Honolulu, Hawaii

MAR 01 , 2024

RE: H.B. No. 2780

H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-Second State Legislature Regular Session of 2024 State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2780 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to incrementally amend income tax brackets for every other taxable year beginning after December 31, 2024, through the taxable year beginning after December 31, 2030.

Your Committee received testimony in support of this measure from the Grassroot Institute of Hawaii and one individual. Your Committee received comments on this measure from the Office of the Governor; Department of Taxation; and Tax Foundation of Hawaii.

Your Committee finds that individual income tax brackets in the State have not been substantially adjusted in many years. However, because wages have risen exponentially during this period, taxpayers have been moved into higher tax brackets. Your Committee further finds that partly because of this occurrence of "bracket creep", Hawaii taxpayers tend to pay much more than taxpayers in other states. As a result, Hawaii is the second highest-taxed state in terms of what a household earning the median income must pay in income taxes—behind only Oregon, which has no sales tax. Your Committee also finds that Hawaii's heavy

tax burden contributes to the State's high cost of living, which is a key factor in Hawaii's ongoing population decline. Moreover, your Committee finds that this measure would bring broad-based tax relief to individual taxpayers in Hawaii.

Your Committee has amended this measure by:

- (1) Deleting the amendments to the income tax brackets that had been scheduled to apply to taxable years beginning after December 31, 2024, and ending on December 31, 2026; and
- (2) Changing its effective date to January 1, 3000, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2780, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2780, H.D. 1, and be placed on the calendar for Third Reading.

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

KYLE T. YAMASHITA, Chair

State of Hawaii House of Representatives The Thirty-second Legislature HSCR 755-74

Record of Votes of the Committee on Finance

Bill/Resolution No.: Hy 2180	Committee Referral:	Date 02	127/2020	4
The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. YAMASHITA, Kyle T. (C)	V			
2. KITAGAWA, Lisa (VC)				
3. AIU, Micah P.K.				
4. CHUN, Cory M.	V	Z		W and the second
5. COCHRAN, Elle				/
6. GARRETT, Andrew Takuya		Variation of the control of the cont		
7. KAHALOA, Kirstin				
8. KILA, Darius K.				
9. KOBAYASHI, Bertrand				
10. LAMOSAO, Rachele F.			NEW SERVICE SERVICES	
11. MORIKAWA, Dee				
12. NISHIMOTO, Scott Y.	V			The Mark and the Company of the Comp
13. POEPOE, Mahina				
14. TAKENOUCHI, Jenna				¥(, 5)000000 0 00000000000000000000000000000
15. ALCOS III, David				
16. WARD, Gene				
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TOTAL (16)	15	0	0	
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				