JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
P.O. BOX 259
HONOLULU, HAWAIʻI 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 1660, Relating to Capital Gains.

BEFORE THE:
House Committee on Finance

DATE: Wednesday, February 21, 2024
TIME: 2:00 p.m.
LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1660 for your consideration.

HB 1660 would repeal section 235-51(f), Hawaii Revised Statutes (HRS), which taxes capital gains separately from ordinary income at the rate of 7.25 percent for individual taxpayers. This measure would apply to taxable years beginning after December 31, 2023.

The Department requests that the measure's effective date be postponed and made applicable to taxable years beginning after December 31, 2024. This will provide sufficient time for the Department to make the necessary form, instruction, and computer system updates to implement this change.

Also, the Department estimates a revenue gain to the general fund as follows ($ millions):

FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
134.8	138.6	143.8	150.6	158.3	166.9

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

HB-1660
Submitted on: 2/19/2024 12:29:34 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Pride at Work - Hawaii	Pride at Work – Hawaiʻi	Support	Written Testimony Only

Comments:

Aloha Representatives,

Pride at Work – Hawaiʻi is an official chapter of Pride at Work which is a national nonprofit organization that represents LGBTQIA+ union members and their allies. P@W-HI fully supports HB 1660.

We ask that you support this needed piece of legislation.

Mahalo,

Pride at Work – Hawaiʻi

HB-1660
Submitted on: 2/19/2024 12:38:25 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Michael Golojuch Jr	Stonewall Caucus of the Democratic Party of Hawaiʻi	Support	Remotely Via Zoom

Comments:

Aloha Representatives,

The Stonewall Caucus of the Democratic Party of Hawaiʻi; Hawaiʻi's oldest and largest policy and political LGBTQIA+ focused organization fully supports HB 1660.

We hope you all will support this important piece of legislation.

Mahalo nui loa,

Michael Golojuch, Jr. (he/him)
Chair and SCC Representative
Stonewall Caucus for the DPH

HB-1660
Submitted on: 2/19/2024 1:21:14 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Doris Matsunaga	Save Medicaid Hawaii	Support	Written Testimony Only

Comments:

Save Medicaid Hawaii supports HB 1660

HB-1660
Submitted on: 2/19/2024 1:24:35 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Doris Matsunaga	North Hawaii Community Action Network	Support	Written Testimony Only

Comments:

North Hawaii Community Action Network supports HB 1660

Committee on Finance
Chair Kyle Yamashita, Vice Chair Kitagawa

Wednesday, February 21, 2024, 2 pm Room 308 and videoconference
HB1660— Relating to Capital Gains

TESTIMONY
Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair Yamashita, Vice Chair Kitagawa, and Committee Members:

The League of Women Voters of Hawaii strongly supports HB1660, which taxes capital gains income at the same rate as regular income.

The League of Women Voters believes that federal fiscal policy should provide for adequate and flexible funding of federal government programs through an equitable tax system that is progressive overall and that relies primarily on a broad-based income tax. The Hawaii State League supports applying these principles to State of Hawaii taxes.

HB1660 is admirably written to address these objectives.

Increasing the amount of money generated by taxing capital gains at the same rate as ordinary income would provide a very substantial financial basis (cited in HB1660 preface) for a wide variety of purposes: addressing homelessness across all islands, increasing teachers' and nurses' salaries, preschool and childcare professional training and salaries, supporting local agriculture, re-building an economically just and thriving Lahaina, etc.

The existing lower rates for taxing capital gains than rates for ordinary income is a notably regressive feature of our tax system. Taxing those gains at the same rate as ordinary income would make our tax system more progressive without any loss to at least 80% of our population. The tax would be paid by our wealthier taxpayers: 97 percent of capital gains are earned by just the top 5 percent wealthiest residents in the state, those who can and should support community services where they live.

A side benefit of HB1660 is simplifying our tax code!

Please pass HB1660.

Thank you for the opportunity to submit testimony.

LEAGUE OF WOMEN VOTERS OF HAWAII
P.O. Box 235026 ♦ Honolulu, HI 96823
Voicemail 808.377.6727 ♦ my.lwv.org/hawaii ♦ voters@lwvhi.org

Ocean Tourism Coalition

The Voice for Hawaii's Ocean Tourism Industry
1188 Bishop St., Ste. 1003
Honolulu, HI 96813
(808) 537-4308 Phone (808) 533-2739 Fax
timlyons@hawaiiantel.net

HOUSE OF REPRESENTATIVES
THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2024

COMMITTEE ON FINANCE
Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice Chair

Rep. Micah P.K. Aiu	Rep. Rachele F. Lamosao
Rep. Cory M. Chun	Rep. Dee Morikawa
Rep. Elle Cochran	Rep. Scott Y. Nishimoto
Rep. Andrew Takuya Garrett	Rep. Mahina Poepoe
Rep. Kirstin Kahaloa	Rep. Jenna Takenouchi
Rep. Darius K. Kila	Rep. David Alcos III
Rep. Bertrand Kobayashi	Rep. Gene Ward

NOTICE OF HEARING

DATE: Wednesday, February 21, 2024
TIME: 2:00 p.m.
PLACE: VIA VIDEOCONFERENCE
Conference Room 308
State Capitol
415 South Beretania Street

Dear Chair Yamashita, Vice Chair Kitagawa, and members of the Committee on Finance:

The Ocean Tourism Coalition (OTC) represents hundreds of tour operators and charter boat businesses statewide, many of which are family owned businesses. I am writing to express our strong opposition to HB1660, which I believe would have detrimental effects on our economy, local family businesses, and overall financial well-being.

Firstly, treating capital gains the same as ordinary income fails to recognize the fundamental differences between these two types of income. Capital gains are derived from investments in assets such as stocks, real estate, or businesses, which involve risk-taking, long-term commitment, and often substantial capital investment. Taxing these gains at the same rate as ordinary income, which includes wages and salaries earned through labor, disregards the unique nature of investment income and the incentives necessary for capital formation and economic growth.

Moreover, imposing higher taxes on capital gains could stifle investment and entrepreneurship, particularly among small businesses and startups. Many entrepreneurs rely on the potential for capital gains to attract investors and fuel innovation. By increasing the tax burden on these gains, we risk discouraging investment in new ventures, hindering job creation, and impeding the growth of innovative industries.

Furthermore, family-owned businesses, which are often the backbone of our economy, would be disproportionately affected by this policy. Family businesses frequently reinvest their profits to sustain and expand their operations, creating employment opportunities and contributing to our local communities. Taxing their capital gains at higher rates would hinder their ability to reinvest in their businesses, jeopardizing their long-term viability and undermining the intergenerational transfer of wealth and business ownership.

In conclusion, I urge you to reconsider the implications of treating capital gains the same as ordinary income. Instead, I encourage exploring alternative approaches that promote economic growth, incentivize investment, and preserve the vitality of family businesses in Hawaiʻi. Thank you for your consideration on this matter.

Sincerely,

Denver S. Coon
President
OTC

TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAI'I

HOUSE COMMITTEE ON FINANCE

FEBRUARY 21, 2024

HB 1660, RELATING TO CAPITAL GAINS

POSITION: SUPPORT

The Democratic Party of Hawai'i **supports** HB 1660, relating to capital gains. Pursuant to the "Economic Justice and Labor" section of the official Democratic Party of Hawai'i platform, the party supports "policies that circulate currency through our economy, helping businesses to thrive, including tax policy that lessens the tax burden of low- and middle-income earners and increases the tax burden of high-income earners and the wealthy. We support government investments of tax revenue in community development, government anti-poverty programs, and the transition to a sustainable, green economy."

It is time for the wealthy to pay their fair share for essential public services. Hawai'i saddles our low-income neighbors with the second-heaviest state and local tax burden in the nation. While families who earn less than $20,000 per year pay 15 percent of their income in state and local taxes, those who make over $450,000 annually pay only about 9 percent. **Hawai'i is also one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income.** This capital gains tax loophole privileges almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in the islands.

If Hawai'i were to tax capital gains at the same rates as regular income, as most states do, **we could bring in between $132 million and $187 million in**

new revenue, according to estimates from the Hawai'i Department of Taxation, 97 percent of which would be paid by the top 5 percent of income earners in our state. The bottom 80 percent would pay nothing at all. That money could be used to fund essential state priorities, such as public education, environmental preservation, health care, mental health services, transportation infrastructure, and the establishment of tax credits for those in need.

We cannot accept fiscal austerity as inevitable. Following the devastating wildfires on Maui and their subsequent impact on our economy, we must make revenue generation a priority for our state. The wildfires destroyed over 2,200 structures, including numerous residential buildings, historic landmarks, and school facilities. In September 2023, a report from the United States Department of Commerce estimated the total economic damage of the wildfires to be roughly $5.5 billion. According to a report issued by the University of Hawaii Economic Research Organization on September 22, 2023, the unemployment rate on Maui was expected to soar above 11 percent by the end of 2023 and remain above 4 percent through 2026. A total of 10,448 new claims for unemployment in Maui County were filed in the four weeks following the wildfires, about 9,900 more than the preceding four weeks. Displaced families and workers who lost their jobs are still attempting to recover from the disaster, with a full recovery expected to take many years to achieve.

For their sake and for the benefit of future generations, let's make tax fairness a hallmark of Hawai'i's economic agenda.

Mahalo nui loa,

Kris Coffield
Co-Chair, Legislative Committee
(808) 679-7454
kriscoffield@gmail.com

Abby Simmons
Co-Chair, Legislative Committee
(808) 352-6818
abbyalana808@gmail.com

HOUSE BILL 1660, RELATING TO CAPITAL GAINS

FEBRUARY 21, 2024 · FIN HEARING

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus **supports** HB 1660, relating to capital gains, which taxes capital gains income at the same rate as ordinary income.

Teachers are the most important professionals in increasing student achievement. According to numerous studies, however, Hawai'i's average teacher salaries are the lowest in the nation when adjusted for cost of living. A 2020 study conducted by APA Consulting on behalf of the Hawai'i Department of Education found that when compared with other high-cost geographic locations, Hawai'i teachers are paid $7,700 to $26,000 less than their peers in school districts with similar costs of living, depending on length of service.

It is time for the wealthy to pay their fair share for essential public services. Hawai'i saddles our low-income neighbors with the second-heaviest state and local tax burden in the nation. While families who earn less than $20,000 per year pay 15 percent of their income in state and local taxes, those who make over $450,000 annually pay only about 9 percent. **Hawai'i is also one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income.** This capital gains tax loophole privileges almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in the islands.

If Hawai‘i were to tax capital gains at the same rates as regular income, as most states do, **<u>we could bring in between $132 million and $187 million in new revenue</u>**, according to estimates from the Hawai’i Department of Taxation, 97 percent of which would be paid by the top 5 percent of income earners in our state. The bottom 80 percent would pay nothing at all. That money could be used to fund essential state priorities, such as public education, environmental preservation, health care, mental health services, transportation infrastructure, and the establishment of tax credits for those in need.

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For their sake and for the benefit of future generations, let’s make tax fairness a hallmark of Hawai’i’s economic agenda.

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

HB 1660, RELATING TO CAPITAL GAINS

FEBRUARY 21, 2024 · FIN HEARING

POSITION: Support.

RATIONALE: Imua Alliance **supports** HB 1660, relating to capital gains, which taxes capital gains income at the same rate as ordinary income.

Teachers are the most important professionals in increasing student achievement. According to numerous studies, however, Hawai'i's average teacher salaries are the lowest in the nation when adjusted for cost of living. A 2020 study conducted by APA Consulting on behalf of the Hawai'i Department of Education found that when compared with other high-cost geographic locations, Hawai'i teachers are paid $7,700 to $26,000 less than their peers in school districts with similar costs of living, depending on length of service.

It is time for the wealthy to pay their fair share for essential public services. Hawai'i saddles our low-income neighbors with the second-heaviest state and local tax burden in the nation. While families who earn less than $20,000 per year pay 15 percent of their income in state and local taxes, those who make over $450,000 annually pay only about 9 percent. **Hawai'i is also one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income.** This capital gains tax loophole privileges almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in the islands.

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

If Hawai‘i were to tax capital gains at the same rates as regular income, as most states do, **<u>we could bring in between $132 million and $187 million in new revenue</u>**, according to estimates from the Hawai’i Department of Taxation, 97 percent of which would be paid by the top 5 percent of income earners in our state. The bottom 80 percent would pay nothing at all. That money could be used to fund essential state priorities, such as public education, environmental preservation, health care, mental health services, transportation infrastructure, and the establishment of tax credits for those in need.

We cannot accept fiscal austerity as inevitable. Following the devastating wildfires on Maui and their subsequent impact on our economy, we must make revenue generation a priority for our state. The wildfires destroyed over 2,200 structures, including numerous residential buildings, historic landmarks, and school facilities. In September 2023, a report from the United States Department of Commerce estimated the total economic damage of the wildfires to be roughly $5.5 billion. According to a report issued by the University of Hawaii Economic Research Organization on September 22, 2023, the unemployment rate on Maui was expected to soar above 11 percent by the end of 2023 and remain above 4 percent through 2026. A total of 10,448 new claims for unemployment in Maui County were filed in the four weeks following the wildfires, about 9,900 more than the preceding four weeks. Displaced families and workers who lost their jobs are still attempting to recover from the disaster, with a full recovery expected to take many years.

For their sake and for the benefit of future generations, let’s make tax fairness a hallmark of Hawai’i’s economic agenda.

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

TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAI'I LABOR CAUCUS

HOUSE COMMITTEE ON FINANCE · FEBRUARY 21, 2024

HB 1660, RELATING TO CAPITAL GAINS

POSITION: SUPPORT

The Democratic Party of Hawai'i Labor Caucus **supports** HB 1660, relating to capital gains, which taxes capital gains income at the same rate as ordinary income.

Teachers are the most important professionals in increasing student achievement. According to numerous studies, however, Hawai'i's average teacher salaries are the lowest in the nation when adjusted for cost of living. A 2020 study conducted by APA Consulting on behalf of the Hawai'i Department of Education found that when compared with other high-cost geographic locations, Hawai'i teachers are paid $7,700 to $26,000 less than their peers in school districts with similar costs of living, depending on length of service.

It is time for the wealthy to pay their fair share for essential public services. Hawai'i saddles our low-income neighbors with the second-heaviest state and local tax burden in the nation. While families who earn less than $20,000 per year pay 15 percent of their income in state and local taxes, those who make over $450,000 annually pay only about 9 percent. **Hawaiʻi is also one of only nine states that taxes all capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—at a lower rate than ordinary income.** This capital gains tax loophole privileges almost entirely high-income taxpayers, including non-residents who profit from investing in real estate in the islands.

If Hawaiʻi were to tax capital gains at the same rates as regular income, as most states do, **we could bring in between $132 million and $187 million in**

new revenue, according to estimates from the Hawai'i Department of Taxation, 97 percent of which would be paid by the top 5 percent of income earners in our state. The bottom 80 percent would pay nothing at all. That money could be used to fund essential state priorities, such as public education, environmental preservation, health care, mental health services, transportation infrastructure, and the establishment of tax credits for those in need.

We cannot accept fiscal austerity as inevitable. Following the devastating wildfires on Maui and their subsequent impact on our economy, we must make revenue generation a priority for our state. The wildfires destroyed over 2,200 structures, including numerous residential buildings, historic landmarks, and school facilities. In September 2023, a report from the United States Department of Commerce estimated the total economic damage of the wildfires to be roughly $5.5 billion. According to a report issued by the University of Hawaii Economic Research Organization on September 22, 2023, the unemployment rate on Maui was expected to soar above 11 percent by the end of 2023 and remain above 4 percent through 2026. A total of 10,448 new claims for unemployment in Maui County were filed in the four weeks following the wildfires, about 9,900 more than the preceding four weeks. Displaced families and workers who lost their jobs are still attempting to recover from the disaster, with a full recovery expected to take many years.

For their sake and for the benefit of future generations, let's make tax fairness a hallmark of Hawai'i's economic agenda.

Mahalo,

Jason Bradshaw

Chairperson, Democratic Party of Hawai'i Labor Caucus

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Capital Gains Tax Increase

BILL NUMBER: HB 1660

INTRODUCED BY: KAPELA, AMATO, GANADEN, HUSSEY-BURDICK, PERRUSO, POEPOE (Working Families Legislative Caucus)

EXECUTIVE SUMMARY: Taxes capital gains income at the same rate as ordinary income.

SYNOPSIS: Amends section 235-51, HRS, to repeal the maximum tax rate for capital gains, making such gains taxable at ordinary income rates.

EFFECTIVE DATE: Applies to taxable years beginning after December 31, 2023.

STAFF COMMENTS: Under current law, capital gains are taxed as income. A capital gain is a profit from the sale of a capital asset—such as a house, stock, bond, or jewelry—from the time that asset is acquired until the time it is sold. The price at which an asset is purchased is called the asset's "basis," and taxpayers pay tax on the difference between an asset's basis and its sales price when they sell, or realize, that capital gain.

In the federal system, for capital gains realized on assets held for less than one year (short-term capital gains), taxpayers pay taxes according to their ordinary individual income tax rate, ranging from 10 percent to 37 percent. For assets held longer than one year (long-term capital gains), taxpayers pay a reduced tax rate, ranging from 0 percent to 20 percent, depending upon a taxpayer's income. Individuals with Modified Adjusted Gross Income surpassing $200,000 ($250,000 for married couples) pay an additional 3.8 percent tax on net investment income.

Also, when a person dies and leaves property to an heir, the basis of that property is increased to its fair market value. This "step-up in basis" means that any capital gains that occurred during the decedent's life go untaxed. When the heir sells that property, any capital gains taxation will be assessed based on the heir's new basis. Step-up in basis reduces the tax burden on transferred property, as the total value of transferred property is already taxed by the estate tax.

Presently, capital gains income is taxable at the federal level and in all 41 states that also tax wage income. The federal government offers a lower rate for long-term capital gains but taxes short-term gains at the ordinary rate. States tend to tax capital gains at the ordinary rate.

This proposal is still a tax increase on individuals and corporations. It would also be a tax increase on small businesses, since 75% or so of small businesses are organized as partnerships, LLCs taxed as sole proprietorships or partnerships, or S corporations; all of those business forms do not (generally) pay income tax at the entity level but its owners pay tax on their respective shares of the entity's business, primarily at the individual level.

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Digested: 2/19/2024

HAWAI‘I REALTORS®
808-733-7060
808-737-4977
1259 A‘ala Street, Suite 300
Honolulu, HI 96817

February 21, 2024

The Honorable Kyle T. Yamashita, Chair
House Committee on Finance
State Capitol, Conference Room 308 & Videoconference

RE: House Bill 1660, Relating to Capital Gains

HEARING: Wednesday, February 21, 2024, at 2:00 p.m.

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai‘i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 11,000 members. HAR **opposes** House Bill 1660, which taxes capital gains income at the same rate as ordinary income.

A capital gain happens when one sells an investment for a profit, such as stocks, real estate, or businesses. Hawaii has the 10th highest capital gains tax rate of all 50 states and D.C.[1] Additionally, 8 states have no capital gains tax and Washington exempts real estate from capital gains taxation.

We believe attracting capital into the state is a necessary and critical component to solving our housing crisis for both renters and buyers. Unlike the federal capital gains tax rates, Hawaii does not make a distinction between short-term and long-term gains. As such, a capital gains tax increase may act to discourage new capital investment coming into the State.

Additionally, HAR believes that Hawaii's capital gains rate should be taxed at a lower rate than ordinary income to both factor in inflation and because a lower rate would factor in the high amount of risk it takes to start a business or invest in the stock market, where one could also lose a lot of money. Furthermore, the capital gains tax has a disproportionate impact on our kupuna who rely on their investments to convert their assets to spendable income during their retirement, such as for medical expenses or to move in to a care home.

Mahalo for the opportunity to provide testimony on this measure.

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[1] Realized 1031. (n.d.). "*Capital Gains Tax Rate*." https://www.realized1031.com/capital-gains-tax-rate

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Dear Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee,

Thank you for the opportunity to testify on behalf of Hawaiʻi Appleseed in **support** of HB 1660, which would tax capital gains at the same rate as ordinary income.

Capital gains are what an individual earns by selling their assets, including stocks, bonds, art, and antiques. The maximum capital gains tax for the state is 7.25 percent, which is much lower than the top 11 percent tax rate on ordinary income. This loophole means that individuals in the upper income brackets receive preferential treatment over low- to middle-income workers who have few assets.

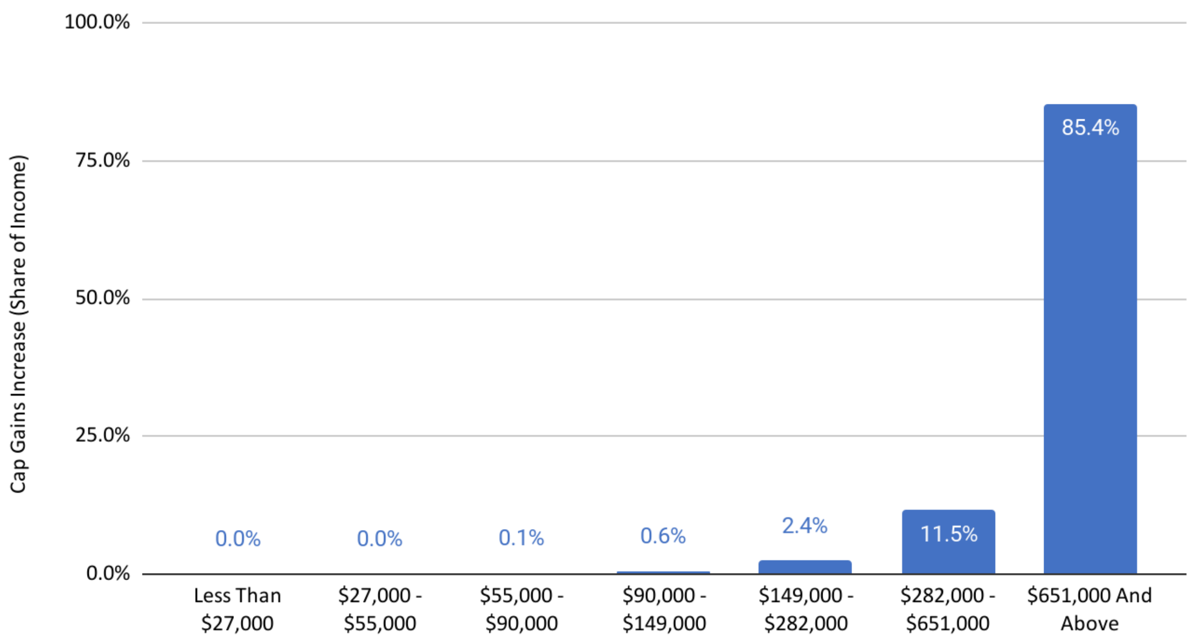
For example, resident taxpayers with incomes over $400,000 make around 33 percent of their taxable income through capital gains, compared to residents in the $40,000 to $50,000 range who earn just 0.7 percent of their taxable income through capital gains.[1]

Hawaiʻi's low capital gains tax gives the wealthy an unfair advantage over people with lower incomes. Just like the rest of us, the wealthy should pay their fair share of the taxes that support our state's programs, infrastructure, and services. Raising the capital gains tax is an opportunity for Hawaiʻi's legislators to generate revenue by targeting high-income taxpayers—those who can afford to pay increased taxes on their income.

Taxing capital gains at the same rate as ordinary income is a step in the right direction towards making Hawaiʻi's tax system fairer. In addition, this increase would mainly affect wealthy individuals who can afford to pay higher taxes. In fact, 77 percent of all the long-term capital gains in Hawaiʻi are earned by the wealthiest class of taxpayers—those who have incomes of at least $400,000. To make the capital gains tax fairer for all taxpayers, legislators should consider taxing capital gains at the same rate as ordinary income.

[1] https://files.hawaii.gov/tax/stats/stats/indinc/2021indinc.pdf

Chart 3. Share of Capital Gains Tax Increase by Income Bracket, Hawai‘i (2024)[2]



The vast majority of the projected tax burden (85.4%) for this bill would fall on the wealthiest taxpayers in Hawai‘i, since they can afford to invest their money in assets.

According to the Department of Taxation, this approach could generate $132 million in revenue during the first year, rising to $187 million over the course of six years. This money could be used to fund our schools, infrastructure, government assistance programs, and affordable housing that Hawai‘i residents need for a secure economic future.

Mahalo for your consideration.

[2] Institution on Tax and Economic Policy, 2023 analysis.

HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President	Melodie Aduja	Jan Lubin	Stephen O'Harrow	P.O. Box 23404
Alan Burdick, Vice President	Juliet Begley	Shannon Matson	Maria Glodilet Rallojay	Honolulu HI
Doug Pyle, Secretary	Stephanie Fitzpatrick	Jenny Nomura	Bill South	968233
	Robert Kinslow			

February 20, 2024

TO: Chair Yamashita and Members of the FIN Committee

RE: HB 1660 Relating to Capital Gains

Support for hearing on February 21

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.

We support this bill as it would tax capital gains at the same rate as regular income. The current special capital gains rate is horribly regressive. Current law gives a big tax break to high income earners but forces a higher tax rate on low income earners.
This bill is long overdue.

Thank you for your favorable consideration.

Sincerely,

John Bickel, President

GRASSROOT
INSTITUTE OF HAWAII

1050 Bishop St. #508
Honolulu, HI 96813
808-864-1776
info@grassrootinstitute.org

Removing barriers to Hawaii's prosperity

Feb. 21, 2024, 2 p.m.
Hawaii State Capitol
Conference Room 308 and Videoconference

To: House Committee on Finance
Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING HB1660 — RELATING TO CAPITAL GAINS

Aloha Chair Evslin, Vice-Chair Aiu and Committee Members,

The Grassroot Institute of Hawaii would like to offer its comments opposing HB1660, which would eliminate the 7.25% tax rate for capital gains, replacing it with the rates applied to ordinary income.

There are a number of sound fiscal reasons for taxing capital gains at a lower rate than income. For one, it reflects the fact that capital gains are not indexed for inflation, thus the lower rate is intended to offset the fact that some portion of the gain represents inflation rather than real returns.

In addition, high capital gains taxes create a "lock-in" effect in which investors delay the sale of investments in order to avoid tax repercussions. This reduces economic growth by discouraging diversification and the movement of capital in the state.

Consider the example of Jeff Bezos, who halted his stock sales after Washington State passed a capital gains tax of 7% on sales of stocks and bonds over $250,000. Bezos has since moved to Florida and initiated a plan to sell 50 million shares over the next year. The move is estimated to save Bezos about $600 million in taxes.[1] Florida will now benefit from Bezos' purchase of property and other economic activity, while Washington will lose out.

[1] Robert Frank, "Jeff Bezos will save over $600 million in taxes by moving to Miami," CNBC, Feb. 12, 2024.

That is why higher tax rates on capital gains could have the unintended effect of driving down investment and entrepreneurship in Hawaii.

Curtis Dubay, chief economist at the U.S. Chamber of Commerce, wrote in 2021 that: “The economic models and past history all reach the same conclusion: When you significantly increase taxes on capital gains you get significantly less capital investment.”[2]

In other words, investors and entrepreneurs would be less likely to conduct business in Hawaii as an increase in the capital gains tax would contribute to Hawaii’s already poor business environment. In 2022, CNBC ranked Hawaii as the 46th worst state in which to start a business.[3]

A 2021 study by the Baker Institute noted that “two decades of relatively slow economic growth call for increased innovation and faster diffusion of new technology, but higher capital gains tax rates will reduce innovation and technology diffusion.”[4]

Hawaii residents, of course, need more innovation, not less, to prosper.

Additionally, higher capital gains taxes can discourage savings. The national Tax Foundation wrote in 2019 that: “When multiple layers of tax apply to the same dollar, as is the case with capital gains, it distorts the choice between immediate consumption and saving, skewing it towards immediate consumption because the multiple layers reduce after-tax return to saving.”[5]

In terms of generating tax revenues, a 2021 economic model from the University of Pennsylvania’s Wharton School found that a proposed hike in the federal capital gains tax rate would actually produce less revenue, since investors would be more likely to hold onto their investments so their heirs would inherit them at death, thus avoiding the increased capital gains tax.[6]

In fact, Hawaii legislators should be skeptical of optimistic tax revenue projections achieved via a capital gains tax hike. A study from the Congressional Budget Office on how taxes affect the decision to realize gains concluded that such decisions are very responsive to changes in taxation.

The study found a persistent elasticity of -0.79,[7] which means that a 10% cut in capital gains taxes would increase realizations by 7.9%. Thus, a cut in the capital gains tax would have minimal or even a positive effect on tax revenues.

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[2] Chris Dubay, “Raising the Capital Gains Tax: Who Does it Really Hurt?” U.S. Chamber of Commerce, May 13, 2021.
[3] “America’s Top States for Business 2022: The full rankings,” CNBC, July 13, 2022.
[4] John Diamond, “The Economic Effects of Proposed Changes to the Tax Treatment of Capital Gains,” Baker Institute Center for Public Finance, Oct. 27, 2021.
[5] Erica York, “An Overview of Capital Gains Taxes,” Tax Foundation, April 26, 2019.
[6] John Ricco, “Revenue Effects of President Biden’s Capital Gains Tax Increase,” Penn Wharton Budget Model, April 23, 2021.
[7] Tim Dowd, et al., “New Evidence of the Tax Elasticity of Capital Gains,” Congressional Budget Office, June 2012, p.17.

In fact, in 2007 the IRS collected $122 billion at a 15% capital gains tax rate compared to only $26.7 billion in 2007 dollars at the 40% rate in 1977, [8] This was a significant increase even after adjusting for inflation and other relevant factors.

Conversely, an increase in the capital gains tax would net significantly less in tax revenues than what might be calculated from a static model.

Looking at the even broader picture, one must consider that tax increases in general are not a good idea for Hawaii's economy, especially not now when it already has one of the highest tax burdens in the nation.[9]

Consider these points:

>> Hawaii's population has been declining for the past six years.[10] Tens of thousands of Hawaii residents have moved to the mainland over the past six years — and mainly to states without income taxes, such as Washington, Nevada, Texas and Florida.[11] Their departure from the islands is not only emotionally distressing, but economically depressing as well.

>> Fewer people remaining means fewer people to work at our private businesses — or even staff our government agencies. It also means fewer people to help pay for Hawaii's ever-increasing tax burden.

>> Higher taxes for the residents who still live here is more fuel for the exodus of talent and capital — our friends, neighbors and family — to places that are more affordable. It's a downward spiral economically fostered by the relentless upward spiral of more and more taxes.

>> Hawaii taxes high-income earners at 11%, second only to California at 13.3%.[12] Hawaii's top 1.5% of taxpayers already pay 34.9% of all income taxes in the state.[13]

>> Hawaii is suffering from a stagnant economy, and both the Economic Research Organization at the University of Hawaiʻi[14] and the state Department of Business, Economic Development and Tourism[15] have predicted continued slow economic growth in 2024. Tax hikes could exacerbate this slowdown, since

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[8] Daniel Block and William McBride, "Why Capital Gains are taxed at a Lower Rate," Tax Foundation, June 27, 2012.
[9] Jared Walczak and Erica York, "State and Local Tax Burdens, Calendar Year 2022," Tax Foundation, April 7, 2022.
[10] Maria Wood, "Where People from Hawaii Are Moving to the Most," 24/7 Wall Street, Jan. 23, 2022.
[11] Katherine Loughead, "How Do Taxes Affect Interstate Migration?" Tax Foundation, Oct. 11, 2022.
[12] Timothy Vermeer, "State Individual Income Tax Rates and Brackets for 2023," Tax Foundation, Feb. 21, 2023.
[13] "Hawaii Individual Income Tax Statistics," Hawaii Department of Taxation report for Tax Year 2021, August 2023, Table 12A.
[14] Carl Bonham, Byron Gagnes, Steven Bond-Smith, et al., "State Facing Headwinds as Maui Recovery Begins," Economic Research Organization at the University of Hawaiʻi, Dec. 15, 2023.
[15] Hawaii Department of Business, Economic Development, and Tourism, "Hawaii Economic Growth Remains Low for 2024 as Recovery Continues," Dec. 11, 2023.

entrepreneurs would be less likely to invest their capital — or “wealth assets,” as the case may be[16] — in Hawaii’s economy.

In short, Hawaii’s residents and businesses need a break from new taxes, tax increase, fees and surcharges. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[16] Aaron Hedlund, “How Do Taxes Affect Entrepreneurship, Innovation, and Productivity?” Center for Growth and Opportunity at Utah State University, Dec. 23, 2019; Ergete Ferede, “The Effects on Entrepreneurship of Increasing Provincial Top Personal Income Tax Rates in Canada,” Fraser Institute, July 10, 2018; Robert Carroll, Douglas Holtz-Eakin, Mark Rider and Harvey S. Rosen, “Personal Income Taxes and the Growth of Small Firms,” National Bureau of Economic Research, October 2000.

HAWAIʻI HEALTH
& HARM REDUCTION CENTER
The New Chapter for Life Foundation and The CHOW Project

TESTIMONY IN SUPPORT OF HB 1660

TO: Chair Yamashita, Vice Chair Kitagawa, & FIN Committee Members

FROM: Nikos Leverenz
Grants & Advancement Manager

DATE: February 21, 2024 (2:00 PM)

Hawaiʿi Health & Harm Reduction Center (HHHRC) **supports** HB 1660. This bill would tax capital gains income at the same rate as ordinary income.

Income is the foremost determinant of health. Given that Hawaiʿi has the third-highest effective tax rate (14.1%) paid by the lowest 20% of households, according to a recent report by the Institute on Taxation and Economic Policy, this bill is an important way to raise revenues for year-to-year and unforeseen budgetary needs. Additional relief for low-income households should be among the state's ongoing budget priorities.

According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132 million in additional during its first year of implementation, rising to an estimated $187 million within 6 years.

These funds can help meet the expected expenditures this year related to ongoing Lahaina recovery efforts and COVID-related hazard payments. Prospective revenues could also enhance baseline funding for social services, education, and infrastructure improvements, including budgeting for the "true cost" of contracts with nonprofit organizations.

HHHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawaiʻi and the Pacific. We work with many individuals who are impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those relating to substance use and underlying mental health conditions. Many of our clients and participants have been deeply impacted by trauma, including histories of physical, sexual, and psychological abuse.

Thank you for the opportunity to testify on this measure.

HCAN Speaks!
Hawai'i Children's Action Network

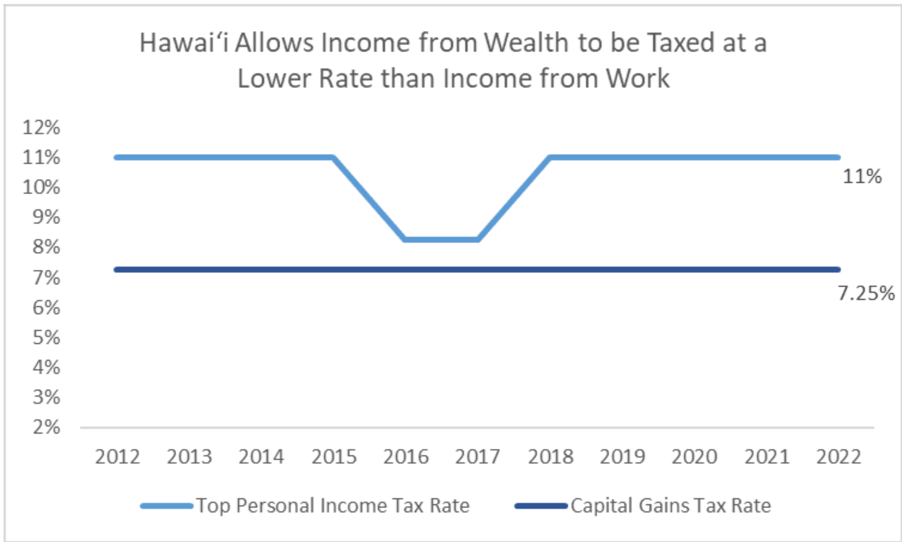
Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: House Committee on Finance
Re: **HB 1660 – Relating to Capital Gains**
Hawaiʻi State Capitol & Via Videoconference
February 21, 2024, 2:00 PM

Dear Chair Yamashita, Vice Chair Kitagawa, and Committee Members,

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in **SUPPORT of HB 1660**. This bill taxes capital gains income at the same rate as ordinary income.

Hawaiʻi is one of only nine states that allows capital gains—profits from the sale of stocks, bonds, investment real estate, art, and antiques—**to be taxed at a LOWER rate than ordinary working people's income.**[1] This tax break benefits those at the top, including non-residents who profit from investing in real estate in Hawaiʻi.



"The capital gains are heavily concentrated in the high end of the income distribution especially for nonresidents. The higher the income of taxpayers the greater the share of capital gains in their taxable income in general," states the Hawaii Department of Taxation.[2]

For those who made more than $400,000 a year in 2022, long-term capital gains were one third (33.1%) of the total taxable income of residents, and nearly half (47.4%) of nonresidents. In fact, long-term capital gains constitute 14.5% of total taxable income in the state, or more than $6.7 billion in 2021.[3]

[1] Center on Budget and Policy Priorities, https://www.cbpp.org/research/state-budget-and-tax/state-taxes-on-capital-gains
[2] Hawaii Department of Taxation, https://files.hawaii.gov/tax/stats/stats/indinc/2021indinc.pdf
[3] Hawaii Department of Taxation, https://files.hawaii.gov/tax/stats/stats/indinc/2021indinc.pdf

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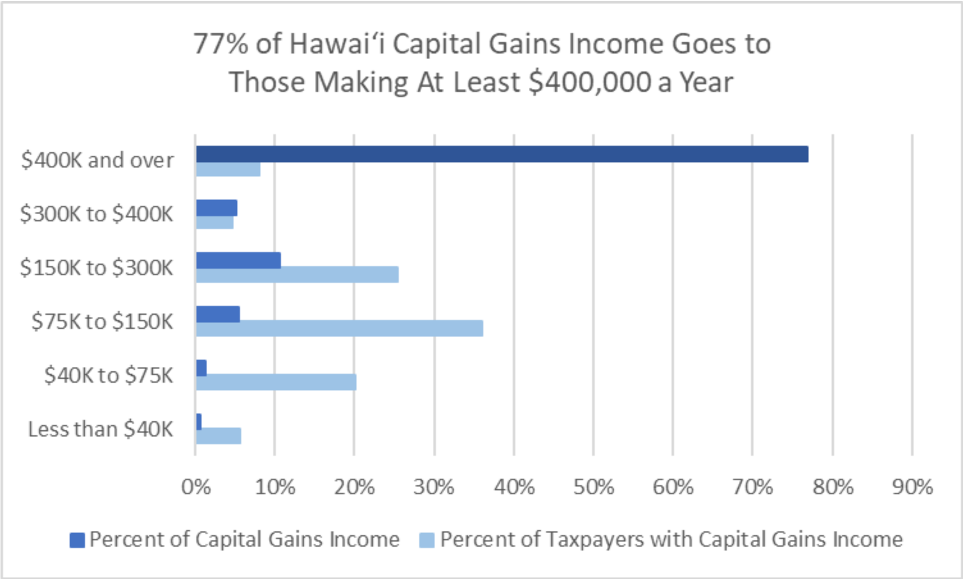
In 2021, of the taxpayers who had capital gains income, only 10.5% earned at least $400,000, but they received 75.6% of the capital gains income in the state.[4] And while Native Hawaiians and Pacific Islanders are 24% of the tax units in Hawai'i, they receive only 17% of the capital gains tax breaks.[5]



Looking at the federal capital gains tax rates and real business investment over time, **there is no relationship between taxing capital gains and investment levels**.[6] As Warren Buffett said, "I have worked with investors for 60 years and I have yet to see anyone -- not even when capital gains rates were 39.9 percent in 1976-77 -- shy away from a sensible investment because of the tax rate on the potential gain."[7]

Mahalo for the opportunity to provide this testimony. Please pass this bill.

Thank you,

Nicole Woo
Director of Research and Economic Policy

[4] Hawaii Department of Taxation, https://files.hawaii.gov/tax/stats/stats/indinc/2021indinc.pdf
[5] Institute on Taxation and Economic Policy, unpublished analysis, January 2022
[6] Washington State Budget and Policy Center, https://budgetandpolicy.org/wp-content/uploads/2018/11/Capital-Gains-Tax-Infographic-03-copy.pdf
[7] CNN Money, https://money.cnn.com/2011/08/15/news/economy/buffett_taxes/index.htm

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LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1660
Submitted on: 2/20/2024 7:07:23 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

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

Comments:

Aloha Representatives,

I strongly believe that tax fairness is a cornerstone of a vibrant economy and a healthy society. Currently, Hawaiʻi has a flat capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries from work.

A whopping 97 percent of capital gains are earned by just the top 5 percent wealthiest residents in the state. No one in the bottom 80 percent of earners receives capital gains in Hawaiʻi. That means that this low capital gains tax rate is a tax break exclusively for the rich.

According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132 million in new revenue for the state during its first year of implementation. That amount could rise to an estimated $187 million within 6 years. That's revenue that the state desperately needs to fund critical programs to help working families afford the highest-in-the-nation cost of living here, especially housing.

Please pass this proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community.

Mahalo,

K. Shimata

96822

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 21, 2024

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Finance

RE: **HB 1660 – RELATING TO CAPITAL GAINS**
Hearing date – February 21, 2024 at 2:00 PM

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION** to **HB 1660 – RELATING TO CAPITAL GAINS**. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

HB 1660 seeks to change the capital gains tax from 7.25% to match the tax rate as for ordinary income. This will likely lead to an increase in the capital gains tax rate for property owners, developers and real estate investment companies across the State.

The bill acknowledges that Hawaii's current capital gains tax rate of 7.25% is lower than the tax rate on wages and salaries for many residents. However, it fails to recognize that a significant portion of the burden falls on working families, potentially hindering their financial stability. Taxing capital gains at the same rate as ordinary income could pose significant challenges for small businesses and entrepreneurs. This may discourage investment, innovation, and risk-taking, hindering the economic dynamism necessary for growth and job creation. Ultimately, this tax burden will be felt by Hawaii families.

Moreover, the proposed amendments to Section §235-51 of the Hawaii Revised Statutes introduce a complex capital gains tax structure. Such complexity may create confusion, increase compliance costs, and pose challenges for both taxpayers and tax administrators.

Furthermore, NAIOP Hawaii is concerned that an increase in the capital gains rate will reduce the private sector's investment into long term projects which stimulate economic activity and enhance community resources for residents throughout the State. Hawaii is already rated as one of the least business friendly States in the nation and increasing this tax rate will further discourage much needed investment locally. Rather, additional efforts to encourage investment in Hawaii and incentivize the creation of new projects and businesses in Hawaii would stimulate our economy by creating jobs and tax revenue.

Accordingly, NAIOP Hawaii respectfully recommends that HB 1660 be deferred.

Mahalo for your consideration,

Reyn Tanaka, President
NAIOP Hawaii

HB-1660
Submitted on: 2/18/2024 1:54:41 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
MELYNDA DANT	Individual	Oppose	Written Testimony Only

Comments:

Aloha, Rep. Kyle T. Yamashita, Chair Rep. Lisa Kitagawa, Vice Chair and committee members,

As you know, many seniors have worked their entire lives investing in the stock market, our businesses, and purchasing our homes, and now, when we need to liquidate our assets in addition to social security, Hawaii is considering joining only nine other states in the US to be higher than the current rate of 7.25% taxes on capital gains. Forty-one states have lower than Hawaii's capital gains tax. Somehow, these 41 states have figured out how to balance their budgets and give social programs to working families. This bill negatively affects former working families, who now only have their retirement plans to cover living costs. After years of paying taxes and supporting communities and state social programs, we are residents who need to hope we have capital gains from our investments. Capital gains are not only realized by wealthy, out-of-state individuals. Please vote NO on bill HB1660.

HB-1660
Submitted on: 2/18/2024 2:26:42 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Oppose	Written Testimony Only

Comments:

Strongly opposed. Very, very, very greedy. There are many people who rely on capital gains to support their palty incime. Not all those who have capital gains are wealthy investors.

Please defer.

HB-1660
Submitted on: 2/18/2024 3:34:01 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Greg Misakian	Individual	Oppose	Written Testimony Only

Comments:

I oppose HB1660.

I think any major change in taxation such as this should only be decided by the voters.

Legislators that overreach to tax one group to pay for the needs of another group should better understand that their actions are seen by all, and have a great potential to negatively impact job creation, donations, and other benefits that wealthier income earners contribute to the economy.

Greg Misakian

HB-1660
Submitted on: 2/18/2024 4:25:38 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jeff Sadino	Individual	Oppose	Written Testimony Only

Comments:

This Bill does nothing more than argue that if the government raises taxes then the government will spend more money. It gives very little thought about all the pros and cons of the multitude of different ways to raise taxes. It takes a very broad approach to solving a complicated problem.

Additionally, it says that the current preferential treatment of capital gains benefits rich people more than the average person and it uses the example of non-resident real estate investors. If the problem is non-resident real estate investors, then it would be better policy to come up with some sort of tax law that targets the specific problem of non-resident real estate investors.

Additionally, the Bill makes no differentation between long-term capital gains and short-term capital gains. Do the proposed tax hikes apply to long-term gains, short-term gains, or both?

Additionally, this Bill seems to be retroactive to 2018! If this Bill passes, will we have to amend our tax returns for the past 5 years??? That makes no sense.

Additionally, higher taxes on investments will reduce investment interest in our State. It is clear that we need to diversify our economy away from tourism. Being an attractive destination for the right type of investment capital could be one way to achieve this goal.

Please defer this Bill.

Thank you for the opportunity to testify,

Jeff Sadino

HB-1660
Submitted on: 2/19/2024 10:36:20 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
John Witeck	Individual	Support	Written Testimony Only

Comments:

My wife Lucy and I urge passage of this measure to create greater fairness in taxation. Capital gains should be taxed at a rate comparable to what workers pay on their wage income. It's time to tip the scales and have wealthier citizens pay a more fair rate so they can help sustain public services, schools and other public institutions. Mahalo.

HB-1660
Submitted on: 2/19/2024 10:42:12 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dawn Morais Webster Ph.D.	Individual	Support	Written Testimony Only

Comments:

The wealthy must pay their fair share in taxes. Why don't they? Because the current laws allow them to.

Currently, Hawai'i has a capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries. Our low capital gains tax rate primarily benefits wealthy individuals. According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132,000,000 in its first year of implementation, with that amount rising to an estimated $187,000,000 within six years. Please pass this proposal to ensure that the wealthy pay their fair share to strengthen essential public services for our community. Mahalo

HB-1660
Submitted on: 2/19/2024 10:56:16 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jessie L Gonsalves	Individual	Support	Written Testimony Only

Comments:

Please pass this proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community.

HB-1660
Submitted on: 2/19/2024 11:05:40 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Deb Nehmad	Individual	Support	Written Testimony Only

Comments:

Dear Committee Members,

Tax fairness is a cornerstone of a vibrant economy and a healthy society. Currently, Hawaiʻi has a flat capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries from work.

A whopping 97 percent of capital gains are earned by just the top 5 percent wealthiest residents in the state. No one in the bottom 80 percent of earners receives capital gains in Hawaiʻi. That means that this low capital gains tax rate is a tax break exclusively for the rich.

According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132 million in new revenue for the state during its first year of implementation. That amount could rise to an estimated $187 million within 6 years. That's revenue that the state desperately needs to fund critical programs to help working families afford the highest-in-the-nation cost of living here.

Please pass this importnat proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community.

Mahalo,

Deb Nehmad

HB-1660
Submitted on: 2/19/2024 11:44:39 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Shay Chan Hodges	Individual	Support	Written Testimony Only

Comments:

Tax fairness is a cornerstone of a vibrant economy and a healthy society. Currently, Hawaiʻi has a flat capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries from work.

A whopping 97 percent of capital gains are earned by just the top 5 percent wealthiest residents in the state. No one in the bottom 80 percent of earners receives capital gains in Hawaiʻi. That means that this low capital gains tax rate is a tax break exclusively for the rich.

According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132 million in new revenue for the state during its first year of implementation. That amount could rise to an estimated $187 million within 6 years. That's revenue that the state desperately needs to fund critical programs to help working families afford the highest-in-the-nation cost of living here.

Please pass this proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community.

HB-1660
Submitted on: 2/19/2024 12:29:00 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Greg and Pat Farstrup	Individual	Support	Written Testimony Only

Comments:

Please vote in favor of this bill.

Please vote in favor of this bill.

Kū i ka pono!

HB-1660
Submitted on: 2/19/2024 12:48:36 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Christy MacPherson	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the House Committee on Finance,

I am in STRONG SUPPORT of HB1660. This is an easy and equitable way to add money to our state budget. Hawai‘i needs to catch up with other states in taxing Capital Gains.

Mahalo for your consideration.

HB-1660
Submitted on: 2/19/2024 2:10:29 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Shannon Rudolph	Individual	Support	Written Testimony Only

Comments:

SUPPORT

HB-1660
Submitted on: 2/19/2024 2:15:46 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Anne Leake	Individual	Support	Written Testimony Only

Comments:

Aloha mai. My name is Anne Leake and I reside in Kaneohe. Tax fairness is a cornerstone of a vibrant economy and a healthy society. Currently, Hawaiʻi has a flat capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries from work.

A whopping 97 percent of capital gains are earned by just the top 5 percent wealthiest residents in the state. No one in the bottom 80 percent of earners receives capital gains in Hawaiʻi. That means that this low capital gains tax rate is a tax break exclusively for the rich.

According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132 million in new revenue for the state during its first year of implementation. That amount could rise to an estimated $187 million within 6 years. That's revenue that the state desperately needs to fund critical programs to help working families afford the highest-in-the-nation cost of living here.

Please pass this proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community. Mahalo.

HB-1660
Submitted on: 2/19/2024 2:27:41 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Thomas Brandt	Individual	Support	Written Testimony Only

Comments:

Strong support!

HB-1660
Submitted on: 2/19/2024 3:43:28 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Rev. Samuel L Domingo	Individual	Support	Written Testimony Only

Comments:

Tax fairness is a cornerstone of a vibrant economy. Currently, Hawai'i has a capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries. Our low capital gains tax rate primarily benefits wealthy individuals. According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132,000,000 in its first year of implementation, with that amount rising to an estimated $187,000,000 within six years. Please pass this proposal to ensure that the wealthy pay their fair share to strengthen essential public services for our community.

HB-1660
Submitted on: 2/20/2024 1:43:51 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Daniel R Freund	Individual	Support	Written Testimony Only

Comments:

I haven't done the math but, as a retired person who owns income real estate in Hawaii, I suspect this bill would result in me paying more taxes when I sell those properties.

But what's fair is fair. There is no reason other than greed why the net income I receive when I sell those properties should be taxed at a lower rate than the income I receive from business or employment.

(That said, it would be nice so see some capital gains income averaging to even out the "lump sum" nature of the sale of a capital item.)

- Dan Freund, Kapaa

HB-1660
Submitted on: 2/20/2024 7:04:31 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Abby Simmons	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair and esteemed Members of the Committee,

My name is Abby Simmons and I am testifying in support of this bill, HB1660.

Tax fairness is a cornerstone of a vibrant economy. Currently, Hawai'i has a capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries. Our low capital gains tax rate primarily benefits wealthy individuals. According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132,000,000 in its first year of implementation, with that amount rising to an estimated $187,000,000 within six years. Please pass this proposal to ensure that the wealthy pay their fair share to strengthen essential public services for our community.

Mahalo nui loa for your consideration,

Abby Simmons

Hawaiʻi Island

HB-1660
Submitted on: 2/20/2024 8:07:28 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Linda Wakatake	Individual	Support	Written Testimony Only

Comments:

Tax fairness is a cornerstone of a vibrant economy and a healthy society. Currently, Hawaiʻi has a flat capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries from work.

A whopping 97 percent of capital gains are earned by just the top 5 percent wealthiest residents in the state. No one in the bottom 80 percent of earners receives capital gains in Hawaiʻi. That means that this low capital gains tax rate is a tax break exclusively for the rich.

According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132 million in new revenue for the state during its first year of implementation. That amount could rise to an estimated $187 million within 6 years. That's revenue that the state desperately needs to fund critical programs to help working families afford the highest-in-the-nation cost of living here.

Please pass this proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community.

I strongly support HB 1660.

Mahalo for your time,

Linda Wakatake

HB-1660
Submitted on: 2/20/2024 8:39:46 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

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

Comments:

Tax fairness is a cornerstone of a vibrant economy and a healthy society. Currently, Hawaiʻi has a flat capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries from work.

A whopping 97 percent of capital gains are earned by just the top 5 percent wealthiest residents in the state. No one in the bottom 80 percent of earners receives capital gains in Hawaiʻi. That means that this low capital gains tax rate is a tax break exclusively for the rich.

According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132 million in new revenue for the state during its first year of implementation. That amount could rise to an estimated $187 million within 6 years. That's revenue that the state desperately needs to fund critical programs to help working families afford the highest-in-the-nation cost of living here.

Please pass this proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community.

HB-1660
Submitted on: 2/20/2024 9:08:28 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dennis Rement	Individual	Oppose	Written Testimony Only

Comments:

It is inappropiate to tax capital gains at a higher rate than the US Federal tax code. I recommend this bill be voted against or modified to align with the federal tax code instead.

Dennis Rement

HB-1660
Submitted on: 2/20/2024 9:29:32 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Regina Gregory	Individual	Support	Written Testimony Only

Comments:

support

HB-1660
Submitted on: 2/20/2024 10:20:29 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

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. I live in Mōʻiliʻili. I'm writing in Support of HB1660.

Tax fairness is a cornerstone of a vibrant economy and a healthy society. Currently, Hawaiʻi has a flat capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries from work.

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Please pass this proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community.

me ke aloha ʻāina,
Nanea Lo, Mōʻiliʻili, Oʻahu

HB-1660
Submitted on: 2/20/2024 11:29:12 AM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
James E. Coon	Individual	Oppose	Written Testimony Only

Comments:

Chair Yamashita, Vice Chair Kitagawa, Members of the House Committee on Finance:

My name is James Coon and **I strongly oppose HB1660**. This bill would hurt so many people across the State. Here is one example of many: We lost a home in the Lahaina Fires. We have a two year window to rebuild or we pay capitol gains on the insurance proceeds that exceed our cost basis. That would significanty impact our rebuilding. If we were to sell any long term holdings it would also have an additional tax bill. This bill will hurt our economy more than it will help it. It will discourage investors from investing in Hawaii. Please do not pass this bill.

Aloha

James E. Coon,

HB-1660
Submitted on: 2/20/2024 12:04:02 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
David E. Smith	Individual	Oppose	Written Testimony Only

Comments:

The bill as proposed is an add-on to the federal 1040. The federal adjusted gross limits capital losses to $3,000 per year but gives tax preference treatment to capial gains and qualified dividends. This includes taxing about $50,000 of combined gains and dividends at a tax rate of 0%. There is a significant risk involved in investing, more so in the coming years- the federal tax code is designed to only tax significant income and limits the losses that often occur.

The state of Hawaii currently choses to take advantage of any gains and ignoring qualified dividends. Furthermore, the current Hawaii tax code taxes all capital gains at 7.25% not 0% federal. Any losses are limited to $3,000 yearly which comes from the adjusted gross of the federal return. Hawaii already considers capital gains at the same rate as ordinary taxable income below $48,000. This is unfair to lower income people who invest.

The new bills SB2325 / HB1660 advertise correcting racial inequity by taxing capital gains at the same rate as ordinary income. I was unaware that investing in the stock market was limited to only "whites". Or that only "people of color" could draft bills such as these.

Are these new bills shortsighted on merit. Definitely. In order to be considered ordinary income, capital losses have to be considered and in the year they are incurred. Any bill to consider capital gains has to include a provision for full capital losses.

This means that Hawaii could no longer use federal adjusted gross for future years income because the latent capital losses would show up later federally.

Please scrap this bill.

To: Hawaii State House Committee on Finance

Hearing Date/Time: Tuesday February 21, 2024, 2:00pm

Place: Hawaii State Capitol, CR 308 & Videoconference

Re: Judith Ann Armstrong supports HB1660 relating to Capital Gains

Dear Chair Rep. Kyle T. Yamashita, Vice Chair Rep. Lisa Kitagawa and members of the Committee on Finance

I, Judith Ann Armstrong, support HB1660 relating to Capital Gains

Tax fairness is a cornerstone of a vibrant economy and a healthy society. Currently, Hawaiʻi has a flat capital gains tax rate of 7.25 percent, which is lower than the tax rate many of the state's residents pay on their wages and salaries from work.

A whopping 97 percent of capital gains are earned by just the top 5 percent wealthiest residents in the state. No one in the bottom 80 percent of earners receives capital gains in Hawaiʻi. That means that this low capital gains tax rate is a tax break exclusively for the rich.

According to the Department of Taxation, taxing capital gains at the same rate as ordinary income could generate over $132 million in new revenue for the state during its first year of implementation. That amount could rise to an estimated $187 million within 6 years. That's revenue that the state desperately needs to fund critical programs to help working families afford the highest-in-the-nation cost of living here.

Please pass this proposal to ensure that the wealthy pay their fair share in strengthening essential public services for our community.

A

Thank you for this opportunity to testify in support of HB1660.

Sincerely,

Judith Ann Armstrong

HB-1660
Submitted on: 2/20/2024 4:40:31 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Gretchen Goo	Individual	Support	Written Testimony Only

Comments:

Those that are reaping profits from capital gains should be taxed at the same rate as the working people of Hawaiii to support programs that assist local families to afford to stay here and our young people to bring their skills back to our state. Please pass this bill to show your care and concern for the majority of your constituents who are struggling paycheck to paycheck.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1660
Submitted on: 2/20/2024 4:43:41 PM
Testimony for FIN on 2/21/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Andrew Crossland	Individual	Oppose	Written Testimony Only

Comments:

I **oppose** this Bill.