

Honolulu, Hawaii

FEB 13 2023

RE: S.B. No. 55
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 Housing, to which was referred S.B. No. 55
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:

- (1) Increase the amount of the tax credit for individuals and households and the adjusted gross income eligibility cap for the income tax credit for low-income household renters using tax brackets for individuals and different categories of households; and
- (2) For taxable years beginning after December 1, 2024, provide for increases of each tax credit per exemption amount every three years based on the Consumer Price Index.

Your Committee received testimony in support of this measure from the Office of Hawaiian Affairs, Hawai'i YIMBY, Catholic Charities Hawai'i, Americans for Democratic Action Hawai'i, Hawai'i Alliance for Community-Based Economic Development, League of Women Voters of Hawaii, Hawai'i Children's Action Network Speaks!, Hawai'i Health & Harm Reduction Center, and six individuals. Your Committee received comments on this measure from the Department of



the Attorney General, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that renters in Hawaii spend over forty percent of their income on rent, which means Hawaii is the only state in the country where the average renter is cost-burdened according to the United State Department of Housing and Urban Development. The low-income renters' tax credit provides a small amount of relief so that low-income families are more able to budget and pay for essential items and necessities. Your Committee further finds it is appropriate to adjust the eligibility requirements and credit amounts of the income tax credit for low-income household renters, as the cost of housing in the State has increased by three hundred ninety percent since the income eligibility threshold for this tax credit was last adjusted in 1989.

Your Committee has amended this measure by:

- (1) Incorporating recommendations from the Department of the Attorney General and the Department of Taxation to clarify the intent of the measure to replace the current tax credit of \$50 with a bracket table that increases the tax credit per exemption amounts;
- (2) Incorporating the Department of Taxation's recommendations to:
 - (A) Amend the definition of adjusted gross income as it relates to the income tax credit for low-income household renters to reflect the intent of this measure to make the eligibility of the tax credit based on a taxpayer's federal adjusted gross income;
 - (B) Implement an annual inflation adjustment rather than an adjustment every three years; and
 - (C) Delete the definition of "Consumer Price Index";
- (3) Incorporating the Office of Hawaiian Affairs's recommendation to link the adjusted gross income bracket



thresholds with the increases in each tax credit per exemption amount;

- (4) Amending section 1 to reflect its amended purpose; 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 Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 55, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 55, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Housing,


STANLEY CHANG, Chair



