

Honolulu, Hawaii

APR 06 2023

RE: H.B. No. 1049
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1049, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INCOME TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to reduce the cost of living by providing tax relief to low- and middle-income households and working families.

Specifically, this measure:

- (1) Establishes an income tax credit for teachers' expenses;
- (2) Establishes a definition for the term "cost-of-living adjustment factor;"
- (3) Amends the child and dependent care tax credit by:
 - (A) Increasing the applicable percentage of employment-related expenses that is used to calculate the amount of the tax credit;
 - (B) Setting the income threshold amount, for taxable years beginning after December 31, 2022, at \$150,000;



- (C) Requiring that, for each taxable year beginning after December 31, 2023, the threshold amount be adjusted for inflation using a cost-of-living adjustment factor; and
 - (D) Increasing the cap amount on employment-related expenses that may be used to claim the tax credit; and
- (4) Amends the income tax credit for low-income household renters by:
- (A) Making eligibility for the credit dependent on federal adjusted gross income instead of Hawaii adjusted gross income;
 - (B) Increasing the minimum annual rental payment requirement from \$1,000 to \$10,000;
 - (C) Requiring married persons to file a joint return;
 - (D) No longer excluding rental property that is partially or wholly exempted from real property tax;
 - (E) Increasing the amount of the tax credit from \$50 per exemption to \$350 per qualified exemption, reduced by a reduction factor based on filing status for every dollar of a taxpayer's adjusted gross income that exceeds a threshold amount; and
 - (F) Requiring that, for each taxable year beginning after December 31, 2023, the minimum annual rental payment requirement and threshold amounts be adjusted for inflation using a cost-of-living adjustment factor.

Your Committee received testimony in support of this measure from the Office of the Governor, Department of Budget and Finance, Department of Taxation, Executive Office on Early Learning, Commit to Keiki, Democratic Party of Hawaii Education Caucus, Early Childhood Action Strategy, Hawaii Children's Action Network



Speaks!, Hawaii Family Caregiver Coalition, Hawaii State Teachers Association, Holomua Collaborative, Parents and Children Together, The Samuel N. and Mary Castle Foundation, and twenty-two individuals.

Your Committee received comments on this measure from the Department of Education, AARP Hawaii, Catholic Charities Hawaii, Hawaii Appleseed Center for Law and Economic Justice, Imua Alliance, Tax Foundation of Hawaii, and four individuals.

Your Committee finds that the high cost of living in the State has made it difficult for low- and middle-income households and working families to afford basic necessities. Your Committee further finds that this measure is intended to provide tax relief to reduce the cost of living for working families in the State.

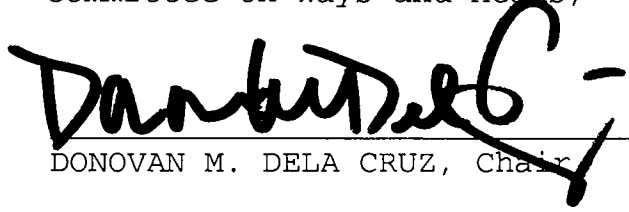
Your Committee has amended this measure by:

- (1) Deleting the provisions establishing an income tax credit for teachers' expenses because it is included in another measure;
- (2) Deleting the provisions amending the income tax credit for low-income household renters;
- (3) Clarifying that eligibility for the child and dependent care tax credit is dependent on federal adjusted gross income;
- (4) Increasing the amount of the refundable earned income tax credit;
- (5) Increasing the income thresholds and credit amounts of the refundable food/excise tax credit; and
- (6) Making the measure effective upon its approval.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1049, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1049, H.D. 2, S.D. 1, and be placed on the calendar for Third Reading.



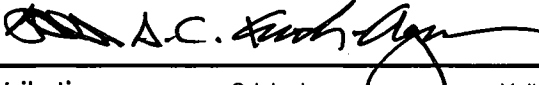
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

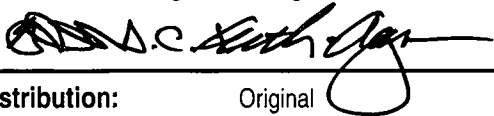
Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB 1049 HD2	Committee Referral: WAM	Date: 4/5/23		
<input checked="" type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: <u>PASS w/ AMENDMENTS</u>				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.				X
KIM, Donna Mercado	X			
LEE, Chris	X			
MORIWAKI, Sharon Y.				X
SHIMABUKURO, Maile S.L.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	11			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
Thirty-Second Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB1049 HD2	Committee Referral: WAM	Date: 4/4/23		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris	X			
MORIWAKI, Sharon Y.	X			
SHIMABUKURO, Maile S.L.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	13			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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