and Members, Senate Committee on Ways and Means
FROM: Greg Payton, Chair of the Advocacy Committee, Partners in Care
Hearing: **Tuesday, 3/29/16, 9:35 AM; Room 211**

Chair Tokuda, Vice Chair Dela Cruz, and Members, Committee on Ways and Means

Thank you for the opportunity to provide testimony **in strong support** of HB 2166, which would update the low-income household renter's credit to account for three decades of inflation that have occurred while the amount of the credit and its eligibility limits have remained stagnant. I am Greg Payton, the Chair of the Advocacy Committee of Partners in Care (PIC).

Partners in Care is a coalition of homeless service providers and many others in the community on Oahu dedicated to ending homelessness. In the past year on Oahu, we have developed a coordinated entry system to more effectively and strategically help people experiencing homelessness navigate resources and be linked to housing.

Updating the credit is necessary to correct a significant imbalance in our tax system, which results in taxing low-income people further into poverty. Our low-income households face the second highest tax burden in the nation. The lowest-income households pay over 13% of their income in taxes, while the top 20 percent pay eight percent or less. Renters don't benefit from mortgage interest or property tax deductions, but still pay their landlords' GET and property taxes in the form of higher rents. The low-income renter's credit was adopted almost 40 years ago to help address this imbalance, but three decades of inflation have passed without the credit being updated.

Not only will this bill help correct the imbalance in Hawaii's tax system, it will provide a critically needed resource in the fight against Hawaii's crisis of homelessness. Many low-income renters are teetering on the brink of losing their homes. More than half of our renter-households are cost-burdened, spending more than 30 percent of their income on rent. Seventy-two percent of people in Hawai'i living at or near the poverty line spend *more than half* of their incomes on rent. A significant portion of the living expenses of low-income people take the form of the general excise tax, and this bill is necessary to help offset that burden and provide better opportunities for low-income households to maintain stable housing. Hawai'i cannot afford to tax people into homelessness, which creates a far greater drain on our resources than would the modest increases to the renter's credit proposed by HN 2166.

We also respectfully request an amendment that will tie the amount of the credit and its eligibility requirements to the Consumer Price Index (CPI). By doing so, we can avoid the



PARTNERS IN CARE

Oahu Continuum of Care

Partners in Care is a coalition of Oahu's homeless service providers, government representatives and community stakeholders working together in partnership to end homelessness.

situation we are currently in, where the intention of the credit has been thwarted by years of unaccounted for inflation. By tying the credit to the CPI, you will be setting it on autopilot. The legislature's time is too limited and too valuable to require it to come back year after year to make adjustments when the course can be set now. Passing this bill is thoughtful tax policy, and it should not be eroded by the whims of inflation.

We thank you for your dedication to ending homelessness. Please contact me at (808) 529-4554 or gpayton@mhkhawaii.org if you have any questions.



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

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Alan Shinn
Michelle Gray
Joanne Lundstrom, Emeritus

TO: Senator Jill Tokuda, Chair
Senator Donovan Dela Cruz, Vice-Chair
Members, Senate Committee on Ways and Means

FROM: Scott Fuji, Executive Director PHOCUSED

HEARING: **Tuesday, March 29th, 2016 at 9:35m in Conf. Rm. 225**

Testimony in Support of HB 2166 HD1 SD1 RELATING TO INCOME TAX CREDITS

Thank you for the opportunity to provide testimony in **strong support** of HB 2166 which would expand the low income-household renter's credit for Hawaii's households. PHOCUSED is a non-profit membership based advocacy group for the health and human service sector.

The low-income renter's credit is long overdue for an update. Since its last update back in 1989 rents have skyrocketed across our state. Neither the income cap for becoming eligible for the credit nor the credit value itself has increased during these last 27 years resulting in losing ground for Hawaii's renting population. The increases and changes to the credit found in this bill would do the following:

- Allow this credit to naturally increase based on inflation
- Eliminate the "benefit cliff" by tiering the amount of benefit based on household income
- Increase the household income cap to \$60,000 so that more of Hawaii's working singles and families can benefit from this credit

In times of rising rents and low-wages Hawaii's families need some tax relief to help them stay in their homes. Homelessness is a rising issue and making rents more affordable requires approaches from all angles, including tax relief on their rents.

Once again, PHOCUSED strongly 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.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: hlsk@chowproject.org
Subject: *Submitted testimony for HB2166 on Mar 29, 2016 09:35AM*
Date: Monday, March 28, 2016 8:59:00 AM

HB2166

Submitted on: 3/28/2016

Testimony for WAM on Mar 29, 2016 09:35AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Heather Lusk	The CHOW Project	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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TESTIMONY BY ROBERT N.E. PIPER
TO
THE SENATE WAYS AND MEANS COMMITTEE
ON
HB 2166, HD1, SD1: RELATING TO INCOME TAX CREDITS

Conference Room 211, State Capitol
9:35 a.m.
March 29, 2016

Chairperson Tokuda, Vice-Chairperson Dela Cruz and Members of the Senate Ways and Means Committee:

Aloha mai kākou. My name is Robert N.E. Piper and I thank you for the opportunity and honor to submit this written testimony relating to HB 2166, HD1, SD1, which expands the low-income household renter's credit based on adjusted gross income, filing status, and the Consumer Price Index for all urban consumers.

I am the Executive Director of the Honolulu Community Action Program, Inc. ("HCAP"), a private non-profit human services agency serving Oahu since 1965 through its mission of POI: Providing Opportunities and Inspiration to enable low-income individuals or families to achieve self-reliance. HCAP offers a range of programs and services in six major areas: Early Childhood; Employment; Education; Economic Development; Emergency and Transitional Programs; and Community Development and Advocacy.

In light of our status as a 501(c)(3) organization, and our participation as a service provider under the Federal Community Services Block Grant, we submit this testimony solely to share our experiences with providing meaningful tax relief and other supports to low-income renter households.

HCAP has been providing its Federal Earned Income Tax Credit program since 2010 in partnership with the IRS and as part of the Hawaii Volunteer Tax Assistance & Financial Empowerment Coalition, resulting in total Federal refunds in the amount of \$5,053,730.

In addition, HCAP assists low-income renters through our Kumuhonua Transitional Living Center, providing services and finding resources to assist its residents to obtain permanent housing. HCAP also assists low-income renters with utility payments through the Low-Income Home Energy Assistance Program. In the past, HCAP assisted low-income renter households with direct rent assistance through the American Recovery and Reinvestment Act of 2009.

Written Testimony Only

Given the results we have seen from providing a variety of programs and services to low-income renter households, it is our experience that these types of supports provide much-needed assistance to working families struggling to get by on low wages.

On behalf of the people we serve, we thank you for your dedication and commitment to assisting the low-income community. Please feel free to contact me at (808) 521-4531, or via e-mail at rpiper@hcapweb.org, if you have any questions.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: ben@bikesharehawaii.org
Subject: Submitted testimony for HB2166 on Mar 29, 2016 09:35AM
Date: Monday, March 28, 2016 9:03:30 AM

HB2166

Submitted on: 3/28/2016

Testimony for WAM on Mar 29, 2016 09:35AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Ben Trevino	Individual	Support	No

Comments: I strongly support HB2166. Renting is a way of life for some of the most vulnerable members of our community. And as the world changes around us, the accommodations that have made renting a manageable prospect in the past need to be revisited and updated. The LIHR is an effective way to give targeted assistance to families where they need it: Housing. Furthermore to begin to address the complexity of ensuring this measure can continue to provide relief in the future, indexing it to inflation is a prudent and logical provision that should be included. Thank you for the opportunity to testify on this matter. Ben Trevino Private Citizen

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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Marya Grambs
140 Kaelepulu Drive. Kailua HI 96734
P.808.778.9178 E: Mgrambs@hotmail.com

TESTIMONY IN SUPPORT OF HB 2166: RELATING TO INCOME TAX CREDITS

TO: Senator Jill Tokuda, Chair, Senator Donovan Dela Cruz, Vice Chair; and Members, Senate Committee on Ways and Means

FROM: Marya Grambs, concerned member of the community and member of the Board of Directors, PHOCUSED

Hearing: Tuesday, 3/29/16, 9:35 AM; Room 211

Chair Tokuda, Vice Chair Dela Cruz, and Members, Committee on Ways and Means

Thank you for the opportunity to provide testimony **in strong support** of HB 2166, which would update the low-income household renter's credit to account for three decades of inflation that have occurred while the amount of the credit and its eligibility limits have remained stagnant.

PHOCUSED (Protecting Hawaii's Ohana, Children, UnderServed, Elderly and Disabled) is a membership and advocacy organization for health and human services in Hawaii which works together with community stakeholders to impact program and policy changes for the most vulnerable in our state.

Updating the credit is necessary to correct a significant imbalance in our tax system, which results in taxing low-income people further into poverty. Our low-income households face the second highest tax burden in the nation. The lowest-income households pay over 13% of their income in taxes, while the top 20 percent pay eight percent or less. Renters don't benefit from mortgage interest or property tax deductions, but still pay their landlords' GET and property taxes in the form of higher rents. The low-income renter's credit was adopted almost 40 years ago to help address this imbalance, but three decades of inflation have passed without the credit being updated.

This bill helps correct the imbalance in Hawaii's tax system, and will also provide a critically needed resource in the fight against Hawaii's crisis of homelessness. Many low-income renters are teetering on the brink of losing their homes.

More than half of our renter-households are cost-burdened, spending more than 30 percent of their income on rent. Seventy-two percent of people in Hawai'i living at or near the poverty line spend *more than half* of their incomes on rent. A significant portion of the living expenses of low-income people take the form of the general excise tax, and this bill is

necessary to help offset that burden and provide better opportunities for low-income households to maintain stable housing.

Hawai'i cannot afford to tax people into homelessness, which creates a far greater drain on our resources than would the modest increases to the renter's credit proposed by HN 2166.

I also would like you to consider an amendment that will tie the amount of the credit and its eligibility requirements to the Consumer Price Index (CPI). By doing so, we can avoid the situation we are currently in, where the intention of the credit has been thwarted by years of unaccounted for inflation. By tying the credit to the CPI, you will be setting it on autopilot. The legislature's time is too limited and too valuable to require it to come back year after year to make adjustments when the course can be set now. Passing this bill is thoughtful tax policy, which keeps the tax from being eroded by inflation.

THE SENATE
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016
COMMITTEE ON WAYS & MEANS
Senator Jill Tokuda, Chair

DATE: Tuesday, March 29, 2016

TIME: 9:35 a.m.

PLACE: Conference Room 211, State Capitol, 415 South Beretania Street

RE: HB 2166, HD1, SD1, Relating to Income Tax Credits.

Good morning Chair Tokuda and members of the Committee:

I am Patrick Zukemura and I am here to testify in strong support of HB 2166, HD1, SD1 to increase the Low-Income Household Renter's credit.

This credit has not been updated for inflation since 1981 and today the \$50 credit is only worth about \$19.11 in inflation adjusted dollars.

This bill also brings the credit in line with widely acknowledge tax policy best practices to ensure that it does not lose ground to inflation, restructures the credit schedule to gradually decrease in value as household income increases, and changes the qualifying income thresholds for different classes of tax filers in favor of families. These changes will ensure that the credit does the best job that it can helping our state's low-income renters and help to reduce the overall cost of the credit.

Thank you for the opportunity to testify in strong support of HB 2166, HD1, SD1.

Telephone: (808) 391-3464
Email: pzuke@hotmail.com