

STAND. COM. REP. NO. 3447

Honolulu, Hawaii

MAR 24 2022

RE: H.B. No. 2510
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Labor, Culture and the Arts, to which was referred H.B. No. 2510, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INCOME,"

begs leave to report as follows:

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

- (1) Making the earned income tax credit refundable and permanent for taxable years beginning after December 31, 2022, and allowing the earned income tax credits that were earned in previous tax years to be carried forward and used to offset tax liability in subsequent years until exhausted or up to the end of the 2024 taxable year;
- (2) Increasing the State's minimum wage to \$13.00 per hour beginning on January 1, 2023, and thereafter incrementally increasing it by \$1.00 every year, up to \$18.00 per hour on January 1, 2028; and
- (3) Increasing the State's tip credit to \$1.50 per hour beginning on January 1, 2023, and thereafter incrementally increasing it by 25 cents every year, up to \$2.75 per hour on January 1, 2028.



Your Committee received testimony in support of this measure from the Department of Labor and Industrial Relations; Department of Human Services; two members of the Hawaii County Council; Pride at Work - Hawai'i; League of Women Voters® of Hawaii; Save Medicaid Hawaii; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; The Church of the Crossroads; Community Alliance Partners; Hawaii State Association of Counties; Pono Hawai'i Initiative; Stonewall Caucus of the Democratic Party of Hawai'i; Early Childhood Action Strategy; Zero Waste Kauai; Hawaii Petroleum Marketers Association; Americans for Democratic Action Hawai'i; Hawai'i Children's Action Network Speaks!; Catholic Charities Hawai'i; and fifty-one individuals. Your Committee received testimony in opposition to this measure from IL Gelato Hawaii, Highway Inn, Gyotaku Japanese Restaurants, Magics Beach Grill, Raise Up Hawaii Kauai, Hawaii Clubhouse Advocacy Coalition, Hawai'i Alliance for Progressive Action, National Federation of Independent Business, Democratic Party of Hawai'i - Education Caucus, Imua Alliance, Society of Human Resources Management, Hawaii Food Manufacturers Association, Hawai'i County Democratic Party, Democratic Party of Hawaii - Labor Caucus; and nineteen individuals. Your Committee received comments on this measure from the Department of Budget and Finance; Department of Taxation; Tax Foundation of Hawaii; Hawai'i Restaurant Association; Microenvironmental; Retail Merchants of Hawaii; Free Access Coalition; Hawaii Appleseed Center for Law & Economic Justice; UNITE HERE Local 5; Grassroot Institute of Hawaii; Chamber of Commerce Hawaii; United Public Workers, AFSCME Local 646, AFL-CIO; Hawai'i Public Health Institute; Living Wage Hawaii; Maui Chamber of Commerce; Hawai'i Farm Bureau; Hawaii Food Industry Association; Hawaii Workers Center; and twenty-two individuals.

Your Committee finds that, according to a report titled "Self-Sufficiency Income Standard - Estimates for Hawaii 2020" issued by the Department of Business, Economic Development, and Tourism in December 2021, approximately 18.2 percent of two-adult couples with no children, and 34.7 percent of two-adult couples with two children had incomes below the self-sufficiency standard in 2020. For single-adult with no children, single-adult with one child, and single-adult with two children, 43.1 percent, 50.0 percent, and 80.0 percent had incomes below the self-sufficiency level, respectively. The report also provided that a single adult



with no children in City and County of Honolulu, Hawaii County, Maui County, and Kauai County, needed to earn an hourly wage of \$18.35, \$14.78, \$17.84, and \$19.33, respectively, in 2020 to be able to meet the individuals' basic needs and to be economically self-sufficient. Your Committee also finds that the annual inflation rate in the United States accelerated to seven percent in the last month of 2021, the highest since June of 1982, which will further increase the cost of living in Hawaii. Your Committee believes that this measure will help raise the quality of life for Hawaii residents, reduce poverty, increase economic activity in the State, and appropriately address inflation and the resulting increase of the cost of living in the State.

Your Committee notes that H.B. No. 1507, H.D. 1 (Regular Session of 2022), titled "A BILL FOR AN ACT RELATING TO TAX FAIRNESS," that passed the House of Representatives and was referred to your Committee on Ways and Means, includes provisions that makes Hawaii's earned income tax credit refundable and permanent. Your Committee believes that H.B. No. 1507, H.D. 1 (Regular Session of 2022), which pertains to income tax is a more appropriate vehicle for this matter.

Your Committee also notes multiple testimonies stating that increasing the State's minimum wage, which has not been changed since January 1, 2018, to \$18.00 per hour over a span of six years is insufficient to address the hardship which befalls the working families in Hawaii. Your Committee notes that S.B. No. 2018 (Regular Session of 2022), which passed the Senate in January 2022, proposes to increase the State's minimum wage on a more accelerated schedule, specifically, to \$12.00 per hour beginning October 1, 2022; \$15.00 per hour beginning January 1, 2024; and \$18.00 per hour beginning January 1, 2026. Your Committee believes that this schedule is preferable, as it more appropriately addresses the hardship that the working families in Hawaii are currently facing.

Your Committee finds that the tip credit currently allows an employer to pay an hourly wage up to 75 cents less than the current \$10.10 minimum wage, when the combined amount that an employee receives from the employer together with tips exceeds \$17.10 an hour. Your Committee received numerous testimonies for the total repeal of the tip credit because it penalizes employees who receive tips or gratuities for their services. In effect, the




tip credit serves as a subsidy from customers to the employers of tipped workers, and the employers' obligation to pay the minimum wage is paid in part by customers via their tips. Your Committee received no testimony justifying the treatment of employers of tipped workers as a class of employers different from all other employers obligated to pay the minimum wage.

Accordingly, your Committee has amended this measure by:

- (1) Deleting the purpose section;
- (2) Deleting section 2 relating to the earned income tax credit;
- (3) Replacing the schedule of the minimum wage increase with the schedule provided in S.B. No. 2018 (Regular Session of 2022);
- (4) Reducing the tip credit to 35 cents per hour beginning October 1, 2022, and zero cents per hour beginning January 1, 2026; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Labor, Culture and the Arts that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2510, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2510, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Labor, Culture and
the Arts,


BRIAN T. TANIGUCHI, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Labor, Culture and the Arts
LCA

Bill / Resolution No.:* HB 2510, HD2	Committee Referral: LCA, WAM	Date: 3-21-22
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The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312
 Pass, with amendments 2311
 Hold 2310
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
TANIGUCHI, Brian T. (C)	✓			
IHARA, Jr., Les (VC)	✓			
CHANG, Stanley	✓			
KEOHOKALOPE, Jarrett	✓			
FEVELLA, Kurt	✓			
TOTAL	5	0	0	0

Recommendation:
 Adopted
 Not Adopted

Chair's or Designee's Signature:

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*Only one measure per Record of Votes