

Honolulu, Hawaii

FEB 17 , 2022

RE: H.B. No. 2510
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Labor & Tourism, to which was referred H.B. No. 2510 entitled:

"A BILL FOR AN ACT RELATING TO INCOME,"

begs leave to report as follows:

The purpose of this measure is to help working families by:

- (1) Amending the earned income tax credit by making it refundable;
- (2) Amending the eligibility and amount to claim for the food/excise tax credit;
- (3) Providing for an increase in the minimum wage to \$11.00 per hour beginning January 1, 2023, with an increase of \$1.00 per hour on January 1 of each ensuing year up through and including 2030, as well as for an increase in the tip credit over the same period;
- (4) Amending the household and dependent care tax credit to apply to expenses paid for the care of a qualifying individual, regardless of age, and specifying that a qualified individual is, among other things, a recipient or eligible to be a recipient of Social Security disability insurance; and



- (5) Appropriating funds for an outreach campaign to educate low-wage earners about their withholding options and provide support in completing their withholding forms.

Your Committee received testimony in support of this measure from the Americans for Democratic Action; Hawaii State AFL-CIO; United Public Workers, AFSCME Local 646, AFL-CIO; Hawai'i Nurses Association, OPEIU Local 50; and fifteen individuals.

Your Committee received testimony in opposition to this measure from one member of the Maui County Council, Democratic Party of Hawai'i Education Caucus, Pono Hawai'i Initiative, Hawaii Clubhouse Advocacy Coalition, Hawai'i Alliance for Progressive Action, Hawaiian Chip Company, Hawai'i Children's Action Network Speaks!, Democratic Party of Hawaii Labor Caucus, Iron Workers Stabilization Fund, Hawaii Food Manufacturers Association, National Federation of Independent Business, Imua Alliance, IATSE Local 665, Hawai'i County Committee of the Democratic Party of Hawai'i, Society of Human Resource Management Hawaii, and numerous individuals.

Your Committee received comments on this measure from the Department of Labor and Industrial Relations; Department of Budget and Finance; Department of Taxation; Department of Human Services; Chamber of Commerce Hawaii; United Here! Local 5 Hawaii; KoLab Coworking; Hawaii Workers Center; Hawaii Petroleum Marketers Association; League of Women Voters of Hawaii; Save Medicaid Hawaii; Hawai'i Health & Harm Reduction Center; Hawaii Appleseed Center for Law & Economic Justice; Tax Foundation of Hawaii; Grassroot Institute of Hawaii; Community Alliance Partners; Living Wage Hawaii; Free Access Coalition; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; Hawai'i Restaurant Association; Retail Merchants of Hawaii; Hawaii Food Industry Association; Hawai'i Lodging & Tourism Association; and numerous individuals.

Your Committee finds that increases to the cost of living in the State, combined with stagnant wages, have contributed to the increase in asset limited, income constrained, and employed households in Hawaii. In addition, the coronavirus disease 2019 pandemic has exacerbated financial hardships for many residents of the State, who are facing challenges making ends meet. Changes to



the existing tax structure and minimum wage are needed to help working families succeed.

Your Committee has amended this measure by:

- (1) Incorporating a mechanism to annually adjust the minimum wage and tip credit amount starting January 1, 2031, based on the average of the increases to the statewide median hourly wage for all occupations over the previous three years compiled by the United States Bureau of Labor Statistics;
- (2) With respect to the household and dependent care tax credit, removing the requirement that a qualified individual be a recipient or eligible to be a recipient of Social Security Disability Insurance;
- (3) Increasing the cap on revenues that may be deposited into the Tax Administration Special Fund and authorizing that monies in the fund shall also be used for outreach to educate low-wage earners about withholding options and provide support when completing withholding forms;
- (4) Appropriating funds from the Tax Administration Special Fund, rather than from the general fund, for the required outreach;
- (5) Changing the effective date to December 25, 2040, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Tourism that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2510, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2510, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Labor & Tourism,



RICHARD H.K. ONISHI, Chair



