

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

House Committee on Finance

Tuesday, February 27, 2024

10:00 a.m.

State Capitol, Conference Room 308 and Videoconference

**In Support of Intent
H.B. No. 2780 Relating to Taxation**

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

The Office of the Governor supports the intent of H.B. No. 2780, Relating to Taxation. This bill incrementally amends income tax rates for every other taxable year beginning after 12/31/2024.

The Governor is in strong support of proposals that would be directed at helping Asset Limited, Income Constrained, Employed (ALICE) households. With our recent rises in inflation many families are struggling. As such, the relief proposed in this bill would be a welcome approach.

The Office of the Governor prefers the language on H.B. No. 2404 (administration bill) Relating to Income Tax as the administration bill is more comprehensive and extensive. H.B. No. 2404 will provide support for working families paying for daycare, babysitting, summer camps, after-school care, and dependent care. This tax credit will also provide relief for working families and help reduce the choice families may face in deciding whether to start a family or invest in a career.

Hawaii has the highest cost of living in the country at nearly twice the national average and our high cost of living is hurting families and individuals and our community well-being. The high cost of living in the State has made it extremely difficult for working families to afford necessities.

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

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2780, Relating to Taxation

BEFORE THE:

House Committee on Finance

DATE: Tuesday, February 27, 2024

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 308

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

The Department of Taxation (“Department”) provides the following comments regarding H.B. 2780 for your consideration.

H.B. 2780 amends section 235-51, Hawaii Revised Statutes (HRS), by amending the income tax brackets under subsections (a) for taxpayers who file a joint return or a surviving spouse, (b) for head of the household, and (c) for single persons and married persons who file separately. For each of these subsections, the income tax brackets are incrementally increased every other taxable year, starting with taxable years beginning after December 31, 2024, and ending with taxable years beginning after December 31, 2030, as follows:

INCOME TAX BRACKETS			
Joint Return/Surviving Spouse			
Current		H.B. 2780 (Tax Year 2025)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$4,800	1.40% of taxable income	Not Over \$9,600	1.40% of taxable income
Over \$4,800 but not over \$9,600	\$67.00 plus 3.20% of excess over \$4,800	Over \$9,600 but not over \$19,200	\$134.00 plus 3.20% of excess over \$9,600
Over \$9,600 but not over \$19,200	\$221.00 plus 5.50% of excess over \$9,600	Over \$19,200 but not over \$28,800	\$441.00 plus 5.50% of excess over \$19,200

Over \$19,200 but not over \$28,800	\$749.00 plus 6.40 % of excess over \$19,200	Over \$28,800 but not over \$38,400	\$969.00 plus 6.40 % of excess over \$28,800
Over \$28,800 but not over \$38,400	\$1,363.00 plus 6.80% of excess over \$28,800	Over \$38,400 but not over \$48,000	\$1,583.00 plus 6.80% of excess over \$38,400
Over \$38,400 but not over \$48,000	\$2,016.00 plus 7.20% of excess over \$38,400	Over \$48,000 but not over \$72,000	\$2,236.00 plus 7.20% of excess over \$48,000
Over \$48,000 but not over \$72,000	\$2,707.00 plus 7.60% of excess over \$48,000	Over \$72,000 but not over \$96,000	\$3,964.00 plus 7.60% of excess over \$72,000
Over \$72,000 but not over \$96,000	\$4,531.00 plus 7.90% of excess over \$72,000	Over \$96,000 but not over \$300,000	\$5,788.00 plus 7.90% of excess over \$96,000
Over \$96,000 but not over \$300,000	\$6,427.00 plus 8.25% of excess over \$96,000	Over \$300,000 but not over \$350,000	\$21,904.00 plus 8.25% of excess over \$300,000
Over \$300,000 but not over \$350,000	\$23,257.00 plus 9.00% of excess over \$300,000	Over \$350,000 but not over \$400,000	\$26,029.00 plus 9.00% of excess over \$350,000
Over \$350,000 but not over \$400,000	\$27,757.00 plus 10.00% of excess over \$350,000	Over \$400,000 but not over \$500,000	\$30,529.00 plus .10.00% of excess over \$400,000
Over \$400,000	\$32,757.00 plus 11.00% of excess over \$400,000	Over \$500,000	\$40,529.00 plus 11.00% of excess over \$500,000
Year 2025		H.B. 2780 (Tax Year 2026)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$9,600	1.40% of taxable income	Not Over \$19,200	1.40% of taxable income
Over \$9,600 but not over \$19,200	\$134.00 plus 3.20% of excess over \$9,600	Over \$19,200 but not over \$28,800	\$269.00 plus 3.20% of excess over \$19,200
Over \$19,200 but not over \$28,800	\$441.00 plus 5.50% of excess over \$19,200	Over \$28,800 but not over \$38,400	\$576.00 plus 5.50% of excess over \$28,800
Over \$28,800 but not over \$38,400	\$969.00 plus 6.40 % of excess over \$28,800	Over \$38,400 but not over \$48,000	\$1,104.00 plus 6.40 % of excess over \$38,400
Over \$38,400 but not over \$48,000	\$1,583.00 plus 6.80% of excess over \$38,400	Over \$48,000 but not over \$72,000	\$1,718.00 plus 6.80% of excess over \$48,000
Over \$48,000 but not over \$72,000	\$2,236.00 plus 7.20% of excess over \$48,000	Over \$72,000 but not over \$96,000	\$3,350.00 plus 7.20% of excess over \$72,000
Over \$72,000 but not over \$96,000	\$3,964.00 plus 7.60% of excess over \$72,000	Over \$96,000 but not over \$250,000	\$5,078.00 plus 7.60% of excess over \$96,000
Over \$96,000 but not over \$300,000	\$5,788.00 plus 7.90% of excess over \$96,000	Over \$250,000 but not over \$350,000	\$16,782.00 plus 7.90% of excess over \$250,000
Over \$300,000 but not over \$350,000	\$21,904.00 plus 8.25% of excess over \$300,000	Over \$350,000 but not over \$450,000	\$24,682.00 plus 8.25% of excess over \$350,000
Over \$350,000 but not over \$400,000	\$26,029.00 plus 9.00% of excess over \$350,000	Over \$450,000 but not over \$550,000	\$32,932.00 plus 9.00% of excess over \$450,000
Over \$400,000 but not over \$500,000	\$30,529.00 plus .10.00% of excess over \$400,000	Over \$550,000 but not over \$650,000	\$41,932.00 plus 10.00% of excess over \$550,000
Over \$500,000	\$40,529.00 plus 11.00% of excess over \$500,000	Over \$650,000	\$51,932.00 plus 11.00% of excess over \$6[5]0,000
Years 2026 / 2027		H.B. 2780 (Tax Year 2028)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$19,200	1.40% of taxable income	Not Over \$28,800	1.40% of taxable income
Over \$19,200 but not over \$28,800	\$269.00 plus 3.20% of excess over \$19,200	Over \$28,800 but not over \$38,400	\$403.00 plus 3.20% of excess over \$28,800

Over \$28,800 but not over \$38,400	\$576.00 plus 5.50% of excess over \$28,800	Over \$38,400 but not over \$48,000	\$710.00 plus 5.50% of excess over \$38,400
Over \$38,400 but not over \$48,000	\$1,104.00 plus 6.40 % of excess over \$38,400	Over \$48,000 but not over \$72,000	\$1,238.00 plus 6.40 % of excess over \$48,000
Over \$48,000 but not over \$72,000	\$1,718.00 plus 6.80% of excess over \$48,000	Over \$72,000 but not over \$96,000	\$2,774.00 plus 6.80% of excess over \$72,000
Over \$72,000 but not over \$96,000	\$3,350.00 plus 7.20% of excess over \$72,000	Over \$96,000 but not over \$250,000	\$4,406.00 plus 7.20% of excess over \$96,000
Over \$96,000 but not over \$250,000	\$5,078.00 plus 7.60% of excess over \$96,000	Over \$250,000 but not over 350,000	\$15,494.00 plus 7.60% of excess over \$52,800
Over \$250,000 but not over \$350,000	\$16,782.00 plus 7.90% of excess over \$250,000	Over \$350,000 but not over \$450,000	\$23,094.00 plus 7.90% of excess over \$350,000
Over \$350,000 but not over \$450,000	\$24,682.00 plus 8.25% of excess over \$350,000	Over \$450,000 but not over \$550,000	\$30,994.00 plus 8.25% excess over \$105,600
Over \$450,000 but not over \$550,000	\$32,932.00 plus 9.00% of excess over \$450,000	Over \$550,000 but not over \$650,000	\$39,224.00 plus 9.00% of excess over \$550,000
Over \$550,000 but not over \$650,000	\$41,932.00 plus 10.00% of excess over \$550,000	Over \$650,000 but not over \$800,000	\$48,224.00 plus 10.00% of excess over \$650,000
Over \$650,000	\$51,932.00 plus 11.00% of excess over \$6[5]0,000	Over \$800,000	\$63,224.00 plus 11.00% of excess over \$800,000
Years 2028 / 2029		H.B. 2780 (Tax Year 2030)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$28,800	1.40% of taxable income	Not Over \$38,400	1.40% of taxable income
Over \$28,800 but not over \$38,400	\$403.00 plus 3.20% of excess over \$28,800	Over \$38,400 but not over \$48,000	\$538.00 plus 3.20% of excess over \$38,400
Over \$38,400 but not over \$48,000	\$710.00 plus 5.50% of excess over \$38,400	Over \$48,000 but not over \$72,000	\$845.00 plus 5.50% of excess over \$48,000
Over \$48,000 but not over \$72,000	\$1,238.00 plus 6.40 % of excess over \$48,000	Over \$72,000 but not over \$96,000	\$2,165.00 plus 6.40 % of excess over \$72,000
Over \$72,000 but not over \$96,000	\$2,774.00 plus 6.80% of excess over \$72,000	Over \$96,000 but not over \$250,000	\$3,701.00 plus 6.80% of excess over \$96,000
Over \$96,000 but not over \$250,000	\$4,406.00 plus 7.20% of excess over \$96,000	Over \$250,000 but not over \$350,000	\$14,173.00 plus 7.20% of excess over \$250,000
Over \$250,000 but not over 350,000	\$15,494.00 plus 7.60% of excess over \$52,800	Over \$350,000 but not over \$450,000	\$21,373.00 plus 7.60% of excess over \$350,000
Over \$350,000 but not over \$450,000	\$23,094.00 plus 7.90% of excess over \$350,000	Over \$450,000 but not over \$550,000	\$28,973.00 plus 7.90% of excess over \$450,000
Over \$450,000 but not over \$550,000	\$30,994.00 plus 8.25% of excess over \$105,600	Over \$550,000 but not over \$650,000	\$36,873.00 plus 8.25% of excess over \$550,000
Over \$550,000 but not over \$650,000	\$39,224.00 plus 9.00% of excess over \$550,000	Over \$650,000 but not over \$800,000	\$45,123.00 plus 9.00% of excess over \$650,000
Over \$650,000 but not over \$800,000	\$48,224.00 plus 10.00% of excess over \$650,000	Over \$800,000 but not over \$950,000	\$58,623.00 plus 10.00% of excess over \$800,000
Over \$800,000	\$63,224.00 plus 11.00% of excess over \$800,000	Over \$950,000	\$73,623.00 plus 11.00% of excess over \$950,000

Head of Household			
Current		H.B. 2780 (Tax Year 2025)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$3,600	1.40% of taxable income	Not Over \$7,200	1.40% of taxable income
Over \$3,600 but not over \$7,200	\$50.00 plus 3.20% of excess over \$3,600	Over \$7,200 but not over \$14,400	\$101.00 plus 3.20% of excess over \$7,200
Over \$7,200 but not over \$14,400	\$166.00 plus 5.50% of excess over \$7,200	Over \$14,400 but not over \$21,600	\$331.00 plus 5.50% of excess over \$14,400
Over \$14,400 but not over \$21,600	\$562.00 plus 6.40 % of excess over \$14,400	Over \$21,600 but not over \$28,800	\$727.00 plus 6.40 % of excess over \$21,600
Over \$21,600 but not over \$28,800	\$1,022.00 plus 6.80% of excess over \$21,600	Over \$28,800 but not over \$36,000	\$1,188.00 plus 6.80% of excess over \$28,800
Over \$28,800 but not over \$36,000	\$1,512.00 plus 7.20% of excess over \$28,800	Over \$36,000 but not over \$54,000	\$1,678.00 plus 7.20% of excess over \$36,000
Over \$36,000 but not over \$54,000	\$2,030.00 plus 7.60% of excess over \$36,000	Over \$54,000 but not over \$72,000	\$2,974.00 plus 7.60% of excess over \$54,000
Over \$54,000 but not over \$72,000	\$3,398.00 plus 7.90% of excess over \$54,000	Over \$72,000 but not over \$225,000	\$4,342.00 plus 7.90% of excess over \$72,000
Over \$72,000 but not over \$225,000	\$4,820.00 plus 8.25% of excess over \$72,000	Over \$225,000 but not over \$262,500	\$16,429.00 plus 8.25% of excess over \$225,000
Over \$225,000 but not over \$262,500	\$17,443.00 plus 9.00% of excess over \$225,000	Over \$262,500 but not over \$300,000	\$19,523.00 plus 9.00% of excess over \$262,500
Over \$262,500 but not over \$300,000	\$20,818.00 plus 10.00% of excess over \$262,500	Over \$300,000 but not over \$375,000	\$22,898.00 plus 10.00% of excess over \$300,000
Over \$300,000	\$24,568.00 plus 11.00% of excess over \$300,000	Over \$375,000	\$30,398.00 plus 11.00% of excess over \$375,000
Year 2025		H.B. 2780 (Tax Year 2026)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$7,200	1.40% of taxable income	Not Over \$19,200	1.40% of taxable income
Over \$7,200 but not over \$14,400	\$101.00 plus 3.20% of excess over \$7,200	Over \$19,200 but not over \$28,800	\$269.00 plus 3.20% of excess over \$19,200
Over \$14,400 but not over \$21,600	\$331.00 plus 5.50% of excess over \$14,400	Over \$28,800 but not over \$38,400	\$576.00 plus 5.50% of excess over \$28,800
Over \$21,600 but not over \$28,800	\$727.00 plus 6.40 % of excess over \$21,600	Over \$38,400 but not over \$48,000	\$1,104.00 plus 6.40 % of excess over \$38,400
Over \$28,800 but not over \$36,000	\$1,188.00 plus 6.80% of excess over \$28,800	Over \$48,000 but not over \$72,000	\$1,718.00 plus 6.80% of excess over \$48,000
Over \$36,000 but not over \$54,000	\$1,678.00 plus 7.20% of excess over \$36,000	Over \$72,000 but not over \$96,000	\$3,350.00 plus 7.20% of excess over \$72,000
Over \$54,000 but not over \$72,000	\$2,974.00 plus 7.60% of excess over \$54,000	Over \$96,000 but not over \$250,000	\$5,078.00 plus 7.60% of excess over \$96,000
Over \$72,000 but not over \$225,000	\$4,342.00 plus 7.90% of excess over \$72,000	Over \$250,000 but not over \$350,000	\$16,782.00 plus 7.90% of excess over \$250,000
Over \$225,000 but not over \$262,500	\$16,429.00 plus 8.25% of excess over \$225,000	Over \$350,000 but not over \$450,000	\$24,682.00 plus 8.25% of excess over \$350,000
Over \$262,500 but not over \$300,000	\$19,523.00 plus 9.00% of excess over \$262,500	Over \$450,000 but not over \$550,000	\$32,932.00 plus 9.00% of excess over \$450,000
Over \$300,000 but not over \$375,000	\$22,898.00 plus 10.00% of excess over \$300,000	Over \$550,000 but not over \$650,000	\$41,932.00 plus 10.00% of excess over \$550,000

Over \$375,000	\$30,398.00 plus 11.00% of excess over \$375,000	Over \$650,000	\$51,932.00 plus 11.00% of excess over \$650,000
Years 2026 / 2027		H.B. 2780 (Tax Year 2028)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$19,200	1.40% of taxable income	Not Over \$21,600	1.40% of taxable income
Over \$19,200 but not over \$28,800	\$269.00 plus 3.20% of excess over \$19,200	Over \$21,600 but not over \$28,800	\$302.00 plus 3.20% of excess over \$21,600
Over \$28,800 but not over \$38,400	\$576.00 plus 5.50% of excess over \$28,800	Over \$28,800 but not over \$36,000	\$532.00 plus 5.50% of excess over \$28,800
Over \$38,400 but not over \$48,000	\$1,104.00 plus 6.40 % of excess over \$38,400	Over \$36,000 but not over \$54,000	\$928.00 plus 6.40 % of excess over \$36,000
Over \$48,000 but not over \$72,000	\$1,718.00 plus 6.80% of excess over \$48,000	Over \$54,000 but not over \$72,000	\$2,080.00 plus 6.80% of excess over \$54,000
Over \$72,000 but not over \$96,000	\$3,350.00 plus 7.20% of excess over \$72,000	Over \$72,000 but not over \$187,500	\$3,304.00 plus 7.20% of excess over \$72,000
Over \$96,000 but not over \$250,000	\$5,078.00 plus 7.60% of excess over \$96,000	Over \$187,500 but not over \$262,500	\$11,620.00 plus 7.60% of excess over \$187,500
Over \$250,000 but not over \$350,000	\$16,782.00 plus 7.90% of excess over \$250,000	Over \$262,500 but not over \$337,500	\$17,320.00 plus 7.90% of excess over \$262,500
Over \$350,000 but not over \$450,000	\$24,682.00 plus 8.25% of excess over \$350,000	Over \$337,500 but not over \$412,500	\$23,245.00 plus 8.25% of excess over \$337,500
Over \$450,000 but not over \$550,000	\$32,932.00 plus 9.00% of excess over \$450,000	Over \$412,500 but not over \$487,500	\$29,432.00 plus 9.00% of excess over \$412,500
Over \$550,000 but not over \$650,000	\$41,932.00 plus 10.00% of excess over \$550,000	Over \$487,500 but not over \$600,000	\$36,182.00 plus 10.00% of excess over \$487,500
Over \$650,000	\$51,932.00 plus 11.00% of excess over \$650,000	Over \$600,000	\$47,432.00 plus 11.00% of excess over \$600,000
Years 2028 / 2029		H.B. 2780 (Tax Year 2030)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$21,600	1.40% of taxable income	Not Over \$28,800	1.40% of taxable income
Over \$21,600 but not over \$28,800	\$302.00 plus 3.20% of excess over \$21,600	Over \$28,800 but not over \$36,000	\$403.00 plus 3.20% of excess over \$28,800
Over \$28,800 but not over \$36,000	\$532.00 plus 5.50% of excess over \$28,800	Over \$36,000 but not over \$54,000	\$633.00 plus 5.50% of excess over \$36,000
Over \$36,000 but not over \$54,000	\$928.00 plus 6.40 % of excess over \$36,000	Over \$54,000 but not over \$72,000	\$1623.00 plus 6.40 % of excess over \$54,000
Over \$54,000 but not over \$72,000	\$2,080.00 plus 6.80% of excess over \$54,000	Over \$72,000 but not over \$187,500	\$2,775.00 plus 6.80% of excess over \$72,000
Over \$72,000 but not over \$187,500	\$3,304.00 plus 7.20% of excess over \$72,000	Over \$187,500 but not over \$262,500	\$10,629.00 plus 7.20% of excess over \$187,500
Over \$187,500 but not over \$262,500	\$11,620.00 plus 7.60% of excess over \$187,500	Over \$262,500 but not over \$337,500	\$16,029.00 plus 7.60% of excess over \$262,500
Over \$262,500 but not over \$337,500	\$17,320.00 plus 7.90% of excess over \$262,500	Over \$337,500 but not over \$412,500	\$21,729.00 plus 7.90% of excess over \$337,500
Over \$337,500 but not over \$412,500	\$23,245.00 plus 8.25% of excess over \$337,500	Over \$412,500 but not over \$487,500	\$27,654.00 plus 8.25% of excess over \$412,500

Over \$412,500 but not over \$487,500	\$29,432.00 plus 9.00% of excess over \$412,500	Over \$487,500 but not over \$600,000	\$33,842.00 plus 9.00% of excess over \$487,500
Over \$487,500 but not over \$600,000	\$36,182.00 plus 10.00% of excess over \$487,500	Over \$600,000 but not over \$712,500	\$43,967.00 plus 10.00% of excess over \$600,000
Over \$600,000	\$47,432.00 plus 11.00% of excess over \$600,000	Over \$712,500	\$55,217.00 plus 11.00% of excess over \$712,500

Single / Married Filing Separately			
Current		H.B. 2780 (Tax Year 2025)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$2,400	1.40% of taxable income	Not Over \$4,800	1.40% of taxable income
Over \$2,400 but not over \$4,800	\$34.00 plus 3.20% of excess over \$2,400	Over \$4,800 but not over \$9,600	\$67.00 plus 3.20% of excess over \$4,800
Over \$4,800 but not over \$9,600	\$110.00 plus 5.50% of excess over \$4,800	Over \$9,600 but not over \$14,400	\$221.00 plus 5.50 % of excess over \$9,600
Over \$9,600 but not over \$14,400	\$374.00 plus 6.40 % of excess over \$9,600	Over \$14,400 but not over \$19,200	\$485.00 plus 6.40% of excess over \$14,400
Over \$14,400 but not over \$19,200	\$682.00 plus 6.80% of excess over \$14,400	Over \$19,200 but not over \$24,000	\$792.00 plus 6.80% of excess over \$19,200
Over \$19,200 but not over \$24,000	\$1,008.00 plus 7.20% of excess over \$19,200	Over \$24,000 but not over \$36,000	\$1,118.00 plus 7.20% of excess over \$24,000
Over \$24,000 but not over \$36,000	\$1,354.00 plus 7.60% of excess over \$24,000	Over \$36,000 but not over \$48,000	\$1,982.00 plus 7.60% of excess over \$36,000
Over \$36,000 but not over \$48,000	\$2,266.00 plus 7.90% of excess over \$36,000	Over \$48,000 but not over \$150,000	\$2,894.00 plus 7.90% of excess over \$48,000
Over \$48,000 but not over \$150,000	\$3,214.00 plus 8.25% of excess over \$48,000	Over \$150,000 but not over \$175,000	\$10,952.00 plus 8.25% of excess over \$150,000
Over \$150,000 but not over \$175,500	\$11,629.00 plus 9.00% of excess over \$150,000	Over \$175,000 but not over \$200,000	\$13,014.00 plus 9.00% of excess over \$175,000
Over \$175,000 but not over \$200,000	\$13,879.00 plus 10.00% of excess over \$175,000	Over \$200,000 but not over \$250,000	\$15,264.00 plus 10.00% of excess over \$200,000
Over \$200,000	\$16,379.00 plus 11.00% of excess over \$200,000	Over \$250,000	\$20,264.00 plus 11.00% of excess over \$250,000
Year 2025		H.B. 2780 (Tax Year 2026)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$4,800	1.40% of taxable income	Not Over \$9,600	1.40% of taxable income
Over \$4,800 but not over \$9,600	\$67.00 plus 3.20% of excess over \$4,800	Over \$9,600 but not over \$14,400	\$134.00 plus 3.20 % of excess over \$9,600
Over \$9,600 but not over \$14,400	\$221.00 plus 5.50 % of excess over \$9,600	Over \$14,400 but not over \$19,200	\$288.00 plus 5.50% of excess over \$14,400
Over \$14,400 but not over \$19,200	\$485.00 plus 6.40% of excess over \$14,400	Over \$19,200 but not over \$24,000	\$552.00 plus 6.40% of excess over \$19,200
Over \$19,200 but not over \$24,000	\$792.00 plus 6.80% of excess over \$19,200	Over \$24,000 but not over \$36,000	\$859.00 plus 6.80% of excess over \$24,000
Over \$24,000 but not over \$36,000	\$1,118.00 plus 7.20% of excess over \$24,000	Over \$36,000 but not over \$48,000	\$1,675.00 plus 7.20% of excess over \$36,000
Over \$36,000 but not over \$48,000	\$1,982.00 plus 7.60% of excess over \$36,000	Over \$48,000 but not over \$125,000	\$2,539.00 plus 7.60% of excess over \$48,000

Over \$48,000 but not over \$150,000	\$2,894.00 plus 7.90% of excess over \$48,000	Over \$125,000 but not over \$175,000	\$8,391.00 plus 7.90% of excess over \$125,000
Over \$150,000 but not over \$175,000	\$10,952.00 plus 8.25% of excess over \$150,000	Over \$175,000 but not over \$225,000	\$12,341.00 plus 8.25% of excess over \$175,000
Over \$175,000 but not over \$200,000	\$13,014.00 plus 9.00% of excess over \$175,000	Over \$225,000 but not over \$275,000	\$16,466.00 plus 9.00% of excess over \$225,000
Over \$200,000 but not over \$250,000	\$15,264.00 plus 10.00% of excess over \$200,000	Over \$275,000 but not over \$325,000	\$20,966.00 plus 10.00% of excess over \$275,000
Over \$250,000	\$20,264.00 plus 11.00% of excess over \$250,000	Over \$325,000	\$25,966.00 plus 11.00% of excess over \$325,000

Years 2026 / 2027		H.B. 2780 (Tax Year 2028)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not Over \$9,600	1.40% of taxable income	Not over \$14,400	1.40% of taxable income
Over \$9,600 but not over \$14,400	\$134.00 plus 3.20 % of excess over \$9,600	Over \$14,400 but not over \$19,200	\$202.00 plus 3.20% of excess over \$14,400
Over \$14,400 but not over \$19,200	\$288.00 plus 5.50% of excess over \$14,400	Over \$19,200 but not over \$24,000	\$356.00 plus 5.50% of excess over \$19,200
Over \$19,200 but not over \$24,000	\$552.00 plus 6.40% of excess over \$19,200	Over \$24,000 but not over \$36,000	\$620.00 plus 6.40% of excess over \$24,000
Over \$24,000 but not over \$36,000	\$859.00 plus 6.80% of excess over \$24,000	Over \$36,000 but not over \$48,000	\$1,388.00 plus 6.80% of excess over \$36,000
Over \$36,000 but not over \$48,000	\$1,675.00 plus 7.20% of excess over \$36,000	Over \$48,000 but not over \$125,000	\$2,204.00 plus 7.20% of excess over \$48,000
Over \$48,000 but not over \$125,000	\$2,539.00 plus 7.60% of excess over \$48,000	Over \$125,000 but not over \$175,000	\$7,748.00 plus 7.60% of excess over \$125,000
Over \$125,000 but not over \$175,000	\$8,391.00 plus 7.90% of excess over \$125,000	Over \$175,000 but not over \$225,000	\$11,548.00 plus 7.90% of excess over \$175,000
Over \$175,000 but not over \$225,000	\$12,341.00 plus 8.25% of excess over \$175,000	Over \$225,000 but not over \$275,000	\$15,498.00 plus 8.25% of excess over \$225,000
Over \$225,000 but not over \$275,000	\$16,466.00 plus 9.00% of excess over \$225,000	Over \$275,000 but not over \$325,000	\$19,623.00 plus 9.00% of excess over \$275,000
Over \$275,000 but not over \$325,000	\$20,966.00 plus 10.00% of excess over \$275,000	Over \$325,000 but not over \$400,000	\$24,123.00 plus 10.00% of excess over \$325,000
Over \$325,000	\$25,966.00 plus 11.00% of excess over \$325,000	Over \$400,000	\$31,623.00 plus 11.00% of excess over \$400,000

Years 2028 / 2029		H.B. 2780 (Tax Year 2030)	
If the taxable income is:	The tax shall be:	If the taxable income is:	The tax shall be:
Not over \$14,400	1.40% of taxable income	Not Over \$19,200	1.40% of taxable income
Over \$14,400 but not over \$19,200	\$202.00 plus 3.20% of excess over \$14,400	Over \$19,200 but not over \$24,000	\$269.00 plus 3.20% of excess over \$19,200
Over \$19,200 but not over \$24,000	\$356.00 plus 5.50% of excess over \$19,200	Over \$24,000 but not over \$36,000	\$423.00 plus 5.50% of excess over \$24,000
Over \$24,000 but not over \$36,000	\$620.00 plus 6.40% of excess over \$24,000	Over \$36,000 but not over \$48,000	\$1,083.00 plus 6.40% of excess over \$36,000
Over \$36,000 but not over \$48,000	\$1,388.00 plus 6.80% of excess over \$36,000	Over \$48,000 but not over \$125,000	\$1,851.00 plus 6.80% of excess over \$48,000
Over \$48,000 but not over \$125,000	\$2,204.00 plus 7.20% of excess over \$48,000	Over \$125,000 but not over \$175,000	\$7,087.00 plus 7.20% of excess over \$125,000

Over \$125,000 but not over \$175,000	\$7,748.00 plus 7.60% of excess over \$125,000	Over \$175,000 but not over \$225,000	\$10,687.00 plus 7.60% of excess over \$175,000
Over \$175,000 but not over \$225,000	\$11,548.00 plus 7.90% of excess over \$175,000	Over \$225,000 but not over \$275,000	\$14,487.00 plus 7.90% of excess over \$225,000
Over \$225,000 but not over \$275,000	\$15,498.00 plus 8.25% of excess over \$225,000	Over \$275,000 but not over \$325,000	\$18,437.00 plus 8.25% of excess over \$275,000
Over \$275,000 but not over \$325,000	\$19,623.00 plus 9.00% of excess over \$275,000	Over \$325,000 but not over \$400,000	\$22,562.00 plus 9.00% of excess over \$325,000
Over \$325,000 but not over \$400,000	\$24,123.00 plus 10.00% of excess over \$325,000	Over \$400,000 but not over \$475,000	\$29,312.00 plus 10.00% of excess over \$400,000
Over \$400,000	\$31,623.00 plus 11.00% of excess over \$400,000	Over \$475,000	\$36,812.00 plus 11.00% of excess over \$475,000

The Department notes that in the proposed tax brackets for joint-filers and surviving spouses, for taxable years beginning after December 31, 2026, there is a discrepancy in the final bracket amount proposed, where the taxable income amount is "over \$650,000," and the corresponding recommended tax amount is "\$51,932.00 plus 11.00% of excess over \$600,000." This likely is a typographical error but needs clarification and correction.

The Department estimates an expected revenue loss as follows:

General Fund Impact (\$ millions)

FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
0.0	-258.6	-245.3	-547.1	-542.2	-853.8	-865.5	-1207.9

Finally, the Department can implement this measure by the current effective date.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX; Incremental Relief by Broadening Brackets

BILL NUMBER: HB 2780

INTRODUCED BY: YAMASHITA

EXECUTIVE SUMMARY: Incrementally amends income tax brackets for every other taxable year beginning after 12/31/2024.

SYNOPSIS: Amends section 235-51(a), (b) & (c), HRS, to increase each tax bracket amount for individuals every other year beginning with tax years after December 31, 2024.

EFFECTIVE DATE: January 1, 2025; applicable to taxable years beginning after December 31, 2024.

STAFF COMMENTS: This bill proposes to bring broad-based tax relief to Hawaii individual taxpayers (note that trusts, estates, and corporate rates and brackets are unaffected). This relief is welcome because Hawaii taxpayers have been “bracket creeped” for a long time. To explain this, here is our weekly commentary from June 29, 2014:

We’ve Been Bracket Creeped!

Every year the IRS adjusts more than forty tax provisions for inflation. This is done to prevent what is called “bracket creep.” This is the phenomenon by which people are pushed into higher income tax brackets or have reduced value from credits or deductions due to inflation instead of any increase in real income.

The IRS uses the Consumer Price Index (CPI) to calculate the past year’s inflation and adjusts income thresholds, deduction amounts, and credit values accordingly.

In 2014, the top marginal income tax rate of 39.6 percent will hit taxpayers with an adjusted gross income of \$406,751 and higher for single filers and \$457,601 and higher for married filers.

The standard deduction, which all taxpayers can claim if they want it, increased by \$100 from \$6,100 to \$6,200 for singles. For married couples filing jointly, it increased by \$200 from \$12,200 to \$12,400. The personal exemption amount, which is available for all persons living in a household including the filer, increased by \$50 to \$3,950.

What does Hawaii do? For some reason, in 1978 when Hawaii adopted its present system of conforming to the federal Internal Revenue Code, inflation adjustments were left off the table. At that time, it took a lot of work and money to change our hard-coded computer systems to accept

different rates and different threshold amounts. Over a long period of time, people's income rose, but our tax thresholds didn't.

As a result, today a single person making an amount equal to the federal poverty level, assuming they took one personal exemption (presently \$1,144) and the standard deduction (now \$2,200), would be taxed at our fourth tax bracket with a rate of 6.4%. Our top income tax rate, not counting the "temporary" rate increases adopted in 2009 and scheduled to sunset next year, is 8.25%. [Ha! After this article was written we made them permanent.]

What does that mean? We've been bracket creeped!

Being bracket creeped means that we are taxing the poor deeper into poverty. Fixing the issue, however, is not so simple because if we simply fixed the rates to tax lower income dollars at a lower rate, those rates would affect almost the entire population of our state and would result in massive revenue loss if we don't do it right. If we are going to do this right, we need to re-engineer our brackets to give relief to the people who need it, to be revenue neutral or close to it for those in the middle, and maybe ask a little more of the people now exposed to the 9%, 10%, and 11% rates. That would bring back the "progressivity," the principle of imposing the tax based on the ability to pay that has been slowly, but surely, vanishing from our income tax system as a result of bracket creep.

As to the 9%, 10%, and 11% rates, we need to remember that we taxpayers were promised back in 2009, that these rates would be temporary. The mindless thing to do would be to leave the existing brackets in place and make the higher rates permanent – and I'm sure there will be bills introduced in the 2015 legislative session to do just that. Lawmakers can and should be smarter about this issue, and hopefully they can deal with poverty relief at the same time they consider appropriate levels for the personal exemption, standard deduction, and the state's tax bracket structure.

Because if they don't, we can just call them bracket creeps.

[Yamachika, "We've Been Bracket Creeped!"](#)¹ (June 29, 2014).

Since the time this article was written, we've made permanent the then-temporary 9%, 10%, and 11% tax rates, and we have been bracket creeped even further. Today, a family of four making the Federal Poverty Line amount for Hawaii, which is \$35,880 for 2024 according to the [U.S. Department of Health and Human Services](#)², would be in the *fifth* state tax bracket. Thus, the Legislature should consider consolidating some of the lower brackets, which are virtually meaningless today although they may have had some significance in the 1960's when they were first introduced into the Hawaii tax law.

¹ <https://www.tfhawaii.org/wordpress/blog/%E2%80%9306/weve-been-bracket-creeped/>

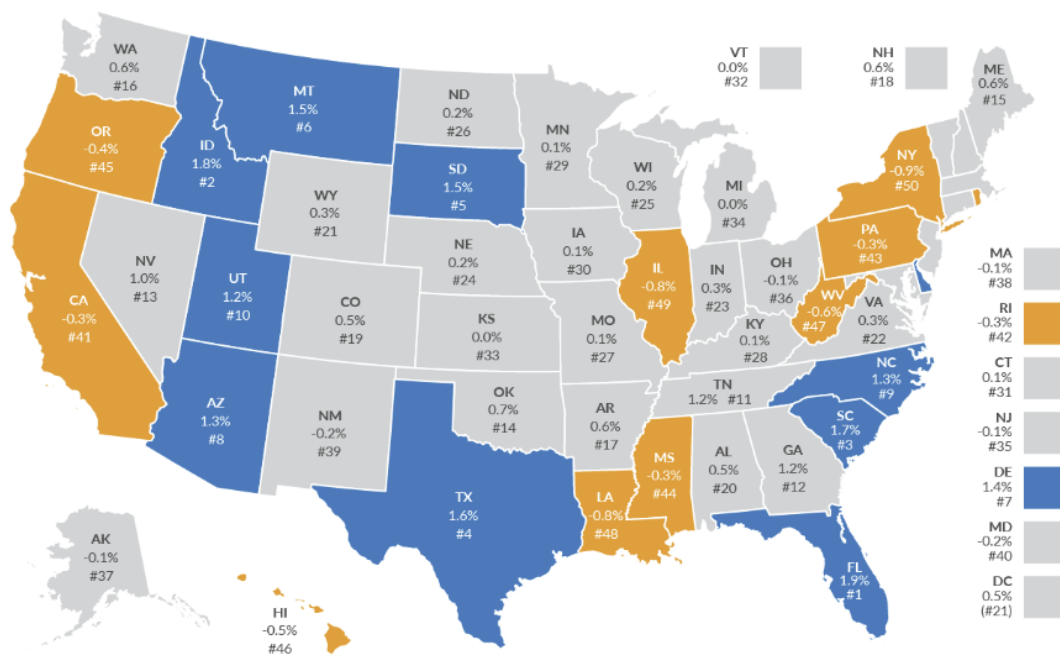
² <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>

Tax relief is not only welcome but needed. When people are squeezed economically by the cost of living, taxes, and inefficient bureaucracy, they can and do vote with their feet – by getting on planes, for example. Data from the Census Bureau show what we have suspected all along, that our population has been, and still is, going down. A [press release from the Census Bureau on Dec. 21, 2021](#)³ states that of the ten states that lost the most population between July 1, 2020 and 2021, Hawaii was No. 4 on the list, losing 0.7%.

The national Tax Foundation, analyzing the data, found that Americans were on the move in 2022 and chose low-tax states over high-tax ones. Fritts, [“Americans Moved to Low-Tax States in 2022,”](#)⁴ (Jan. 10, 2023). Tax relief, therefore, might help to slow or reverse the population trend.

State Population Change in 2022

State Migration Patterns, from Most Inbound to Most Outbound, 2022



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.
Source: U.S. Census Bureau.

■ Top 10 States for Inbound Migration
■ Top 10 States for Outbound Migration

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³ <https://www.census.gov/newsroom/press-releases/2021/2021-population-estimates.html>

⁴ <https://taxfoundation.org/state-population-change-2022/>

Re: HB 2780
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Digested: 2/24/2024

Feb 27, 2024, 10 a.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 SUPPORTING HB2780 — RELATING TO TAXATION

Aloha Chair Yamashita, Vice-Chair Kitagawa and Committee Members,

The Grassroot Institute of Hawaii would like to offer its support for [HB2780](#), which would gradually increase the size of Hawaii's individual income tax brackets between 2025 and 2031.

Hawaii has 12 income tax brackets — the most of any state in the country.¹ To add to this complexity, the brackets have not been substantially adjusted in many years.² But because wages have exponentially increased since then,³ Hawaii taxpayers have been moved into higher tax brackets.

For context, the federal poverty level for a family of four was \$34,500 in 2023,⁴ but a Hawaii family making that amount would fall into the fifth tax bracket with a marginal rate of 6.8%.

Partly because of this "bracket creep," Hawaii taxpayers tend to pay much more than taxpayers in other states. A review from the state Department of Taxation found that a Hawaii household making the median income of \$88,005 pays \$5,086 in income taxes each year.

¹ Andrey Yushkov, "[State Individual Income Tax Rates and Brackets, 2024](#)," Tax Foundation, Feb. 20, 2024.

² Tom Yamachika, "[We've Been Bracket Creeped!](#)" Tax Foundation of Hawaii, June 29, 2014; personal communication with Tom Yamachika, Feb. 25, 2024.

³ Noelle Fujii-Oride, "[Tracking Hawai'i Paychecks Versus Living Costs Since 1969](#)," Nov. 16, 2022.

⁴ "[Annual Update of the HHS Poverty Guidelines](#)," Federal Register, Jan. 19, 2023.

This makes Hawaii 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.⁵

Further, Hawaii’s high tax burden contributes to the state’s cost of living, which is a key factor in Hawaii’s population decline. Tens of thousands of Hawaii residents have moved to the mainland over the past six years⁶ — and mainly to states without income taxes, such as Washington, Nevada, Texas and Florida.⁷ Their departure from the islands is not only emotionally distressing, but economically depressing as well.

Research shows that lowering income taxes — as this bill would do, though indirectly — has a number of benefits. The national Tax Foundation compiled a list of studies finding that income taxes tend to lower gross domestic product, decrease unemployment and increase wages.⁸

Please pass this bill to end almost 50 years of bracket creep.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

⁵ Seth Colby, “[Comparing Hawaii’s Income Tax Burden to Other States](#),” Hawaii Department of Taxation, June 2023. It is worth pointing out that Hawaii’s education system is funded at the state level, without county property taxes. This comparison must be understood in that context.

⁶ Maria Wood, “[Where People from Hawaii Are Moving to the Most](#),” 24/7 Wall Street, Jan. 23, 2022.

⁷ Katherine Loughead, “[How Do Taxes Affect Interstate Migration?](#)” Tax Foundation, Oct. 11, 2022.

⁸ Timothy Vermeer, “[The Impact of Individual Income Tax Changes on Economic Growth](#),” Tax Foundation, June 14, 2022.

HB-2780

Submitted on: 2/24/2024 3:16:03 AM

Testimony for FIN on 2/27/2024 10:00:00 AM

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

Comments:

I support this Bill.