STAND. COM. REP. NO. 1036

Honolulu, Hawaii

MAR 0 3 2023

RE: S.B. No. 55 S.D. 2

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 S.B. No. 55, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to amend the income tax credit for low-income household renters.

More specifically, this measure:

- Increases the income thresholds and credit amounts of the income tax credit for low-income household renters by using tax brackets for individuals and different categories of households; and
- (2) Annually adjusts the income thresholds and credit amounts of the income tax credit for low-income household renters for inflation, based on the Consumer Price Index.

Your Committee received written comments in support of this measure from Catholic Charities Hawaii, Democratic Party of Hawaii Education Caucus, Hawaii Alliance for Community-Based Economic Development, Hawaii Alliance for Progressive Action, Hawaii Children's Action Network Speaks!, Imua Alliance, and four individuals.



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Your Committee received written comments on this measure from the Department of Budget and Finance, Department of Taxation, Tax Foundation of Hawaii, and one individual.

Your Committee finds that the income tax credit for low-income household renters is intended to help alleviate the high cost of housing in the State. Your Committee also finds that, since 1989, the cost of housing has increased by three hundred ninety percent. Your Committee further finds that the income eligibility threshold of the income tax credit for low-income household renters was last adjusted in 1989 and the credit amount of the income tax credit for low-income household renters was last adjusted in 1981.

Your Committee notes that the Department of Taxation estimates that this measure will result in revenue losses of \$9,300,000 for Fiscal Year 2024, \$8,800,000 for Fiscal Year 2025, \$9,000,000 for Fiscal Year 2026, \$9,000,000 for Fiscal Year 2027, \$9,100,000 for Fiscal Year 2028, and \$9,100,000 for Fiscal Year 2029.

Your Committee has amended this measure by:

- Clarifying that the income thresholds and credit amounts of the income tax credit for low-income household renters shall be adjusted for inflation on an annual basis;
- (2) Clarifying the names of the price indices to be used for the inflation adjustment;
- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (4) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

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 S.B. No. 55, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 55, S.D. 2.



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

DONOVAN M. DELA CRUZ, Chai.



The Senate Thirty-Second Legislature State of Hawaiʻi

Record of Votes Committee on Ways and Means WAM

Bill / Resolution No.:*	Committee Referral:		Da	Date:	
SBSS, SDI	HOU, WAM		າ	2/22/	23
The Committee is reconsidering its previous decision on this measure.					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Ауе	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		Ŷ	Ì		
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:					
Chair's or Designee's Signature:					
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy					

*Only <u>one</u> measure per Record of Votes