DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

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

To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Rona M. Suzuki, Director
Department of Taxation

Re: **H.B. 2385, H.D. 1, Relating to Taxation**
Date: Tuesday, March 17, 2020
Time: 10:35 A.M.
Place: Conference Room 211, State Capitol

The Department of Taxation (Department) provides the following comments on H.B. 2385, H.D.1. This measure amends and adds new income tax brackets and rates for high income earners for taxable year beginning after December 31, 2020, as follows:

- The amended 9% rate applies to taxable income over $100,000 for Single, $150,000 for Head of Household, and $200,000 for Joint filers;
- The amended 10% rate applies to taxable income over $150,000 for Single, $225,000 for Head of Household, and $300,000 for Joint filers;
- The 11% rate applies to taxable income over $200,000 for Single, $300,000 for Head of Household, and $400,000 for Joint filers;
- The new 12% rate applies to taxable income over $250,000 for Single, $375,000 for Head of Household, and $500,000 for Joint filers; and
- The new 13% rate applies to taxable income over $300,000 for Single, $450,000 for Head of Household, and $600,000 for Joint filers.

The estimated revenue gain from H.B. 2385, H.D. 1, is $59.8 million for FY 2022, $61.7 million for FY 2023, $63.7 million for FY 2024, $65.7 million for FY 2025, and $67.8 million for FY 2026. This estimate is based on data about individual tax returns filed for taxpayers in the impacted income categories.

The Department will be able to administer the measure with its current effective date.

Thank you for the opportunity to provide comments.

Pono Hawai'i Initiative

Tuesday, March 17, 2020

Relating to Taxation
Testifying in Support with Amendments

Aloha Chair and members of the committee,

The Pono Hawaiʻi Initiative (PHI) **supports with amendments HB2385 HD1 Relating to Taxation** which increases the income tax rate for Hawaii's top 5th percent; those earning a joint income of $200,000, $150,000 for Head of Household and $100,000 for single filers. At the Federal level, this bracket received a substantial tax cut due to the Tax Cuts and Jobs Act of 2017.

Hawaiʻi places as 2nd-highest for state and local tax burden on low-income households in the nation. Those households on average pay 15% of their income into state and local taxes, while those at the top 5th percent pay only 9% of their income. PHI **requests amendments** asking for the increased revenue, that would result from taxing the top 5th percent, be put toward eliminating the income tax liability for those in the State's lower brackets.

Lets do what we can to support low-income families thrive in Hawaiʻi.

For all these reasons, we urge you to move this bill forward with amendments.

Mahalo for the opportunity,
Gary Hooser
Executive Director
Pono Hawaiʻi Initiative

Before the Senate Committee Ways and Means

DATE: March 17, 2020

TIME: 10:35 a.m.

PLACE: Conference Room 211

Re: HB 2385, HD1, Relating to Taxation

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran and members of the committee:

We are testifying on behalf of the National Federation of Independent Business (NFIB) in opposition to HB 2541, HD1, relating to taxation.

No one has greater incentive, responsibility or ability to lead the economy than Hawaii's small business owners. Small businesses play a major role in the economy, representing 99% of all employer firms, employing about half of private-sector employees and generating 63% to 80% of net new jobs annually. This bill is expected by the state Department of Taxation to raise tax revenues by $59.8 million for FY 2022, $61.7 million for FY 2023, $63.7 million for FY 2024, $65.7 million for FY 2025, and $67.8 million for FY 2026, based on data about individual tax returns filed for taxpayers in the impacted income categories. We believe that this will have a significant negative effect on the state's economy, particularly the owners and operators of small businesses.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents nearly 900 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business.

1099 Alakea Street, Suite 2530, Honolulu, Hawaii 96813 (808) 447-1840

TAX FOUNDATION OF HAWAII
126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax Hike

BILL NUMBER: HB 2385, HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Changes income tax rates for taxable years beginning after 12/31/2020. We recommend that lawmakers think long and hard before further raising the income tax rates that have put Hawaii on the map for the wrong reasons.

SYNOPSIS: Amends section 235-51, HRS, to add new 12% and 13% income tax brackets.

The following table illustrates the changed brackets.

MFJ -- EXISTING LAW FOR TXBL YR BG AFT 12/31/2017

From	To	Rate	Tax for This Bracket	Next Bracket Starts
-	4,800	1.40%	67.20	67
4,800	9,600	3.20%	153.60	221
9,600	19,200	5.50%	528.00	749
19,200	28,800	6.40%	614.40	1,363
28,800	38,400	6.80%	652.80	2,016
38,400	48,000	7.20%	691.20	2,707
48,000	72,000	7.60%	1,824.00	4,531
72,000	96,000	7.90%	1,896.00	6,427
96,000	300,000	8.25%	16,830.00	23,257
300,000	350,000	9.00%	4,500.00	27,757
350,000	400,000	10.00%	5,000.00	32,757
400,000	-	11.00%		

MFJ -- PROPOSED FOR TXBL YR BG AFT 12/31/2020				
From	To	Rate	Tax for This Bracket	Next Bracket Starts
-	4,800	1.40%	67.20	67
4,800	9,600	3.20%	153.60	221
9,600	19,200	5.50%	528.00	749
19,200	28,800	6.40%	614.40	1,363
28,800	38,400	6.80%	652.80	2,016
38,400	48,000	7.20%	691.20	2,707
48,000	72,000	7.60%	1,824.00	4,531
72,000	96,000	7.90%	1,896.00	6,427
96,000	200,000	8.25%	8,580.00	15,007
200,000	300,000	9.00%	9,000.00	24,007
300,000	400,000	10.00%	10,000.00	34,007
400,000	500,000	11.00%	11,000.00	45,007
500,000	600,000	12.00%	12,000.00	57,007
600,000		13.00%		

EFFECTIVE DATE: Taxable years beginning after December 31, 2020.

STAFF COMMENTS: This bill, if enacted, will reinforce the image that Hawaii is a poor place to live, work, and invest, underscoring the poor business climate. When our 9%, 10%, and 11% rates were enacted in 2009, the national Tax Foundation was motivated to write:

> **Taxing High-Income Earners Has Failed Before as Sound Fiscal Policy**
>
> The trend may be new, but the policy has been tried before. Through the early 1990s, several states maintained double-digit income tax rates, including California (11% until 1996) and Hawaii (10% until 1998). These rates came down due to a combination of booming tax revenues from all sources, and growing expert understanding that location decisions of highly mobile entrepreneurs are sensitive to state income tax rates, particularly in the interstate context. To attract and keep good talent, create jobs and drive

> economic growth, legislators knew that state tax systems had to be competitive with their neighbors.
>
> We still see elements of that today. Even in adopting its millionaires' tax, New York did not let its rate go above neighboring New Jersey, and other states are wary of crossing the 10% psychological barrier. The California Franchise Tax Board has taken pains to deny that their 10.3% top tax rate is in the double digits, referring on their website and on tax forms to a 9.3% top rate and elsewhere noting that there is a 1% surcharge. Now those rates are 9.55% and 10.55% (see Table 1).
>
> If states are still concerned about interstate tax competition, what has really changed? The short answer is priorities. States that adopt new taxes on high-income earners are ones where policymakers are persuaded to ignore concerns about long-term economic growth in favor of a short-term budget fix that avoids deep spending cuts. In New Jersey, while the new millionaires' tax raised revenue for the state and helped reduce a budget shortfall, it reduced the state's overall economic output and harmed its ability to grow during and after the recession.
>
> This is the tradeoff that proponents of taxes on high-income earners usually fail to acknowledge. Yes, such taxes will generally raise revenue in the short term without a sudden exodus of wealthy people fleeing to the state next door, especially in Hawaii. But over the medium term, the taxes will negatively impact location decisions. People expanding old businesses or creating new ones will incorporate the higher cost of doing business into their decision-making, and steer clear of the state. California currently faces an enormous brain drain of dynamic individuals after five years of double-digit income taxes, and it seems that New Jersey may now be seeing the evidence of a brain drain from its millionaires' tax. Hawaii has long been accused of chasing out its best and brightest, and it can only be exacerbating that problem with these new tax rates.

Tax Foundation, *Fiscal Fact No. 169,* at 5 (May 2009) (footnotes omitted) (accessible at http://taxfoundation.org/sites/taxfoundation.org/files/docs/ff169.pdf).

To similar effect is a study sponsored by the American Legislative Exchange Council (ALEC), which states:

> When competing for residents, relative tax burdens among states matter most. States with lower relative tax burdens can expect higher growth, while states with higher relative tax burdens experience slower economic expansion. Contrasting state-specific economic metrics of the states with the lowest and highest tax burdens highlight the importance of tax policy (Table 3).
>
> Data clearly shows that low tax burdens enhance a state's chances of performing well economically (Table 3). On the other hand, a high tax burden reduces a state's chances of performing well. Of course, other policy variables impact economic performance, but tax burden is most consequential. In addition to comparing a state's economic performance

> to its tax burden, we also examine the 11 states that adopted an income tax since 1960 to show how their economies fared afterwards (Table 4).
>
> Every one of the 11 states that introduced a state income tax since 1960 declined relative to the rest of the nation in population growth, gross state product (GSP) growth, and state and local tax revenue growth. That state and local tax revenue growth in New Jersey and Connecticut underperformed by relatively smaller amounts than the other nine states is partially attributable to their adoption of an income tax most recently and their proximity to high-tax New York City.
>
> The new cap on federal deductibility of state and local taxes will materially change the competitive outlook for states. States with a combination of exceptionally high personal income tax rates and large percentages of high income earners tend to underperform on job growth, GSP growth, and income growth under the new tax law compared to previously. Unless high-tax states mend their ways, low-tax states with pro-growth policies will benefit from the resulting flow of capital and people.
>
> Once migration trends begin, it can be difficult to stop them. Just look at population dynamics of Michigan, Connecticut, and West Virginia (see Figure 2). These are three of the 11 states that adopted an income tax since 1960. Once a downward spiral commences, reversal is nearly impossible due to political roadblocks to pragmatic economic policy changes.

American Legislative Exchange Council, *Rich States, Poor States* 45 (11th ed. 2018) (available at https://www.richstatespoorstates.org/app/uploads/2018/04/RSPS-2018-WEB.pdf).

Data from the Census Bureau show what we have suspected all along, that our population is going down. A press release from the Census Bureau on Dec. 30, 2019 states that ten states lost population between 2018 and 2019, and Hawaii made the list. (https://census.gov/newsroom/–press-releases/2019/popest-nation.html).

To what lengths will we go to chase people out of our state?

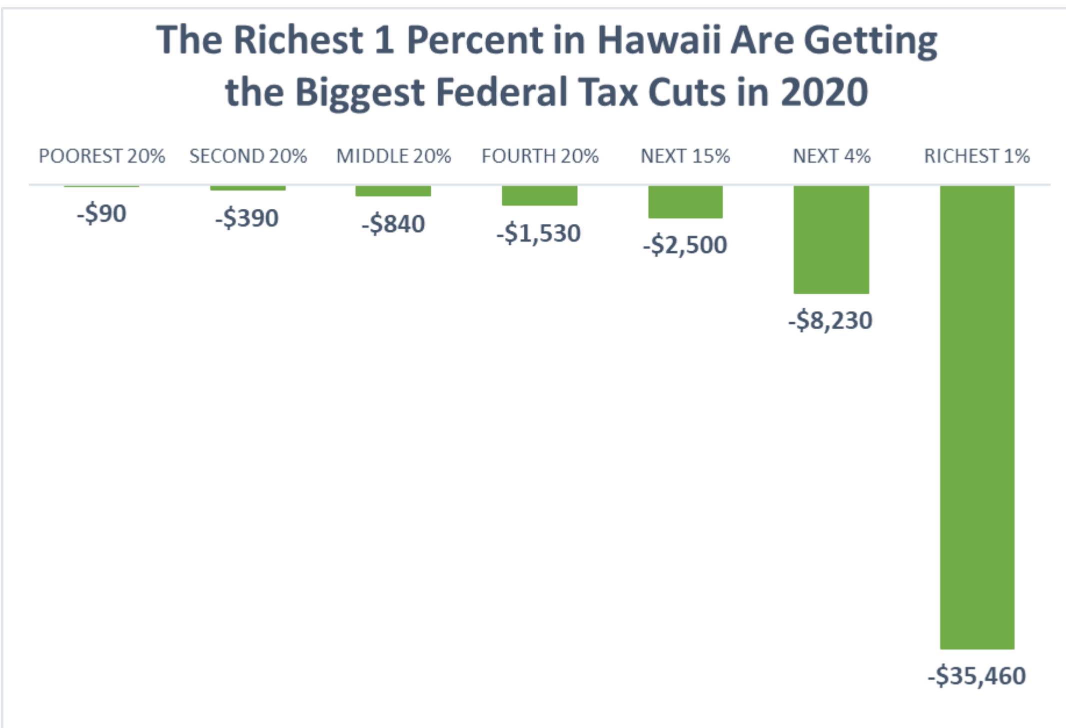
Digested 3/14/2020

Testimony of the Hawaiʻi Appleseed Center for Law and Economic Justice
In Support of HB 2385 HD1 – Relating to Taxation
Senate Committee on Ways and Means
Tuesday, March 17, 2020, at 10:35 AM in conference room 211

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to provide testimony in **SUPPORT with amendments of HB 2385 HD1**, which would increase income tax rates for high earners beginning in 2021.

Most of the tax benefits of the federal Tax Cuts and Jobs Act will be going to the richest fifth of Hawaiʻi taxpayers in 2020. Those in the middle fifth will see an average federal tax cut of $840, while those in the top one percent will be receiving more than 40 times as much, for an average of $35,460. [i]



Since they'll be saving quite a bit in federal taxes, the highest earners in our state can afford to pay more in state income taxes. This bill would raise the state income tax rates on earnings above

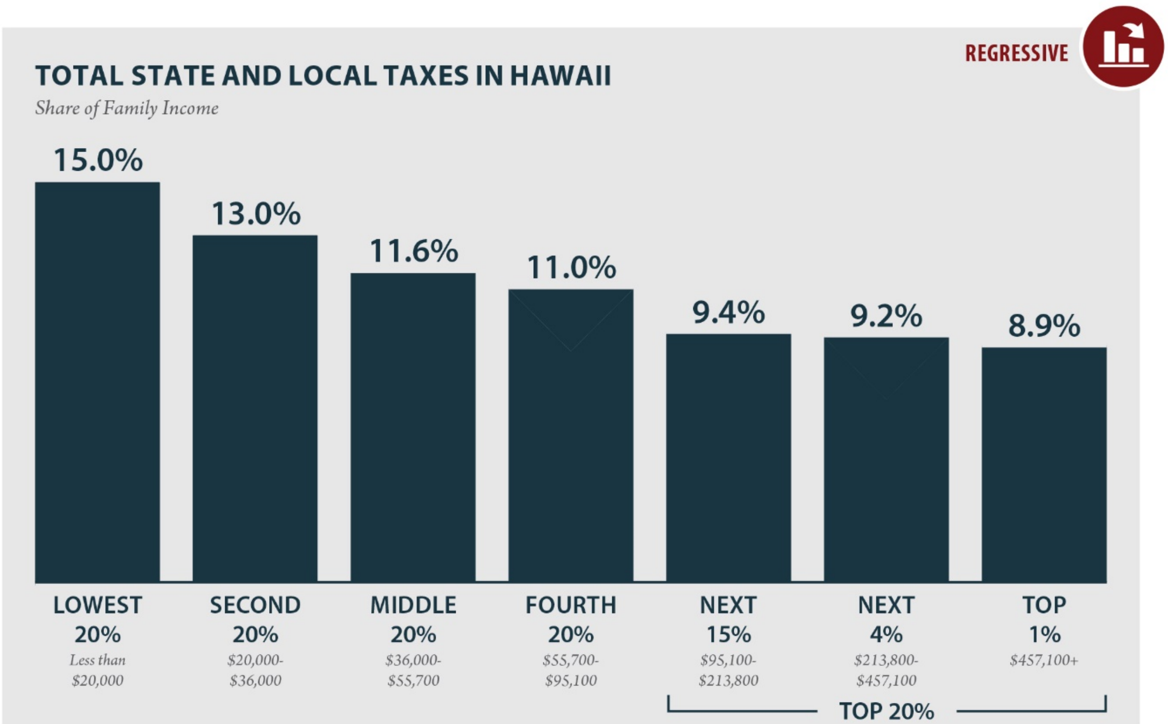
---

The Hawaiʻi Appleseed Center for Law and Economic Justice is committed to a more socially just Hawaiʻi, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.

$200,000 for joint filers, $150,000 for heads of households, and $100,000 for single filers.

The top rate would increase from 11.0 percent to 13.0 percent, which would keep Hawaiʻi in second place behind California, which currently has a top income tax rate of 13.3 percent.

At the same time, Hawaiʻi ranks second nationally in how heavily we tax our low-income households, with our lowest-income households paying 15 percent of their income in state and local taxes. Those at the top pay only about 9 percent.[ii]



To help reduce the regressivity of our state's tax system, we respectfully suggest **amendments** to direct some of the increased revenue that would result from this bill **to eliminate income tax liability for those in our state's lowest income tax brackets**.

We appreciate your consideration of this testimony.

---

[i] https://itep.org/tcja-2020/
[ii] https://itep.org/whopays/hawaii/

HB 2385, HD1, RELATING TO TAXATION

MARCH 17, 2020 · SENATE WAYS AND MEANS COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Support.

RATIONALE: IMUAlliance supports HB 2385, HD1, relating to taxation, which Changes income tax rates for taxable years beginning after 12/31/2020.

On March 11, 2020, the Council on Revenues downgraded Hawai'i's economic outlook for FY2020 from 4.1 percent to 3.8 percent, which represents an approximately $22 million decline in state revenues. For FY2021, the council revised their previous revenue estimate and now projects 0 percent growth for the upcoming fiscal year, a roughly $300 million decrease from prior calculations. The culprit: coronavirus.

COVID-19 is wreaking as much havoc on our state's economy as it is on public health. Eugene Tian, our state's chief economist, has indicated that international arrivals are already down by more than 30 percent compared to the same period last year, with a reduction in visitor spending of 2 to 4 percent expected over the final quarter of this fiscal year as the pandemic progresses. Importantly, these assessments were performed before the most recent responses to coronavirus, which include strict travel restrictions, temporary business closures, and even nationwide lockdowns in hard hit parts of the globe, along with an uptick in infected island residents.

The economic fallout from COVID-19 should not be borne by working families, who already struggle to pay bills and meet their basic needs. To raise revenue for state coffers, we must turn to wealthy residents who can afford to pay more without sacrificing their well-being, as this measure calls for. As the Department of Taxation has pointed out, the estimated revenue gain from this measure would be $59.8 million for FY 2022, $61.7 million for FY 2023, $63.7 million for FY 2024, $65.7 million for FY 2025, and $67.8 million for FY 2026.

That is money that our state cannot afford to miss out on, regardless of whether or not we are facing a lingering financial recession. It’s revenue that could subsidize pay raises for public school teachers, repairs to critical roadways and infrastructure, expanded access to healthcare programs for high risk communities, progress toward our state’s goal of becoming 100 percent reliant on renewable energy, upgrades to Hawai’i’s emergency preparedness systems, and much more.

It’s funding that could help us deliver the future our keiki deserve and protect our ‘āina for generations to come. It’s the start of a financial recovery and a step toward obtaining economic justice for the most vulnerable members of our community.

HOUSE BILL 2385, HD 1, RELATING TO TAXATION

MARCH 17, 2020 · SENATE WAYS AND MEANS COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports HB 2385, HD 1, relating to taxation, which changes income tax rates for taxable years beginning after 12/31/2020.

On March 11, 2020, the Council on Revenues downgraded Hawai'i's economic outlook for FY2020 from 4.1 percent to 3.8 percent, which represents an approximately $22 million decline in state revenues. For FY2021, the council revised their previous revenue estimate and now projects 0 percent growth for the upcoming fiscal year, a roughly $300 million decrease from prior calculations. The culprit: coronavirus.

COVID-19 is wreaking as much havoc on our state's economy as it is on public health. Eugene Tian, our state's chief economist, has indicated that international arrivals are already down by more than 30 percent compared to the same period last year, with a reduction in visitor spending of 2 to 4 percent expected over the final quarter of this fiscal year as the pandemic progresses. Importantly, these assessments were performed before the most recent responses to coronavirus, which include strict travel restrictions, temporary business closures, and even nationwide lockdowns in hard hit parts of the globe, along with an uptick in infected island residents.

The economic fallout from COVID-19 should not be borne by working families, who already struggle to pay bills and meet their basic needs. To raise revenue for state coffers, we must turn to wealthy residents who can afford to pay more without sacrificing their well-being, as this measure calls for. As the Department of Taxation has pointed out, the estimated revenue gain from this measure would be $59.8 million for FY 2022, $61.7 million for FY 2023, $63.7 million for FY 2024, $65.7 million for FY 2025, and $67.8 million for FY 2026.

That is money that our state cannot afford to miss out on, regardless of whether or not we are facing a lingering financial recession. It's revenue that could subsidize pay raises for public school teachers, repairs to critical roadways and infrastructure, expanded access to healthcare programs for high risk communities, progress toward our state's goal of becoming 100 percent reliant on renewable energy, upgrades to Hawai'i's emergency preparedness systems, and much more.

It's funding that could help us deliver the future our keiki deserve and protect our 'āina for generations to come. It's the start of a financial recovery and a step toward obtaining economic justice for the most vulnerable members of our community.

HB-2385-HD-1
Submitted on: 3/16/2020 9:03:35 AM
Testimony for WAM on 3/17/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Golojuch Jr	Testifying for LGBT Caucus of the Democratic Party of Hawaii	Support	No

Comments:

Economy Plumbing & Sheet Metal, Inc.
dba ECONOMY PLUMBING & AIR CONDITIONING
1029 Ulupono Street Honolulu, Hawaii 96819-4334
Phone: (808) 842-5100 Fax: (808) 848-2703 License #ABC-318

March 16, 2020

TO: HONORABLE DONOVAN M. DELA CRUZ, CHAIR,
HONORABLE GILBERT S.C. KEITH-AGARAN, VICE CHAIR,
MEMBERS OF THE STATE WAYS AND MEANS COMMITTEE

SUBJECT: **OPPOSITION TO H.B. 2385 HD1, RELATING TO TAXATION**

HEARING

DATE: Tuesday, March 13, 2020
TIME: 10:35 AM
PLACE: Conference Room 211

Dear Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee:

My name is Kent Matsuzaki and I am the President of Economy Plumbing & Air Conditioning, a small business contracting firm.

We are **opposed to H.B. 2385 HB1, Relating to Taxation,** which would raise State income tax rates for high earning individuals beginning December 31, 2020.

This proposed change would not only affect high earning individuals, it will affect Small businesses that are S-Corporations. S-Corps file income taxes at the individual stockholder's rate.

We respectfully request that that the proposed bill be held by this Committee for the following reasons:

1) We just had a substantial increase in State income taxes for taxable year after 12/31/2017, we don't need another one soon after previous one especially in these economic times impacted by COVID-19.
2) Small businesses that operate as S-Corps employ many tax paying State residents. It is already tough for small businesses to make a go in Hawaii. We don't need higher taxes.
3) See reasons on testimony from Tax Foundation of Hawaii

Thank You,

Kent Matsuzaki
President

HB-2385-HD-1
Submitted on: 3/16/2020 10:34:03 AM
Testimony for WAM on 3/17/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jasmine Umeno	Testifying for Hawaii Health & Harm Reduction Center	Support	No

Comments:

HawaiÊ¿i Health & Harm Reduction Center (HHHRC) is writing **in support of HB2385 with amendments,** which would increase income tax rates for the state's highest earners beginning in 2021.

HawaiÊ¿i is among the most expensive states to live in the United States, and our taxation system disproportionately hits low-income earners. These disparities have been amplified by the federal Tax Cuts and Jobs Act, which disproportionately benefited the richest fifth of the nation's earners. HawaiÊ¿i ranks second when it comes to how heavily low-income residents are taxed - fifteen percent in state and local taxes, while top earners pay only about nine percent.

HHHRC works with many individuals who are impacted by poverty, housing instability, and other social determinants of health. Increasing the top income tax rates from 11 to 13 percent will go far to improving our regressive taxation system for working people. Thank you for the opportunity to provide testimony today in support of HB2385.

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938

Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

LATE

March 17, 2020

Testimony To: Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair

Presented By: Tim Lyons, President

Subject: H.B. 2385, HD 1 - RELATING TO TAXATION.

Chair Dela Cruz and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii. The SAH represents the following nine separate and distinct contracting trade organizations.

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

ELECTRICAL CONTRACTORS ASSOCIAETION OF HAWAII

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL & AIR CONDITIONING NATIONAL CONTRACTORS ASSOCIATION

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

We are opposed to the passage of this bill.

We understand that, particularly in light of the coronavirus, the State is looking for additional possibilities for generation of income however, we think it is ill advised to try to do that on the backs of small businesses. It certainly provides for a real disincentive to prosper and grow. We have already heard of stories of our population migrating out of State. We have to think there is a similar corresponding migration by small business owners. Instead of providing for a higher tax on higher incomes, it would seem to us that providing incentives and encouragement for businesses to achieve success and thereby pay tax at the highest rate with more businesses contributing to the tax revenue "pot" would achieve a much similar purpose without the negative consequences associated with this bill.

Therefore, based on the above we think this bill is ill advised and cannot recommend its passage.

Thank you.

ADA HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

OFFICERS
John Bickel, President
Alan Burdick, Vice President
Marsha Schweitzer, Treasurer
Doug Pyle, Secretary

DIRECTORS
Melodie Aduja
Juliet Begley
Ken Farm
Stephanie Fitzpatrick
Chuck Huxel
Jan Lubin
Jenny Nomura
Dave Nagaji
Stephen O'Harrow
Lyn Pyle

MAILING ADDRESS
P.O. Box 23404
Honolulu
Hawai'i 96823

March 16, 2020

LATE

TO: Chair Chang and members of Housing Committee

RE: HB 2385 HD2 Relating to Tax Credits

Support for hearing on March 17

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support HB 2385 HD2 as it would increase the low-income renters credit. This credit has not kept up with inflation. A renter needs to make over $75,000 per year (or $36.82 per hour full-time) to afford a two-bedroom apartment in Hawaii, which is the highest "housing wage" in the nation. The corona virus will hurt a lot of people. This bill will give some a small cushion.

Thank you for your favorable consideration.

Sincerely,
John Bickel, President

ADA

1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

HAWAII STATE TEACHERS ASSOCIATION
Teaching Today for Hawaii's Tomorrow

LATE

TESTIMONY BEFORE THE SENANTE COMMITTEE ON WAYS & MEANS

RE: HB 2385, HD1 - RELATING TO TAXATION

TUESDAY, MARCH 17, 2020

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Dela Cruz and Members of the Committee:

The Hawaii State Teachers Association **strongly supports HB 2385, HD1, relating to taxation. This bill would** increase income tax rates for high earners beginning in 2021.

We need to make tax law fair. Currently, most of the tax benefits of the federal Tax Cuts and Jobs Act are going to the richest fifth of Hawaiʻi taxpayers in 2020. Those in the middle fifth will see an average federal tax cut of $840, while those in the top one percent will be receiving more than 40 times as much, for an average of $35,460. [i]

The highest earners in our state can afford to pay more in state income taxes and this burden should not be put on the lower tax brackets who are struggling the most. Even the middle low brackets are struggling. This bill would raise the state income tax rates on earnings above $200,000 for joint filers, $150,000 for heads of households, and $100,000 for single filers.

The top rate would increase from 11.0 percent to 13.0 percent, which would keep Hawaiʻi in second place behind California, which currently has a top income tax rate of 13.3 percent. This is a reasonable increase on the top rates.

Hawaiʻi ranks second nationally in how heavily we tax our low-income households, with our lowest-income households paying 15 percent of their income in state and local taxes. Those at the top pay only about 9 percent.[ii]

This bill will reduce the regressivity of our state's tax system, we respectfully suggest **amendments** to direct some of the increased revenue that would result from this bill **to eliminate income tax liability for those in our state's lowest income tax brackets**. For these reasons, we respectfully ask you to **support this bill.**

---

[i] https://itep.org/tcja-2020/
[ii] https://itep.org/whopays/hawaii/

CKW Financial Group
1003 Bishop Street, Suite 1950
Honolulu, Hawaii 96813
Telephone: 808.629.7600
Facsimile: 808.675.5400

March 16, 2020

TO: HONORABLE DONOVAN M. DEL CRUZ, CHAIR,
HONORABLE GILBERT S.C. KEITH-AGARAN, VICE CHAIR
MEMBERS OF THE STATE WAYS AND MEANS COMMITTEE

SUBJECT: **STRONG OPPOSITION TO H.B. 2385 HD1, RELATING TO TAXATION**

<u>HEARING</u>

DATE: Tuesday, March 13, 2020
TIME: 10:35 AM
PLACE: Conference Room 211

Dear Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee,

My name is Carl Choy and I am against HB 2385 - raising the top income tax rate to 13%.

To be in the top 1% of US tax returns filed (mostly joint) takes adjusted gross income of $515,371 according to the Internal Revenue Service for data as of 2017.

The proposal to tax income over $600,000 in Hawaii is a bad one. You will incentivize more people to live in Hawaii 50% minus one day, which will not create more affordable housing and will lower tax revenues by a multiplier effect.

The current pandemic we know will go away, no one yet knows the longer term repercussions of the coronavirus and the hit personal financial income and wealth will take - higher taxes will make it worst.

This increased income tax on top of the one during Ige's 1st term, encouraged by a governor who said he would not raise taxes along with the loss of SALT will increase the pace of businesses and people choosing to not be taxed as Hawaii residents.

There are approximately 500,000 households in Hawaii so less than 5,000 households affected by this proposal. But if half of the Top 1% of the 5,000 households affected, leave Hawaii, that is 25 of the wealthiest with over 10 million income. Your 2% increase is projected to increase revenue by ~60 million. However if the 25 households change residency, each with more than 10 million of income, your projected increase in revenue will drop by 5 million (2% x 250 million). In reality, the revenue projection will drop by 25+ million because the 25 households will pay zero and not the current 11% before the proposed increase. If these people were to move their business and no longer have nexus in Hawaii, Hawaii would lose the 4%+ GET on total revenue not just income taxes, all the jobs and income taxes of the people working for the company and all of the business activity of all of people spending their money here in Hawaii.

As an example a business with 10 million in revenue and over a dozen employees would save over $1 million in taxes paid to the State of Hawaii. This buys a lot of airline tickets to fly in once a quarter for face to face meetings.

Your rational of “California does it”, shows the lack of thought put into your decision making. How does Hawaii’s tax payer base compare to a state where we have 3% of the population compared to California and less than 3% of there GDP. Seriously? Your projection of ~60m increased revenue is very flawed.

Thank you,

Carl Choy
Principal

220 South King Street, Suite 1800 | Honolulu, Hawaii 96813
P: 808.629.7600 | F: 808 675.5400

HB-2385-HD-1
Submitted on: 3/16/2020 9:50:41 AM
Testimony for WAM on 3/17/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ronald S. Fujiyoshi	Individual	Support	No

Comments:

I support HB2385!
The top 10% have been given breaks on their Federal taxes.

A reasonable increase in the Hawaii state taxes by those who can most afford it is the right thing to do.

Thank you for the opportunity to testify on this bill!

HB-2385-HD-1
Submitted on: 3/16/2020 10:17:48 AM
Testimony for WAM on 3/17/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrea Brower	Individual	Support	No

Comments:

STRONG SUPPORT! We need to work toward more equity in this time of such extreme wealth disparity.

LATE

HB-2385-HD-1
Submitted on: 3/16/2020 2:08:39 PM
Testimony for WAM on 3/17/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
donald erway	Individual	Support	No

Comments:

LATE

HB-2385-HD-1
Submitted on: 3/16/2020 2:31:39 PM
Testimony for WAM on 3/17/2020 10:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jun Shin	Individual	Support	No

Comments:

Our high income earners are the main beneficiaries from the federal Tax Cuts and Jobs Act. While those in the middle will see an average federal tax cut of $840, those in the top 1% will get an average of $35,460. An increase of the top state income tax rate from 11% to 13% won't be too bad, the rich will do just, and at the same time there will be a much needed investment into our communities.