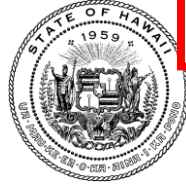


DAVID Y. IGE  
GOVERNOR  
  
JOSH GREEN M.D.  
LT. GOVERNOR



**LATE**

ISAAC W. CHOY  
DIRECTOR OF TAXATION

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-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director  
Department of Taxation

Date: Friday, February 18, 2022  
Time: 10:10 A.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 3250, S.D. 1, Relating to Taxation**

The Department of Taxation (Department) offers the following comments regarding S.B. 3250, S.D. 1, for your consideration.

S.B. 3250, S.D. 1, creates two new income tax brackets. The new brackets are set at \$10 million and \$25 million of income for joint filers; \$7.5 million and \$18.75 million for head of household filers; and \$5 million and \$12.5 million for single filers. The marginal rates applicable to the new brackets are 16 percent and 19 percent. The bill also creates a wealth tax working group to develop a proposal for the taxation of wealth. S.D. 1 has a defective effective date of July 30, 2075.

First, the Department appreciates that the previous committee converted the original income tax surcharge into two new brackets and marginal tax rates. The Department believes this is a simpler and more efficient method for achieving the intent of the measure.

Second, instead of a working group to study a wealth tax specifically, the Department suggests the scope be broadened to study different feasible methods of imposing additional tax on wealthy taxpayers and the potential revenue gain for each identified method.

Finally, the Department notes that it is able to administer the income tax bracket changes proposed by this measure for taxable years beginning after December 31, 2021, as currently written.

Thank you for the opportunity to provide testimony on this measure.

Presentation to The  
Committee on Ways and Means  
Friday, February 18, 2022, 10:10 AM  
State Capitol, Via Videoconference

**Testimony on SB 3250, HS 1 In Opposition**

TO: The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair  
Members of the Committee

My name is Neal K. Okabayashi, Executive Director of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and three banks from the continent with branches in Hawai'i.

In a time when Hawai'i is flush with money, this bill proposes to create a disincentive for people to work hard, be creative, and innovative, which are some of the characteristics of the wealthy. SB 3250, SD 1 would create the highest income tax rate in the nation of 19%. And it's not even close. Considering the impact of SALT, combined federal and state income tax rate would be 56%, meaning a net of 44%. If a pro football player from Hawai'i was a resident of Hawai'i he would certainly not return to live here so he could pay 56% of his income to taxes. The 56% tax rate will be a disincentive of urging our kamaaina kids to come home to Hawai'i and work remotely from Hawai'i. We are moving counter clockwise.

Thank you for the opportunity to submit this testimony in opposition to SB 3250, SD1. Please let us know if we can provide further information.

Neal K. Okabayashi  
(808) 524-5161

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, MISCELLANEOUS, Surcharge on High-Income Individuals, Estates, and Trusts; Working Group to Study Wealth Tax

BILL NUMBER: SB 3250 SD 1

INTRODUCED BY: Senate Committee on Judiciary

EXECUTIVE SUMMARY: Establishes two additional marginal tax rates for joint filers whose income exceeds \$10,000,000 and \$25,000,000, head of households whose income exceeds \$7,500,000 and \$18,750,000, individuals whose income exceeds \$5,000,000 and \$12,500,000, and estates and trusts that have income exceeding \$200,000 and \$500,000, respectively.

Establishes a working group within the Department of Taxation to develop a proposal for a state wealth tax. Our view is that if you want high net worth individuals to head for the airport, this is what you pass.

SYNOPSIS: Part I of the bill amends section 235-51(a) through (c), HRS, to add new rate schedules for individuals for taxable years beginning after 12/31/2021. The following table, for married filing joint and surviving spouse filing status, illustrates the changed brackets.

From	To	Base Tax in Bracket	Plus Tax Rate	For Taxable Income Over
-	4,800	0.00	1.40%	0
4,800	9,600	67.00	3.20%	4,800
9,600	19,200	221.00	5.50%	9,600
19,200	28,800	749.00	6.40%	19,200
28,800	38,400	1,363.00	6.80%	28,800
38,400	48,000	2,016.00	7.20%	38,400
48,000	72,000	2,707.00	7.60%	48,000
72,000	96,000	4,531.00	7.90%	72,000
96,000	300,000	6,427.00	8.25%	96,000
300,000	350,000	23,257.00	9.00%	300,000
350,000	400,000	27,757.00	10.00%	350,000

400,000	10,000,000	32,757.00	11.00%	400,000	
10,000,000	25,000,000	816,568.00	16.00%	10,000,000	
25,000,000		2,616,568.00	19.00%	25,000,000	

Part II of the bill establishes a working group to develop a state wealth tax.

EFFECTIVE DATE: July 30, 2075

STAFF COMMENTS: We question the need to establish ourselves as the national leader in individual tax rates. If this bill is adopted, Hawaii would soundly trounce California, which now holds the national crown with a 13.3% top marginal tax rate.

It should be remembered that the people with the highest incomes pay the most taxes. The same people can easily get on a plane and move somewhere else if the tax heat is turned up enough. We already see this phenomenon happening in the general population; Hawaii in the most recent census dropped 0.7% of its total population.

Digested: 2/16/2022



February 18, 2022

10:10 a.m.

Conference Room 211 & Videoconference

**To: Senate Committee on Ways and Means**

**Sen. Donovan M. Dela Cruz, Chair**

**Sen. Gilbert S.C. Keith-Agaran, Vice Chair**

**From: Grassroot Institute of Hawaii**

**Joe Kent, Executive Vice President**

RE: SB3250 SD1 — RELATING TO TAXATION

***Comments Only***

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB3250](#), which would establish two additional income tax rates for individuals making more than \$5 million a year, joint filers making \$10,000,000 or more, and estates and trusts with more than \$200,000 in annual income. It also establishes a working group for the development of a state wealth tax.

If enacted, this bill will increase the income tax rate to 16% for single filers making over \$5 million and joint filers over \$10 million. For single filers making more than \$12.5 million and joint filers making more than \$25 million, the income tax rate will soar to 19%. For estates and trusts earning more than \$200,000, the tax rate would be 13.25%, and for those with income of \$500,000 or more, the rate would be 16.25%.

This tax hike would give Hawaii the highest income tax rate in the country. It would also hasten the departure of high-income individuals to states with lower tax rates.

Hawaii already has the third-highest level of economic flight per capita in the nation. Researchers have noted an increasing [trend](#) in state-level economic migration over the past several years, notably from high-tax states to lower-tax states.

While the trend may start with high earners, it quickly grows to affect the state as a whole. Along with the high earners go more business opportunities and new enterprises, so professionals and

middle-income families soon follow suit. In the meantime, the tax base shrinks, leaving fewer people to bear the burden of the state budget.

In effect, this bill will amplify this problem and accelerate economic flight from Hawaii.

It is not true that this tax hike is necessary in order to replenish state coffers. Hawaii is enjoying a budget surplus due to higher-than-expected revenues combined with an infusion of federal funds.

While the tax hikes outlined in this bill might only apply to wealthy individuals, estates and trusts, they will have a negative effect on Hawaii residents as a whole. The tax increases proposed here are likely to drive away business and discourage investment, which would add to the unemployment problem and the lack of opportunity that has already led many residents to move elsewhere.

The minor and speculative increase in revenue that this tax hike may generate would be offset by the damage it would cause to the rest of the state's economy.

This proposal appears to ignore the reality of our state's budget surplus and the challenges that our businesses and residents have had to face over the past two years. The reality is that there are myriad reasons we should be wary of implementing tax hikes. Here are just a few:

>> Hawaii residents are already among the most taxed in the country; the state has the [second-highest overall tax burden](#) in the U.S.

>> Hawaii cannot sustain a hike in taxes since its already-damaged economy was hit harder by the lockdowns than any other state in the nation.<sup>1</sup>

>> Hawaii's population reduction of 32,237 people since fiscal 2016<sup>2</sup> has left Hawaii's remaining taxpayers with a greater tax burden.

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.<sup>3</sup> Hawaii's top 1% already pays 23% of all income taxes in the state.<sup>4</sup>

---

<sup>1</sup> Dave Segal, "[Hawaii's unemployment rate hit nation-high 15% in September](#)," Honolulu Star-Advertiser, Oct. 20, 2020.

<sup>2</sup> "[Annual Estimates of the Resident Population for the United States, Regions, States, the District of Columbia and Puerto Rico: April 1, 2010 to July 1, 2020 \(NST-EST2020\)](#)" U.S. Census Bureau, Population Division, December 2020 and "U.S. Census data," "[Annual Estimates of the Resident Population for the United States, Regions, States, the District of Columbia and Puerto Rico: April 1, 2020 to July 1, 2021](#)," U.S. Census Bureau, Population Division, accessed Jan. 3, 2022.

<sup>3</sup> Katherine Loughhead, "[State Individual Income Tax Rates and Brackets for 2020](#)," Tax Foundation, Feb. 4, 2020.

<sup>4</sup> "[Hawaii Individual Income Tax Statistics](#)," Hawaii Department of Taxation, December 2020, Table 13A.

The rationale for a tax on the wealthy is that such funds will be used in programs that help the less fortunate. However, a wealth tax — especially one that can be avoided by changing residence — is unlikely to provide much benefit to the rest of Hawaii's residents.

If Hawaii lawmakers want to help working families, they should abandon their reliance on taxes as a public policy tool, which has succeeded only in establishing Hawaii as the state with the highest cost of living.

Instead of attempting to solve the state's economic problems through a tax on the "rich," lawmakers should focus on strategies to lower the cost of living, by cutting income taxes, creating an exemption to the general excise tax for groceries and medical services, lowering fees and reducing regulations that limit opportunities and stifle economic growth.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent  
Executive Vice President  
Grassroot Institute of Hawaii

**SB-3250-SD-1**

Submitted on: 2/16/2022 1:06:59 PM

Testimony for WAM on 2/18/2022 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Jared Watumull	Individual	Oppose	No

Comments:

No new taxes.

**SB-3250-SD-1**

Submitted on: 2/16/2022 1:51:09 PM

Testimony for WAM on 2/18/2022 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Gerard Silva	Individual	Oppose	No

Comments:

NO TAXES this is Ellegal. You will find out very soon!!

**LATE**

**SB-3250-SD-1**

Submitted on: 2/17/2022 10:51:53 AM

Testimony for WAM on 2/18/2022 10:10:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Lynn Murakami Akatsuka	Individual	Oppose	No

Comments:

To Members of the Senate Committee on Ways and Means,

I strongly oppose the passage of SB 3250, SD 1. It is another tax bill that adds to the an already high cost of living expenses for all income class levels in Hawaii.

Please review the testimonies and comments from the Tax Foundation of Hawaii, Grassroot Institute of Hawaii, Hawaii Bankers Association, and the State Department of Taxation that was submitted earlier. Their comments, data presented, recommendations, and the ramifications to residents still residing here (32,237 residents have left Hawaii since 2016), if this bill passes.

As the Grassroot Institute of Hawaii testimony stated, "Instead of attempting to solve the state's economic problems through a tax on the "rich," lawmakers should focus on strategies to lower the cost of living, such as reducing income taxes, creating an exemption to the general excise tax for groceries and medical services, lowering fees and reducing regulations that limit opportunities and stifle economic growth."

I strongly request that legislators propose these types of bills this session or in the next session to support our remaining residents who are taxpayers that you count on for our economy and to attract newcomers who want to reside here and provide job opportunities for our families to have a "living wage."

One more personal observation on this year's proposed bills is the expansion of state departments with more programs; added Divisions/Branches/Sections/Units which will mean more funding to support new staffing and operational budgets. Please consider (1) downsizing through re-organization of existing state programs that are no longer necessary in function and services; (2) reviewing and evaluating all state programs and services' operations; and (3) improving access and timely service for residents to get assistance on their problems instead of waiting a long time to get a response and resolution.

Thank you for the opportunity to testify in strong opposition to SB 3250, SD 1.