

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 233, Relating to a Child Tax Credit

BEFORE THE:

House Committee on Economic Development

DATE: Friday, February 3, 2023

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 423

Chair Holt, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 233 for your consideration.

H.B. 233 adds a new section to Chapter 235, Hawaii Revised Statutes (HRS), to create a new refundable child tax credit for each "qualifying individual taxpayer" with an adjusted gross income of \$60,000 or less. The tax credit is \$1,000 per year for each child dependent aged five years or less and \$500 for each child dependent aged six years but less than eighteen years. The credit will be distributed to a qualifying individual taxpayer over twelve consecutive months. "Qualifying individual taxpayer" is defined within the measure. This measure is effective upon approval and applies to taxable years beginning after December 31, 2023.

First, the Department recommends making the tax credit nonrefundable, as refundable credits are more susceptible to fraud.

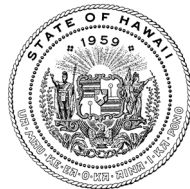
Second, the Department notes that in Section 2 on page 3, lines 1 through 3 of the bill, "subsection (b)" requires that the credit be equally distributed to the taxpayer over twelve consecutive months, but "subsection (c)," on page 3, lines 4 through 10 of the bill,

requires that the credit be claimed against the taxpayer's net income tax liability and that the excess be refunded. The Department suggests that the bill specify whether the credit will be refunded in a single payment after the taxpayer files their income tax return, or whether the credit will be refunded over a period of twelve months. If the intent of the bill is that the credit be refunded over twelve consecutive months, it will be difficult for the Department to administer this provision.

Finally, the Department notes that due to the number of bills with tax law changes that have been introduced this year, the Department may not have the resources to implement all measures passed this session by the effective date of the bill. The Department will continue to monitor the status of proposed legislation and will advise whether some changes will require a later effective date.

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

JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
ON
HOUSE BILL NO. 233

February 3, 2023
10:00 a.m.
Room 423 and Videoconference

RELATING TO A CHILD TAX CREDIT

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 233 establishes a refundable State Child Tax Credit payable on a monthly basis. Rather than taking a piecemeal approach, B&F strongly believes that the holistic approach in the Green Affordability Plan, House Bill No. 1049, is a more suitable option in providing needed financial relief to Hawai'i's residents.

Thank you for your consideration of our comments.

HB-233

Submitted on: 2/1/2023 11:26:30 AM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Megan Fox	Malama Kaua'i	Support	Written Testimony Only

Comments:

Investing in the well-being of Hawai'i's children is essential to the creation of prosperous and sustainable future. To address child poverty, the American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under age 6, and \$3,000 for other qualifying children under age 18, while allowing the credit to be distributed to qualifying taxpayers on a monthly basis.

These provisions of the American Rescue Plan strengthened the child tax credit, lifting millions of families and their children out of poverty and helping to pave the way for economic recovery. Despite this success, the expanded provisions expired at the end of 2021, plunging many families back into poverty.

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai'i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233.

HB-233

Submitted on: 2/1/2023 1:07:09 PM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
John Witeck	Hawaii Workers Center	Support	Written Testimony Only

Comments:

"The Hawaii Workers Center is in strong support for HB233 that would provide a child tax credit to taxpayers making \$60,000 or less for their children. Passage of this measure would help reduce the incidence of child poverty in Hawaii. 12 other states have such legislation.

"Since the Federal government has not renewed its child tax credit, it is even more essential for Hawaii to provide this for our keiki and their families. This credit would greatly aid working families in making ends meet at this time when inflation has undermined wages and living conditions in the islands.

"The Hawaii Workers Center and our supporters request that you pass this measure out of committee and send it for consideration and approval by the House."



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 233: RELATING TO A CHILD TAX CREDIT

TO: House Committee on Economic Development

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaii

Hearing: Friday, 2/3/2023; 10:00 am; VIA VIDEOCONFERENCE

Chair Holt, Vice Chair Lamosao, and Members, Committee on Economic Development:

Thank you for the opportunity to provide testimony **in Strong Support of HB 233**, which establishes a refundable state tax credit, payable on a monthly basis. I am Rob Van Tassell with Catholic Charities Hawaii. This bill provides one step to address the great burden that Hawaii's cost of living places on our citizens.

Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii for over 75 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawaii. This bill is one of our economic justice priorities.

Many of the vulnerable in Hawaii are the working poor, people who earn low wages through hard work but due to our high cost of living struggle to make ends meet. We serve these low-income workers in our programs. They are often barely able to avoid homelessness, or working several jobs to juggle the basic expenses of their families and unable to spend time raising their children. These workers are parents who try very hard to support their own families but often must also rely on some type of public or charitable assistance. A monthly payment to them to help with child care or other costs of raising their children would be a godsend to them.

Catholic Charities Hawaii strongly supports tax relief that will help our residents live a life of peace and dignity. Creating a refundable child tax credit for Hawaii's working families is one step to help our residents cope with the high cost of living in Hawaii, especially child care. Raising a child is expensive and is often a heavy burden for our workforce families. This state child care credit will assist our working families in meeting their basic needs.

Catholic Charities Hawaii strongly urges your support for HB 233.

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356, or bettylou.larson@catholiccharitieshawaii.org.





Date: February 1, 2023

To: House Committee on Economic Development (ECD)
Representative Daniel Holt, Chair
Representative Rachele F. Lamosao, Vice Chair
And members of the Committee

From: Early Childhood Action Strategy

Re: Support for HB233, Establishing a refundable state child tax credit payable on a monthly basis

Early Childhood Action Strategy (ECAS) is a statewide cross-sector collaborative designed to improve the system of care for Hawaii's youngest children and their families. ECAS partners work to align priorities for children prenatal to age eight, streamline services, maximize resources, and improve programs to support our youngest keiki.

ECAS strongly supports passage of HB233, which would establish a refundable state child tax credit payable on a monthly basis.

Investing in the well-being of Hawaii's children is essential to the creation of a prosperous and sustainable future. Hawaii children who come from low-income families are at risk to meet their diaper needs. According to the National Diaper Bank Facts on Hawaii, fifteen per cent of Hawaii families are recipients of supplemental nutrition assistance program

In the face of federal inaction to maintain a robust child tax credit, states have a responsibility to enact policies that assist working families with children in meeting their basic needs. The legislature further finds that according to the National Conference of State Legislatures, twelve other jurisdictions have enacted a state child tax credit

Thank you for this opportunity to provide testimony **in support of HB233**.



AMERICANS FOR DEMOCRATIC ACTION

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Jenny Nomura
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MAILING ADDRESS

P.O. Box 23404
Honolulu
Hawaii 96823

February 1, 2023

TO: Chair Holt and Members of the ECD Committee

RE: HB 233 Relating to A Child Tax Credit

Support for Hearing on Feb. 3

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

To address child poverty, the American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under the age of six and \$3,000 for other qualifying children under the age of 18. According to Census data, the federal child tax credit cut child poverty in half. Unfortunately these expansions of the federal child tax credit expired at the end of 2021.

The National Conference of State Legislatures has found that 12 other states have enacted a state child tax credit. Hawaii should join these states by enacting HB 233.

Thank you for your consideration.

Sincerely,

John Bickel, President



Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: House Committee on Economic Development

Re: **HB 233 – Relating to a Child Tax Credit**

Hawai'i State Capitol, Via Videoconference & Conference Room 423

February 3, 2023, 10:00 AM

Dear Chair Holt, Vice Chair Lamosao, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **SUPPORT of HB 233**, relating to a child tax credit. This bill establishes a refundable state child tax credit payable on a monthly basis.

Hawai'i's tax system currently is upside down. Families who earn less than \$20,000 per year pay 15% of their income in state and local taxes, while those who make over \$450,000 pay only about 9%. In fact, our state saddles our low-income families with the second-heaviest state and local tax burden in the nation.¹

Tax credits help people keep more of their hard-earned money, and when targeted for lower to middle-income families, they reduce hardship and make our tax system more fair. A temporary federal child tax credit expansion was found to have dramatically reduced child poverty, but unfortunately that expansion has expired.²

Hawai'i can learn from the success of the temporary federal child tax credit expansion and create a similar credit at the state level. Along with improvements to other tax credits that families with children currently qualify for – such as the Earned Income Tax Credit, Refundable Food/Excise Tax Credit, and Child and Dependent Care Tax Credit – a Hawai'i Child Tax Credit could significantly reduce poverty among those families.

It is well established that the stresses of childhood poverty have both immediate and long-term effects on keiki's physical and mental health, behavioral self-control, academic achievement, and earnings as adults.³ Anything that we can do to help children avoid poverty – including creating and improving targeted tax credits – will have long-term benefits for our state.

Thank you,

Nicole Woo

Director of Research and Economic Policy

¹ <https://itep.org/whopays/hawaii/>

² <https://itep.org/state-child-tax-credits-and-child-poverty-50-state-analysis/>

³ <https://www.apa.org/pi/ses/resources/indicator/2014/06/childhood-poverty>



holomua

COLLECTIVE

OUR MISSION

Make Hawai'i more affordable for all working families.

OUR VISION

A diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

BOARD MEMBERS

Jason Fujimoto
Meli James
Micah Kāne
Brandon Kurisu
Mike Mohr
Brad Nicolai
Mike Pietsch, *Board Chair*

ADVISORY COMMITTEE

Josh Feldman
Brittany Heyd
Alicia Moy
Ed Schultz

Josh Wisch
President & Executive Director

827 Fort Street Mall, 2nd Floor
Honolulu, Hawaii 96813

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info@holomuacollective.org

HolomuaCollective.org

Page 1 of 2

Committee: House Committee on Economic Development
Bill Number: HB 233, Relating to a Child Tax Credit
Hearing Date and Time: February 3, 2023 at 10:00am (Room 423)
Re: Testimony of Holomua Collective in support

Aloha Chair Holt, Vice Chair Lamosao, and Committee Members:

We write in support of HB 233, Relating to a Child Tax Credit. The purpose of HB 233 is to establish a refundable child tax credit for Hawaii's working families. Doing so would fill an important gap. To address child poverty, the American Rescue Plan Act of 2021 increased the *federal* child tax credit from \$2,000 to \$3,600 for qualifying children under the age of six and \$3,000 for other qualifying children under the age of 18. It also allowed the credit to be distributed monthly.

But even though these provisions lifted millions of families and their children out of poverty, they expired at the end of 2021. Since then, at least twelve states have enacted their *own* child tax credit.

Holomua supports innovative initiatives that help make Hawai'i affordable to all working families. We are especially interested in fostering cross-sector collaboration and supporting policies that are evidence-based. And we know—thanks to the years of testing this policy underwent during the period of the expanded federal state child tax credit—that the policy approach in HB 233 checks all those boxes.

Innovation: Bloomberg has noted that the expanded federal child tax credit was “uniquely well-designed to address the increasingly precarious economic reality that millions of Americans experience.”¹ The Census Bureau has found in its research that 1/3 of Americans were poor for at least two months, but less than 3% were poor the entire time. And that is where the innovation for this program comes in. The gap caused by the expiration of the federal expansion—and that this newly proposed state child tax credit would fill—includes the pioneering solution to pay part of the benefit *monthly*, in advance, to all parents.

Cross-sector collaboration: Support for the program, because of its effectiveness, came from multiple quarters. Over 200 economists supported it, noting that the program—at under 0.4% of GDP—was too small to increase inflation, but helped families meet rising costs.² In addition, the program

¹ See “America’s Endangered Solution to Child Poverty,” in Bloomberg News, February 8, 2022 (<https://www.bloomberg.com/opinion/articles/2022-02-08/expanded-child-tax-credit-was-a-crucial-innovation?leadSource=verify%20wall>).

² See “200+ Economists Urge Congressional Leaders to Extend the Expanded CTC to Help Families Meet Rising Costs and Promote Economic Health,” Economic Security Project, December 15, 2022



received support from the U.S. Conference of Catholic Bishops, Small Business for America’s Future, and the National League of Cities, among others.

Evidence-based: The expanded federal child tax credit succeeded in reducing child poverty. The U.S. child poverty rate fell 46% to its lowest level in 2021, according to the U.S. Census Bureau. The temporary credit lifted nearly 4 million children out of poverty and reduced the number of households that reported not having enough food.³

We also know that this program benefited families from a wide range of circumstances, as the expanded federal child tax credit was available to almost all middle-and-low income families.

The demonstrated success of the expanded federal child tax credit is why 12 other states, so far, have enacted their own state child tax credits. And they do this knowing that beyond helping families, it also aids the broader economy. As reported by Brookings, families used the expanded child tax credit to cover routine expenses without reducing their employment.⁴ And Small Business for America’s Future noted that a survey from a diverse coalition of the country’s leading small business groups found that 62% of small business owners said the flexibility and predictability of the child tax credit allowed parents to increase expenditures on things like home-and-family-based child care, which benefits small businesses that need workers with stable schedules.

Many families went off a financial cliff when the federal government failed to extend this program. Hawai’i is in a good position to follow the lead of many other states and help fill this gap with an innovative, evidence-based program that will lift people out of poverty, while benefiting the broader economy as well. We are proud to support it.

Sincerely,

Josh Wisch
President & Executive Director

(<https://economicsecurityproject.org/resource/economists-urge-congressional-leaders-to-extend-the-expanded-ctc-to-help-families-meet-rising-costs/>).

³ See “You’re not getting child tax credit checks anymore. Here’s why,” in the Los Angeles Times, January 3, 2023 (<https://www.latimes.com/politics/story/2023-01-03/child-tax-credit-expired-stimulus>).

⁴ See “The impacts of the 2021 expanded child tax credit on family employment, nutrition, and financial well-being,” Brookings Institution, April 2022 (https://www.brookings.edu/wp-content/uploads/2022/04/Child-Tax-Credit-Report-Final_Updated.pdf).



HAWAII ALLIANCE for PROGRESSIVE ACTION

House Committee on Economic Development

Hawai'i Alliance for Progressive Action (HAPA) Supports: HB233

Friday, February 3rd, 2023 10:00 a.m. Conference Room 423

Aloha Chair Holt, Vice Chair Lamosao and Members of the Committee,

HAPA strongly supports HB233 to establish a refundable state child tax credit payable on a monthly basis.

HB233 will establish a refundable child tax credit for Hawai'i's working families of \$1,000 for each child aged 0-5 and \$500 for each child aged 6-17, to be distributed to qualifying taxpayers on a monthly basis.

The federal child tax credit helps offset the costs of raising kids and is worth up to \$2,000 for each qualifying child. To get a federal child tax credit refund, a person must earn more than \$2,500.

Raising children is expensive—recent reports show that the cost of raising a child is over \$200,000 throughout the child's lifetime. The American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under age six, and \$3,000 for other qualifying children under age eighteen, while allowing the credit to be distributed on a monthly basis.

The provisions of the American Rescue Plan that strengthened the child tax credit expired at the end of 2021, despite lifting millions of families and their children out of poverty. In the face of federal inaction to maintain a robust child tax credit, states have a responsibility to enact policies that assist working families with children in meeting their basic needs.

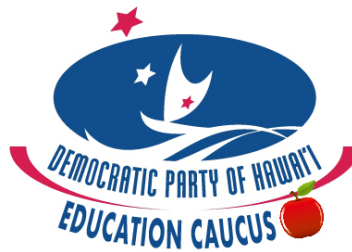
According to the National Conference of State Legislatures, twelve other jurisdictions have enacted a state child tax credit.

Please support HB233.

Thank you for your consideration.

Respectfully,

Anne Frederick
Executive Director



HOUSE BILL 233, RELATING TO A CHILD TAX CREDIT

FEBRUARY 3, 2023 · HOUSE ECONOMIC
DEVELOPMENT COMMITTEE · CHAIR REP. DANIEL
HOLT

POSITION: Strong support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports HB 233, relating to a child tax credit, which establishes a refundable state child tax credit payable on a monthly basis.

Raising children is expensive. Recent reports show that the cost of raising a child is over \$200,000 throughout the child's lifetime. The American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under age six, and \$3,000 for other qualifying children under age eighteen, while allowing the credit to be distributed monthly.

Sadly, the provisions of the American Rescue Plan that strengthened the child tax credit expired at the end of 2021, despite lifting millions of families and their children out of poverty. The expanded credit has not yet been restored by Congress. In the face of federal inaction to maintain a robust child tax credit, states have a responsibility to enact policies that assist working families with children in meeting their basic needs.

According to the National Conference of State Legislatures, twelve other jurisdictions have enacted a state child tax credit. State laws vary regarding refundability and how child tax credits are calculated. The two primary approaches are either establishing a fixed limit or a percentage

of the federal child tax credit. The fixed limit for state child tax credits ranges from \$75 to \$1,000 per child. The percentage for state child tax credits range from five per cent to thirty-three per cent of the federal child tax credit. This proposal would establish a refundable child tax credit for Hawai'i's working families of \$1,000 for each child aged 0-5 and \$500 for each child aged 6-17, to be distributed to qualifying taxpayers on a monthly basis.

Furthermore, the child tax credit is a boon to the business sector. In November of 2022, the Economic Security Project released a report that stated:

Monthly Child Tax Credit payments made it easier for recipients to work. In one national survey, one-quarter of respondents reported that the monthly payments made it easier for them to engage in paid work or work more hours. Black respondents were twice as likely as white respondents to say so, and lower-income respondents were more likely to say so than higher-income counterparts...The Child Tax Credit creates jobs and encourages entrepreneurship. Support from these tax credits puts more money into local economies and helps burgeoning business owners by helping cover some of the costs of food, child care, and gas allowing more freedom to take a risk. According to recipient data, 21.3 percent of former tax credit recipients were either currently running their own business or planning to start one. The Niskanen Center found that extending the (national) Child Tax Credit for a year would support the equivalent of 500,000 private-sector jobs.

Our keiki are our most precious resource. As our islands continue to struggle with the nation's highest overall cost of living, passing this measure would ensure that working families have the financial resources that they need to help their children succeed.

Kris Coffield · Chairperson, DPH Education Caucus · (808) 679-7454 · kriscoffield@gmail.com



HB 233, RELATING TO A CHILD TAX CREDIT

FEBRUARY 3, 2023 · HOUSE ECONOMIC
DEVELOPMENT COMMITTEE · CHAIR REP. DANIEL
HOLT

POSITION: Strong support.

RATIONALE: Imua Alliance supports HB 233, relating to a child tax credit, which establishes a refundable state child tax credit payable on a monthly basis.

Raising children is expensive. Recent reports show that the cost of raising a child is over \$200,000 throughout the child's lifetime. The American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under age six, and \$3,000 for other qualifying children under age eighteen, while allowing the credit to be distributed monthly.

Sadly, the provisions of the American Rescue Plan that strengthened the child tax credit expired at the end of 2021, despite lifting millions of families and their children out of poverty. The expanded credit has not yet been restored by Congress. In the face of federal inaction to maintain a robust child tax credit, states have a responsibility to enact policies that assist working families with children in meeting their basic needs.

According to the National Conference of State Legislatures, twelve other jurisdictions have enacted a state child tax credit. State laws vary regarding refundability and how child tax credits are calculated. The two primary approaches are either establishing a fixed limit or a percentage of the federal child tax credit. The fixed limit for state child tax credits ranges from \$75 to \$1,000

per child. The percentage for state child tax credits range from five per cent to thirty-three per cent of the federal child tax credit. This proposal would establish a refundable child tax credit for Hawai'i's working families of \$1,000 for each child aged 0-5 and \$500 for each child aged 6-17, to be distributed to qualifying taxpayers on a monthly basis.

Furthermore, the child tax credit is a boon to the business sector. In November of 2022, the Economic Security Project released a report that stated:

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Our keiki are our most precious resource. As our islands continue to struggle with the nation's highest overall cost of living, passing this measure would ensure that working families have the financial resources that they need to help their children succeed.

Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org

HB-233

Submitted on: 2/2/2023 1:00:51 AM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Ed Schultz	Hawaiian Host Group	Support	Written Testimony Only

Comments:

Hawaiian Host Group supports innovative initiatives that help make Hawai'i affordable to all working families. We are especially interested in fostering cross-sector collaboration and supporting policies that are evidence-based. And we know—thanks to the years of testing this policy underwent during the period of the expanded federal state child tax credit—that the policy approach in HB 233 checks all those boxes.

The demonstrated success of the expanded federal child tax credit is why 12 other states, so far, have enacted their own state child tax credits.



TITLE GUARANTY
HAWAII

February 2, 2023

Committee: House Committee on Economic Development
Bill Number: HB 233, Relating to a Child Tax Credit
Hearing Date & Time: February 3, 2023 at 10:00am (Room 423)
Re: Testimony of Holomua Collective in support

Aloha Chair Holt, Vice Chair Lamosao, and Committee Members:

Title Guaranty of Hawai'i is the oldest and largest title company in the state. We have been owned and operated by a kama'aina family since 1896 and we are proud to employ over 300 people who work in our branches all across the state.

We write in support of HB 233, Relating to a Child Tax Credit. The purpose of HB 233 is to establish a refundable child tax credit for Hawaii's working families. This bill is needed because the expansion of the *federal* child tax credit that was included as part of the American Rescue Plan Act of 2021 was allowed to expire by Congress. That is why 12 states have already implemented their own *state* child tax credit, and we support Hawaii's effort to do the same.

Writing as an employer that uses metrics to guide our own work, it is meaningful to us when we see public policies that are evidence-based and show the likelihood of a good return on investment. Because the federal government now has years of data showing the impact of the federal child tax credit, we know how well it worked; we don't have to guess if the program will be effective. We know that monthly child tax credit payments helped families keep up with rising costs and kept local businesses afloat. We know that the payments put nearly \$20 billion into local economies each month. We know that the child tax credit raised family incomes by \$444 each month for the typical family. And we know that the program has the potential to pay for itself eight times over in lifetime social and economic benefits, with families using their payments to buy goods and services that benefit small businesses.

And as an employer we think it's important to note that the child tax credit had no negative impact on employment. While some predicted that people who received child tax credit payments would leave the workforce, the data has shown that simply did not happen. U.S. Census Bureau data that tracked the payments over the course of the program showed conclusively that the payments caused *no* drop in employment. Instead, the child tax credit made it easier for more low-income parents to work and gain job skills.

Following the lead of the twelve other states that have already implemented this program (not to mention the others that are considering it) is a logical step towards helping children, parents, and local businesses in Hawai'i. We support HB 233 and appreciate the opportunity to testify.

Sincerely,

Mike B. Pietsch
President and Chief Operating Officer
Title Guaranty of Hawai'i



Title and Escrow is our business. Hawaii is our home.





February 2, 2023

Committee: House Committee on Economic Development
Bill Number: HB 233, relating to a child tax credit
Hearing Date and Time: February 3, 2023 at 9:00am
Re: Testimony of HPM Building Supply in Support

Dear Chair Holt, Vice Chair Lamosao, and Committee Members:

I would like to submit this letter and written testimony in support of HB 233, Relating to the child tax credit. HB 233 establishes a refundable state child tax credit payable on a monthly basis.

HPM Building Supply is a 101-year-old company that has been helping Hawaii build better since its founding in 1921. As a State-wide employer with over 500 employees, we strive to provide competitive wages and support our employees. However, raising a family is challenging and additional support may be needed.

This bill seeks to provide support to families with a tax credit that would be paid monthly. This boost can assist with paying for regular expenses such as utilities, childcare, or food. By being able to cover routine costs, families can focus on their work thus benefitting the overall economy.

This bill also aligns with HPM's values of Heart, Character, and Growth. By supporting our communities' families, we invest in our future. We show that we care about the future generations and our current workforce shaping it. Our company's value of Heart is caring for one another as a community.

Thank you for the opportunity to provide testimony in support of HB 233. I strongly encourage your support and passage of this measure.

Sincerely,

Jason Fujimoto
President & CEO



TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Child Tax Credit Payable on a Monthly Basis

BILL NUMBER: HB 233, SB 357

INTRODUCED BY: HB by KAPELA, COCHRAN, GANADEN, GARRETT, HUSSEY-BURDICK, KILA, MARTEN, NAKASHIMA, PERRUSO, POEPOE, QUINLAN, TAM, TARNAS, TODD, WARD; SB by CHANG

EXECUTIVE SUMMARY Establishes a refundable state child tax credit payable on a monthly basis.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish the refundable child tax credit. Provides that each qualifying individual taxpayer with an adjusted gross income of \$60,000 or less may claim a refundable child tax credit, which shall be \$1,000 per year for each child dependent aged five years or less and \$500 for each child dependent aged six years but less than eighteen years.

Provides that the credit shall be equally distributed to a qualifying individual taxpayer over twelve consecutive months.

Provides that the credit is refundable.

Provides that all claims, including amended claims, for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed; failure to do so constitutes a waiver of the right to claim the credit.

Provides that if there is a final administrative or judicial decision that the taxpayer's claim for credit was due to fraud, the taxpayer is ineligible to claim the credit for ten taxable years. If there is a final administrative or judicial decision that the taxpayer's claim for credit is disallowed for reasons other than fraud, the taxpayer is ineligible to claim the credit for three taxable years.

Defines a "qualifying individual taxpayer" as a taxpayer who: (1) files a federal income tax return for the taxable year claiming the child tax credit under section 24 of the IRC; and (2) files a Hawaii income tax return using the same filing status used on the taxpayer's federal income tax return for the taxable year and claiming the same dependents claimed on the federal income tax return for the taxable year.

EFFECTIVE DATE: Taxable years beginning after December 31, 2023.

STAFF COMMENTS: The credit here proposed is a severely altered version of the child credit provided in section 24 of the IRC. Here is a comparison of some of the proposals and our comments on them.

IRC Section 24	This Bill	Comments
Credit is \$2,000 per child (2018-2025 except 2021) but phases out when modified AGI exceeds the threshold amount. Threshold amount is \$150,000 for joint or surviving spouse, \$112,500 for head of household, \$75,000 for single or married filing separately.	Credit is \$1,000 per child age 0-5, \$500 per child age 6-18, drops to zero when AGI reaches \$60,000.	Should clarify the date on which the age is measured. Does the \$60,000 depend on filing status (single / married / head of household)? If not it creates a marriage penalty. This bill creates a “tax cliff” that may cause taxpayers to engage in uneconomic behavior if close to the cliff level.
A \$500 nonrefundable credit is allowed for dependents other than children, for 2018-2025.	Credit is allowed only for qualifying children.	
Credit may be claimed up to the federal statute of limitations (normally 3 years).	Credit is waived if not claimed in 12 months after the taxable year.	
Complex formula determines how much of the credit is refundable.	The credit is refundable.	
Taxpayer whose claim is disallowed is barred for three years if the disallowance is due to reckless or intentional disregard of rules and regulations (not fraud).	Taxpayer whose claim is disallowed for any reason (other than fraud) is barred for three years.	Claiming the child credit is not simple. Some taxpayers may misunderstand the form or may make math errors. The federal standard seems more appropriate.
Under Code Sec. 7527A, IRS made monthly advance payments in July–Dec. 2021 (generally by direct deposit) equal to 50% of eligible taxpayers' 2021 CTCs. Eligibility for the advance payments was determined based on taxpayers' 2020 returns, or if these were not yet filed, their 2019 returns. An IRS online portal allowed taxpayers to update information or elect out of the advance payments.	“The refundable child tax credit awarded under this section shall be equally distributed to a qualifying individual taxpayer over twelve consecutive months.”	There is a potential for revenue loss under State bill if the taxpayer has other income and needs to pay tax on it. Revenue loss potential under federal law is less because monthly payout is based on 50% of the expected credit.

The tax system is there to raise revenue to keep the government moving. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse, overtaxed by the pandemic?

Next, as a policy matter, lawmakers might prefer that the recipient of the refund not use the money obtained on certain things, illegal drugs for example. But the tax system contains no way of restricting the uses of a refund check; other departments do have systems in place to give some assurance that the payment will go toward legitimate living expenses such as groceries (EBT, for example). Simply put, the Department of Taxation is built to take money in, not give it out. There are other agencies better equipped to give out benefits to those needing them.

Rather than increase complexity of the system by adding credit upon credit, consideration should be given to rate relief and bracket relief. People now making money at the federal poverty line are in the *fifth* bracket from the bottom. The better solution is to get such people out of the tax system entirely. They receive peace of mind because they don't have to worry about tax returns, and the Department doesn't have to worry about processing those returns (or expend the considerable administrative costs needed to do so). If additional relief to people is considered desirable, it can be delivered through the agencies that are better equipped to do so.

Digested: 2/1/2023



TESTIMONY IN SUPPORT OF HB 233

TO: Chair Holt, Vice-Chair Lamosao, & Committee Members

FROM: 'Ilima DeCosta
Community Engagement Coordinator

DATE: February 3, 2023 (10:00 AM)

Hawai'i Health & Harm Reduction Center (HHRC) **supports** HB 233, which creates a refundable childcare tax credit to reduce the financial burden of childcare for Hawai'i's families.

According to data provided by Move.org, the average cost of childcare is \$11,839/year and the impact of this expense is exacerbated by other components of Hawai'i's high cost of living, including housing, food, utilities, and transportation. A 2021 survey by Move.org revealed that:

- 44% of respondents "left the workforce during the pandemic...because the cost of childcare was too much";
- 59% of respondents "struggled to pay for childcare";
- 65% of respondents believe "if childcare was more affordable, they would have more career options/prospects";
- 79% "feel like today's work culture can be more supportive of working parents"; and,
- 80% of respondents "believe that childcare could be more affordable"

The data indicates that childcare is cost prohibitive for parents and the need to reduce the cost burden on working families to maintain Hawai'i's workforce has never been greater.

Implementing a permanent refundable childcare tax credit [will benefit about 1 in 4 Hawai'i residents](#). This figure includes those from under-resourced communities, [including Filipinx, Vietnamese, Native Hawaiian, and Pasifika families who lived in poverty prior to the COVID-19 pandemic](#). The state Department of Education indicates that [over 47% of its students are from economically challenged households](#). [With income serving as the foremost determinant of health](#), the health and well-being of these working families will foreseeably improve with additional funds.

HHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawai'i and the Pacific. We work with many families impacted by poverty, housing instability, and other social determinants of health even as parents work full-time or multiple jobs.

HHRC supports efforts to reduce the financial burdens on Hawai'i's working families and urges passage of HB 233.

Thank you for the opportunity to testify on this measure.



**Testimony Presented to the House Committee on Economic Development
February 3, 2023, 10:00 a.m.**

HB 233, RELATING TO A CHILD TAX CREDIT

Aloha Chair Holt, Vice Chair Lamosao, and Committee Members:

aio is a family of businesses that spans many different industries but share a mission to provide products and services that promote Hawaii's unique values, its people and culture. We aim to provide the best products and services, but our larger mission is to leave the world a better place for future generations. At aio, we believe that the real rewards of business are realized in the lives we lead, the families we raise, and the communities that nurture us.

This is why we write in **support of HB 233**, Relating to a Child Tax Credit. The purpose of HB 233 is to establish a refundable child tax credit for Hawaii's working families.

This bill is needed because the expansion of the federal child tax credit that was included as part of the American Rescue Plan Act of 2021 recently expired, sending many families back into poverty. Hawai'i has the opportunity to join the twelve other states that have implemented this policy to help our working families cover the costs of food, child care and other necessities.

We are aligned with this approach of lifting people out of poverty while simultaneously providing a boost to the economy and are proud to testify in support.

Mahalo,

A handwritten signature in black ink that reads "Brandon Kurisu".

Brandon Kurisu
aio Family of Companies





HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

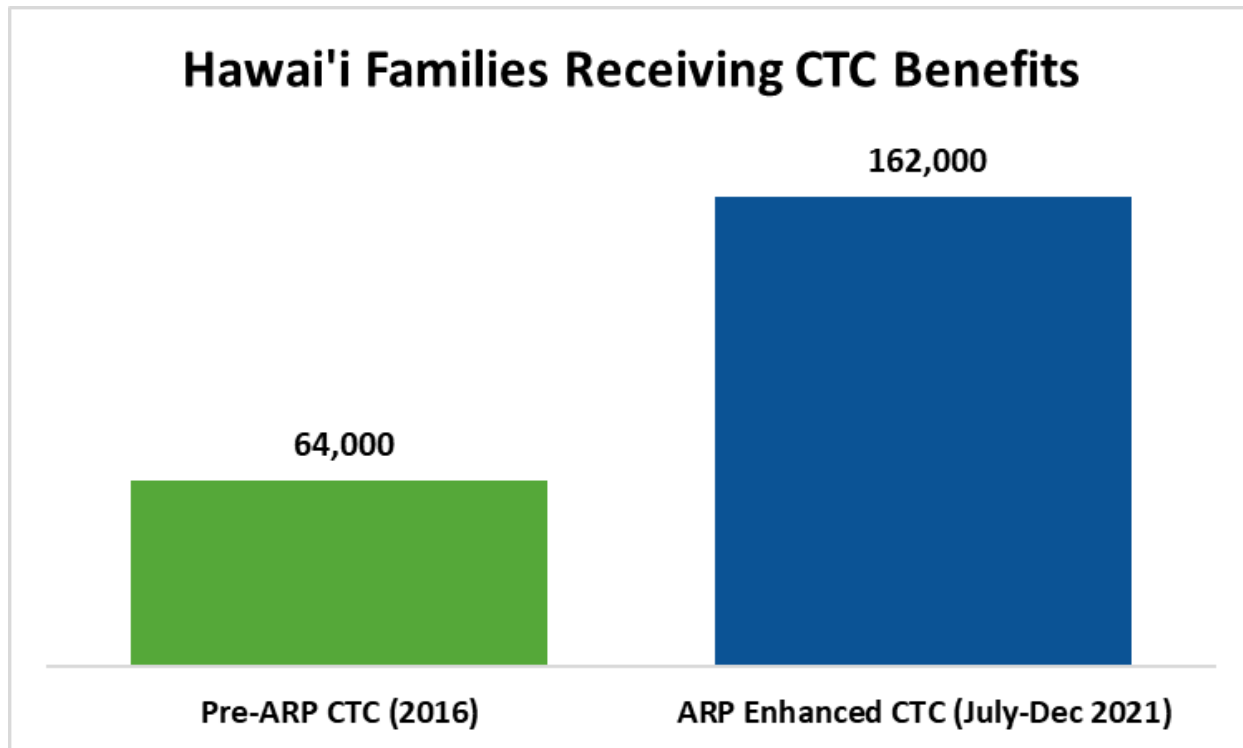
Testimony of Hawai'i Appleseed Center for Law and Economic Justice
In Support of HB 233 – Relating to a Child Tax Credit
House Committee on Economic Development
Friday, February 3, 2023, 10:00 A.M, conference room 423

Dear Chair Holt, Vice-Chair Lamosao, and members of the Committee:

Thank you for the opportunity to provide testimony in **SUPPORT** of HB 233, which would create a new state-level Child Tax Credit benefiting families with children. The proposed credit is patterned off the federal Child Tax Credit, which has been a powerful tool for struggling working families, providing income-eligible households with children a boost to their income when they file their taxes. Note that this proposed credit is different from the Child and Dependent Care Tax Credit (CDCTC)—another effective means of helping working families—which provides a tax cut that provides a partial reimbursement of the taxpayer's qualifying care-related expenses.

Hawai'i's working families continue to struggle with the increasing cost of living, and a state Child Tax Credit (CTC) would give local families more leeway to afford basic necessities, including food, healthcare, housing, and transportation expenses. It would do this by either cutting their taxes or giving them a larger tax refund to cope with the high costs of raising a family. While the federal CTC has been in place since 1997, 12 states have implemented their own CTCs as well.

In 2021, the American Rescue Plan temporarily raised the maximum credit amounts for the federal CTC to \$3600 for children aged 0–5 and \$3000 for children aged 6–17. From July through December of 2021, the expanded federal CTC lifted a historic 2.9 million children throughout the U.S. out of poverty.



In total, 162,000 Hawai‘i families (including 272,000 children) benefited from the expanded federal CTC, receiving an average of \$2,426.¹ Analysis shows that if this expansion had been made permanent, the child poverty rate in Hawai‘i would have declined from 9.8 percent to 5 percent.² Unfortunately, the expanded federal Child Tax Credit was phased out at the end of 2021, and the program reverted to how it was structured in 2020.

This bill creates a state Child Tax Credit valued at \$1,000 for each child aged 0 to 5 and \$500 for each child aged 6 to 17. By attaching a larger credit to young children, Hawai‘i’s CTC would support them during a critical stage of their cognitive and physical development.

Furthermore, Hawai‘i’s CTC’s would be capped at incomes of \$60,000. In this way, it would target assistance towards the lower-income families that need it the most.

Thank you for your consideration of HB 233.

¹ “State-by State Analysis on American Rescue Plan: Child Tax Credit,” The White House, 2021. <https://www.whitehouse.gov/wp-content/uploads/2022/03/Hawaii-Tax-Credit-1-pager-3.8.pdf>.

² “How a Permanent Expansion of the Child Tax Credit Could Affect Poverty,” Urban Institute, July 2021. https://www.urban.org/sites/default/files/publication/104626/how-a-permanent-expansion-of-the-child-tax-credit-could-affect-poverty_1.pdf



HAWAII WORKERS CENTER

Defending and Respecting the workers of
Hawai'i

(503) WORKERS ☎

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February 2, 2023

Hawaii State House of Representatives
Committee on Economic Development
Rep. Daniel Holt, Chair
Rep. Rachele F. Lamosao, Vice Chair

Executive
Committee of the
Board

Rev. Sam Domingo
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Mary Ochs
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Marites Uy

Leyton Torda

Robyn Conboy

Co-Executive
Directors

Tony Doroño

Sergio Alcubilla III,
Esq.

RE: Strong Support for H.B. 233

Dear Chair Rep. Holt, Vice-Chair Rep. Lamosao, and Members of the Committee on Economic Development:

The Hawaii Workers Center envisions a Hawaii in which all workers are empowered to exercise their right to organize for their social, economic and political well-being. It is a resource of information, education, training and organizing for many of Hawaii's low-wage and immigrant workers.

The Hawaii Workers Center stands in strong support for H.B. 233 in the establishment of a refundable state child tax credit. This credit would be an incredible help for Hawaii's working families as the expansion of the federal child tax credit in 2021 showed in reducing child poverty. However, this expansion expired at the end of 2021.

H.B. 233 will provide a credit of \$1,000 per year for each child aged five or younger and a \$500 credit for each child aged between six and 18 years for families with adjusted gross income of \$60,000.

We need this here in Hawaii more than ever as working families continue to struggle with the rising costs of raising their families here in Hawaii. Unfortunately, the costs have been too much to bear as many local families have made the hard decision to leave Hawaii for much more affordable places to live. This bill is a strong step in the right direction to help our local working families stay.

Thank you for your consideration of strongly supporting H.B. 233.

Sincerely,

Sergio J. Alcubilla
Executive Director

HB-233

Submitted on: 2/2/2023 10:48:09 AM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Dave Mulinix	Our Revolution Hawaii	Support	Written Testimony Only

Comments:

Aloha Committee,

On behalf of Our Revolution Hawaii's 5,000 Members & Supporters statewide, we Stand in Strong Support of HB233.

Mahalo for your kind attention,

Dave Mulinix, Cofounder & Hawaii State Organizer

Our Revolution Hawaii



**HAWAI'I COMMUNITY
FOUNDATION**

To: HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
Representative Daniel Holt, Chair
Representative Rachele F. Lamosao, Vice Chair
And Members of the Committee

From: Micah Kāne, Chief Executive Officer & President - Hawai'i Community Foundation

Re: Testimony in Support of HB233 Relating to a Child Tax Credit
Friday, February 3, 2023, 10:00 A.M.

The Hawai'i Community Foundation (HCF) strongly supports House Bill 233 (HB233). HB233 will help support local families by establishing a refundable state child tax credit. Previous federal child tax credits been shown to reduce child poverty by nearly half, and 70% of child tax credit recipients have said that it helped them better manage higher prices caused by inflation. Additionally, households who received the credit were more likely to start learning new professional skills.

Unfortunately, the federal child tax credit expired in 2021 and has not been renewed. However, we now have the opportunity to take action to help families across the state during this unprecedented time of economic uncertainty.

Thank you for this opportunity to testify in support of HB233.



**Testimony to
The House Committee on Economic Development**

**Thursday, February 3, 2023
10:00 AM
Conference Room 423 & VIA Videoconference
Hawaii State Capitol**

LATE

LATE

HB 233

Chair Holt, Vice Chair Lamosao, and members of the committee,

Hawai'i Gas supports HB 233, which would establish a refundable child tax credit for Hawaii's working families. This bill is needed because the expansion of the *federal* child tax credit that was included as part of the American Rescue Plan Act of 2021 was allowed to expire by Congress, sending many families back into poverty. Hawai'i now has the opportunity to fill the gap left by the federal government.

Since 1904 Hawai'i Gas has been the only franchised gas utility in the State of Hawai'i. Over the years we have installed gas pipeline infrastructure, built bulk storage facilities with access to the harbor and developed a highly skilled workforce on every major island. With our family of employees working in communities across Hawai'i, we know how important it is for people to get just a little bit of extra help to make ends meet, especially as their own families grow.

Because of the time during the COVID pandemic that the expanded federal child tax credit was in effect we have the data to know that it worked. It resulted in a sharp, historic drop in child poverty rates, less food insecurity, and more financial stability. And because of the innovation to make the refundable credits paid monthly—as is the case with HB 233—families were better able to engage in financial planning, which helped keep them from falling behind in their finances throughout the year. This, in turn, infused more money into local economies each month. This positive impact was felt by small businesses as well. Thanks to a survey conducted by Small Business for America's Future, we learned that 62% of small business owners said the flexibility and predictability of the child tax credit allowed parents to increase expenditures on things like home-and-family based childcare, which benefits small businesses that need workers with stable schedules.

In short, the expanded federal tax credit lifted millions of people out of poverty, was designed in such a way that it helped with family financial planning, pushed more money into local small businesses and local economies, and was also shown to have no negative impact on employment. In fact, many families reported using child tax credit payments for childcare, *reducing* a barrier to employment. But since the federal tax credit was allowed to expire, all these benefits have been put at risk.

Hawai'i is in a good position to eliminate that risk and provide more security to local families by passing the state child tax credit, and we urge the committee to pass HB 233.

Thank you for the opportunity to testify.

HB-233

Submitted on: 2/1/2023 3:00:58 PM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Nanea Lo	Individual	Support	Written Testimony Only

Comments:

Hello,

My name is Nanea Lo. I'm born and raised in the Hawaiian Kingdom a Kanaka Maoli.

I'm writing in STRONG SUPPORT of HB233.

This bill strongly supports:

- For individual taxpayers with an adjusted gross income of \$60,000, this bill will provide a credit of \$1,000 per year for each child aged five or younger and a \$500 credit for each child aged between six and 18 years.
- To address child poverty, the American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under the age of six and \$3,000 for other qualifying children under the age of 18.
- According to Census data, the federal child tax credit reduced child poverty by nearly half.
- These expansions of the federal child tax credit expired at the end of 2021. Congress has not taken action to restore it.
- 12 other states so far have enacted a state child tax credit, according to the National Conference of State Legislatures.

Pass HB233.

me ke aloha 'āina,

Nanea Lo

HB-233

Submitted on: 2/1/2023 6:33:31 PM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kathy Shimata	Individual	Support	Written Testimony Only

Comments:

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233.

HB-233

Submitted on: 2/1/2023 11:58:30 PM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

Investing in the well-being of Hawai‘i’s children is essential to the creation of prosperous and sustainable future. To address child poverty, the American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under age 6, and \$3,000 for other qualifying children under age 18, while allowing the credit to be distributed to qualifying taxpayers on a monthly basis.

These provisions of the American Rescue Plan strengthened the child tax credit, lifting millions of families and their children out of poverty and helping to pave the way for economic recovery. Despite this success, the expanded provisions expired at the end of 2021, plunging many families back into poverty.

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233.

HB-233

Submitted on: 2/2/2023 2:07:08 AM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jun Shin	Individual	Support	Written Testimony Only

Comments:

Provisions of the American Rescue Plan strengthened the child tax credit, lifting millions of families and their children out of poverty and helping to pave the way for economic recovery. Despite this success, the expanded provisions expired at the end of 2021, plunging many families back into poverty.

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai'i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233.

HB-233

Submitted on: 2/2/2023 3:01:51 PM

Testimony for ECD on 2/3/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Marilyn Mick	Individual	Support	Written Testimony Only

Comments:

Investing in the well-being of Hawai‘i’s children is essential to the creation of prosperous and sustainable future. To address child poverty, the American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under age 6, and \$3,000 for other qualifying children under age 18, while allowing the credit to be distributed to qualifying taxpayers on a monthly basis.

These provisions of the American Rescue Plan strengthened the child tax credit, lifting millions of families and their children out of poverty and helping to pave the way for economic recovery. Despite this success, the expanded provisions expired at the end of 2021, plunging many families back into poverty.

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233.