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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: Friday, February 6, 2015  
Time: 9:00 A.M.  
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 581, Relating to Tax Credits

The Department of Taxation (Department) appreciates the intent of S.B. 581, and provides the following information and comments for your consideration.

S.B. 581 amends the Refundable Food/Excise Tax Credit by changing the income thresholds necessary to claim the credit, as well as the amount of the credit. The measure also increases the amount of the credit by adding an unspecified dollar amount, derived by calculating the percentage increase in the Consumer Price Index (CPI) over the CPI for calendar year 2015.

The Department notes that an annual automatic adjustment based on the CPI will make this credit extremely difficult for the Department to administer and will result in confusion for taxpayers. If the Legislature wishes to increase the credit, the Department suggests that the increase be a fixed amount.

Finally, the Department notes that the Department of the Attorney General stated during the 2014 Regular Legislative Session that potential Constitutional issues existed with the residency requirement in this credit.

The estimated revenue loss is \$15 million per year, starting in FY 2017, and grow by an additional \$2 million each year thereafter.

Thank you for the opportunity to provide comments.



**SB581**  
**RELATING TO TAX CREDITS**  
Senate Committee on Ways and Means

February 6, 2015

9:00 a.m

Conference Room 211

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The Office of Hawaiian Affairs (OHA) Committee on Beneficiary Advocacy and Empowerment will recommend to the Board of Trustees a position of **SUPPORT** for SB581. This measure would relieve the tax burden on low-income individuals by increasing the refundable food/excise tax credit; increasing the income limits for the credit; and tying future tax credit amounts to the consumer price index. OHA supports this bill as it fits within our strategic priority of improving the economic self-sufficiency of Native Hawaiians.

According to a report by the Institute on Taxation and Economic Policy (ITEP), Hawai'i has the second heaviest tax burden in the country for the bottom 20% of income levels. For example, the General Excise Tax (GET) applies to virtually all goods and services purchased in the state, including necessities like food. Accordingly, both low- and high- income individuals are taxed at the same rate for essential purchases.

Notably, this tax burden on low-income taxpayers falls on a disproportionate number of Native Hawaiian families with children. Native Hawaiian families have substantially less income, making \$9,105 lower per-capita income than the state average, despite having a labor force participation rate 4.5% higher than the statewide rate. Additionally, this limited wealth must be distributed to a greater extent, as Native Hawaiians have larger families and households than the state average. 17.8% of the Native Hawaiian population (who live in households) live with other relatives; 4.3 percentage points more than the total state population (13.5%). SB581 thus proposes a pragmatic way to reduce the tax burden on our neediest populations, including Native Hawaiians in particular.

The refundable food/excise tax credit was created to offset the inherently regressive impact of the GET on low- and moderate-income households, and provide targeted relief to low- and moderate- income individuals. The credit has not been adjusted to keep up with the inflation that has occurred since it was first established eight years ago, in 2007. This measure would adjust the credit for individuals making under \$56,500, with a maximum credit of \$96 to individuals with an adjusted gross income under \$5,700. This measure also allows multiple exemptions for those with dependent children, providing additional support for families in need.

Under this measure, Native Hawaiian families that struggle to pay rent and purchase necessities would receive meaningful relief, enhancing their ability to remain housing secure, contribute to our local economy, and achieve economic self-sufficiency.

Accordingly, OHA urges the Committee to **PASS** SB581. Mahalo nui for the opportunity to testify.



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

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TO: Senator Jill Tokuda, Chair  
Senator Ron Kouchi, Vice-Chair  
Members, Committee on Ways and Means

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: Senate Committee on Ways and Means  
**Friday, February 6th, 2015 at 9:00 am in Conference Room 211**

**In support re SB581, Relating to Income Tax**

Thank you for the opportunity to provide testimony in regards to **SB581**, Relating to Income Tax. 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, such as the homeless. We support **SB581** in creating a more balanced and equitable tax system for Hawaii's low-income families but would encourage lawmaker to adopt the higher figures in SB 555 which are more closely aligned to inflation increases since the tax credit was established in 2007.

The low-income food/excise tax credit was created to help Hawaii's families offset the cost of the GET. Since the GET affects prices on everything from the groceries you buy to the rent you pay it is often seen as a regressive tax; i.e. impacting low-income residents more harshly than higher earners. For example an individual receiving SNAP benefits will average about \$150 in benefits to spend on groceries. At the current GET of 4.5% this individual will have paid out \$81 on food alone in the course of a year. This does not take into account the other expenses this individual pays that would incur the GET such as rent, transportation expenses, medical services, and day to day necessities. Without any adjustment to the food/excise tax credit these individuals will continue to pay more of their limited incomes in GET and receive less of it back through the credit.

In addition to low-income working households another group that greatly benefits from this credit are our kūpuna. Many kūpuna don't have the means of increasing their income and rely upon the food/excise tax credit as a means to recover back a little of what they live on. By updating the credit for inflation we can ensure that our kūpuna do not have more of their income taken to taxes that they cannot otherwise get relief from.

Once again, PHOCUSED is in **support** of SB581, adjusting the Food/Excise tax credit but would suggest using the adjusted amounts found in SB581. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at [admin@phocused-hawaii.org](mailto:admin@phocused-hawaii.org).

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [cwatanabe@unitehere5.org](mailto:cwatanabe@unitehere5.org)  
**Subject:** Submitted testimony for SB581 on Feb 6, 2015 09:00AM  
**Date:** Thursday, February 05, 2015 10:28:36 AM

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**SB581**

Submitted on: 2/5/2015

Testimony for WAM on Feb 6, 2015 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Cade Watanabe	UNITE HERE Local 5	Support	No

Comments: UNITE HERE Local 5, a local labor organization representing 10,500 hotel, health care and food service workers employed throughout our State, hereby registers our support for Senate Bill 581, relating to tax credits.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Food/excise tax credit

BILL NUMBER: SB 581

INTRODUCED BY: Espero, Chun Oakland and 2 Democrats

BRIEF SUMMARY: Amends HRS section 235-55.85 to increase the food/excise tax credit based on the taxpayer's (AGI):

Adjusted gross income	Tax credit
Under \$5,700	\$ 96
\$ 5,700 under \$11,300	85
11,300 under 17,000	74
17,000 under 22,700	62
22,700 under 34,000	51
34,000 under 45,300	40
45,300 under 56,500	30
56,500 and over	0

For any taxable year beginning after 2015, each dollar amount in the table shall be increased by an amount equal to such dollar amount multiplied by the percentage by which the consumer price index for the preceding calendar year exceeds the consumer price index for calendar year 2015.

EFFECTIVE DATE: Tax years beginning after December 31, 2015

STAFF COMMENTS: This measure proposes to increase the refundable food/excise tax credit and provides that the amounts shall be adjusted according to the consumer price index beginning in 2016. While it appears that this measure proposes tax relief to lower income taxpayers, consideration should be given to adjusting the income tax rates or the threshold amounts so those taxpayers that these credits are aimed to help will not need to claim these credits to get tax relief.

Digested 2/4/15



## CATHOLIC CHARITIES HAWAII

### Testimony in Support of SB 581: Relating to Tax Credits

TO: Senator Jill Tokuda, Chair, Senator Ronald Kouchi, Vice Chair, Members of the Committee on Ways and Means

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

Hearing: Friday, February 6, 2015 9:00 a.m., Conference Room 211

Thank you for the opportunity to testify on SB 581, which amends the food/excise tax credit. **Catholic Charities Hawai'i supports SB 581** but prefers the slightly higher tax credit and income range thresholds found in SB 555. The higher figures in SB 555 are more closely aligned to inflation increases since the tax credit was established in 2007.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i 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 Hawai'i. This bill speaks directly to our advocacy priority of reducing poverty in Hawai'i.

Hawai'i's high cost of living, including the highest cost of shelter in the country<sup>1</sup> and food costs for a family of four at 68% more than the mainland<sup>2</sup>, makes living with a low-income very difficult. Not only are these people spending a high percentage of their income on basic living expenses but also on the regressive General Excise Tax (GET). The nature of Hawai'i's broad-based GET is such that the lower one's income is, the higher a percentage of it goes to paying GET.

The food/excise tax credit, established in 2007, helps to restore some equity to lower-income consumers by providing a per-exemption refund based on an income scale. This bill will update the amounts of the food/excise credit according to inflation since 2007. When established, the income cut-off was \$50,000, with a tax credit ranging from \$25 to \$85. This bill will update the amount of the cut-off to \$56,500 and the tax credit range will change to \$28 to \$96. Tying the amount of the credit to the Consumer Price Index for future increases is a fair method of keeping the credit current.

Updating the food/excise tax credit will help us in the fight to reduce poverty in Hawai'i. 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 at (808)527-4810 or [trisha.kajimura@catholiccharitieshawaii.org](mailto:trisha.kajimura@catholiccharitieshawaii.org) if you have any questions.

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

<sup>2</sup> 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>.



**Senate Committee on Ways and Means**

The Hon. Jill N. Tokuda, Chair

The Hon. Ronald D. Kouchi, Vice Chair

**Testimony in Support of Senate Bill 581**  
**Relating to Tax Credits**  
**Submitted by Robert Hirokawa, Chief Executive Officer**  
**February 6, 2015, 9:00 am, Room 211**

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports Senate Bill 581, increasing the refundable food/excise tax credit.

The HPCA is a staunch believer in the social determinants of health, those economic and social conditions that influence an individual and a community's health status. These conditions serve as risk factors endemic to a person's living and working environment, rather than their behavioral or genetic histories. Factors such as income, education, access to recreation and healthy foods, housing, and employment, can and do have measurable impacts on a person and a community, both in health and financial outcomes.

A key component of the social determinant is the expansion of healthy eating habits and the easing of financial constraints on consumers. For these reasons, we strongly support this measure and thank you for the opportunity to testify.