

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

Senate Committee on Health and Human Services

Wednesday, March 22, 2023

1:01 p.m.

State Capitol, Conference Room 225 and Videoconference

In Support

H.B. No. 233, H.D. 2, Relating to a Child Tax Credit

Chair San Buenaventura, Vice Chair Aquino, and members of the Senate Committee on Health and Human Services:

The Office of the Governor supports H.B. No. 233, H.D. 2, Relating to a Child Tax Credit. This is one of several measures this legislative session that recognizes the high cost of living and day-to-day struggles of working families in our State. H.B. No. 233, H.D. 2 establishes a refundable child tax credit for Hawaii's working families. This tax credit will have the positive effect of boosting the incomes of working families, many of them who are struggling to pay for housing, food, transportation and utility costs, health care, and other necessities.

The American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under age six, and \$3,000 for other qualifying children under age eighteen, thus enhancing the economic security of families with children. However, the provisions of this federal law that strengthened the child tax credit expired at the end of 2021. To date, the expanded credit has not been restored by Congress, but twelve states have enacted a state child tax credit, according to a January 2023 summary on "Child Tax Credit Enactments" by the National Conference of State Legislatures.

Our Administration supports H.B. No. 233, H.D. 2 and other legislative proposals that will provide financial relief to families and individuals in our State, especially our most vulnerable populations, under Hawaii's high cost of living. We look forward to ongoing efforts with the Legislature to work on legislation that makes living in Hawaii affordable for residents.

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

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 233, H.D.2, Relating to a Child Tax Credit

BEFORE THE:

Senate Committee on Health and Human Services

DATE: Wednesday, March 22, 2023

TIME: 1:01 p.m.

LOCATION: State Capitol, Room 225

Chair San Buenaventura, Vice-Chair Aquino, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 233, H.D.2, for your consideration.

H.B. 233, H.D.2, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a refundable child tax credit for each "qualifying individual taxpayer" with an adjusted gross income of \$60,000 or less. The tax credit is an unspecified amount per year for each child dependent aged five years or younger and another unspecified amount per year for each child dependent aged six years or older, but younger than 18 years. The credit will be distributed to a qualifying individual taxpayer over 12 consecutive months. "Qualifying individual taxpayer" is defined as a taxpayer who files a federal income tax return for the taxable year and claims the child tax credit under section 24 of the Internal Revenue Code and also files a Hawai'i income tax return using the same filing status as on the federal income tax return for the taxable year and claims the same dependents claimed on the federal income tax return for the taxable year. This measure has a defective effective date of June 30, 3000 and applies to taxable years beginning after December 31, 2023.

First, the Department appreciates that the House Committee on Finance incorporated the Department suggestion to apply the tax credit to taxable years beginning after December 31, 2023.

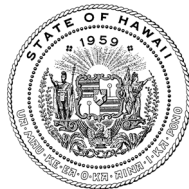
Second, the Department recommends making the tax credit nonrefundable, as refundable credits are more prone to fraudulent claims.

Third, the Department requests that subsection (b) on page 3, lines 1 through 3 of the bill, which requires that the child tax credit be equally distributed over 12 consecutive months, be deleted, as this provision: (1) conflicts with the provision in subsection (c) which states that the credit shall be claimed against the net income tax liability for the taxable year and is not refunded unless the credit exceeds the taxpayer's net income tax liability; and (2) adds complexity to determine how to refund the remainder of the credit over the 12 consecutive months.

Finally, the Department is able to implement this measure with an effective date not earlier than taxable years beginning after December 31, 2023.

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

JOSH GREEN, M.D.
GOVERNOR



LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

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

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

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

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES
ON
HOUSE BILL NO. 233, H.D. 2

March 22, 2023
1:01 p.m.
Room 225 and Videoconference

RELATING TO A CHILD TAX CREDIT

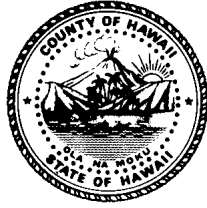
The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 233, H.D. 2, establishes a refundable State Child Tax Credit payable on a monthly basis.

Rather than taking a piecemeal approach, B&F strongly believes that the holistic approach in the Green Affordability Plan, H.B. No. 1049, H.D. 2, is a more suitable option in providing needed financial relief to Hawai'i's residents.

Thank you for your consideration of our comments.

Jennifer Kagiwada
Council Member District 2 South Hilo



Office: (808) 961-8272
jennifer.kagiwada@hawaiicounty.gov

HAWAI‘I COUNTY COUNCIL - DISTRICT 2
25 Aupuni Street • Hilo, Hawai‘i 96720

DATE: March 20, 2023
TO: Senate Committee on Health and Human Services
FROM: Jennifer Kagiwada, Council Member
Council District 2
SUBJECT: HB 233

Aloha Chair San Buenaventura, Vice Chair Aquino, and Committee Members,

I write in support of HB 233, HD2, which established a refundable state child tax credit payable on a monthly basis. As the Aloha United Way’s ALICE report showed that over 40% of our working families are not earning enough to make ends meet, this will be a step towards helping to lower childhood poverty rates in our State.

As it stands currently even the EITC isn’t doing what it can to help struggling families, while it reduces tax liability, many of those with the lowest income have less tax liability to begin with. Making this child tax credit refundable is a crucial way to help reduce the financial burden on the most marginalized and over-taxed groups in our community.

We saw the National benefits when the child tax credit was strengthened and increased by the American Rescue Plan. Now that it has expired, it is up to our State to make sure this credit continues to provide support to our struggling families to keep them from slipping further into poverty and financial hardship.

Mahalo for the opportunity to submit testimony in support of this bill.

Mahalo,

Jenn Kagiwada



holomua

COLLABORATIVE

OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

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Page 1 of 2

Committee: Senate Committee on Health and Human Services
Bill Number: HB 233, HD2, Relating to a Child Tax Credit
Hearing Date and Time: March 22, 2023 at 1:01pm (Room 225)
Re: Testimony of Holomua Collaborative in support

Aloha Chair San Buenaventura, Vice Chair Aquino, and Committee Members:

We write in support of HB 233, HD2, Relating to a Child Tax Credit. The purpose of HB 233, HD2 is to establish a refundable state child tax credit for Hawaii's working families. Doing so would fill an important gap. To address child poverty, the American Rescue Plan Act of 2021 increased the *federal* child tax credit from \$2,000 to \$3,600 for qualifying children under the age of six and \$3,000 for other qualifying children under the age of 18. It also allowed the credit to be distributed monthly.

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

Holomua supports innovative initiatives that help make Hawai'i affordable to all working families. We are especially interested in fostering cross-sector collaboration and supporting policies that are evidence-based. And we know—thanks to the years of testing this policy underwent during the period of the expanded federal child tax credit—that the policy approach in HB 233, HD2 checks those boxes.

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

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

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

² See “200+ Economists Urge Congressional Leaders to Extend the Expanded CTC to Help Families Meet Rising Costs and Promote Economic Health,” Economic Security Project, December 15, 2022 (<https://economicsecurityproject.org/resource/economists-urge-congressional-leaders-to-extend-the-expanded-ctc-to-help-families-meet-rising-costs/>).

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


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

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

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

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

Sincerely,



Josh Wisch
President & Executive Director

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

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



HAWAII WORKERS CENTER

Defending and Respecting the workers of
Hawai'i

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hawaiiworkerscenter.org 🌐

March 21, 2023

Hawaii State Senate
Committee on Health and Human Services
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Senator Henry J.C. Aquino, Vice Chair

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Directors

Tony Doroño

Sergio Alcubilla III,
Esq.

RE: Strong Support for H.B. 233, HD2 RELATING TO A CHILD TAX CREDIT

Dear Chair Sen. San Buenaventura, Vice-Chair Sen. Aquino, and Members of the Committee on Health and Human Services:

The Hawaii Workers Center envisions a Hawaii in which all workers are empowered to exercise their right to organize for their social, economic and political well-being.

It is a resource of information, education, training and organizing for many of Hawaii's low-wage and immigrant workers.

The Hawaii Workers Center stands in strong support for H.B. 233, HD 2 in the establishment of a refundable state child tax credit. This credit would be an incredible help for Hawaii's working families as the expansion of the federal child tax credit in 2021 showed in reducing child poverty. However, this expansion expired at the end of 2021.

H.B. 233, HD 2 will provide a credit of \$1,000 per year for each child aged five or younger and a \$500 credit for each child aged between six and 18 years for families with adjusted gross income of \$60,000. Ideally, this credit would be payable in one payment rather than divided over 12 months.

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

Thank you for your consideration of strongly supporting H.B. 233, HD 2.

Sincerely,

Sergio J. Alcubilla
Executive Director



HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
In Support of HB 233 – Relating to a Child Tax Credit
Senate Committee on Health and Human Services
Wednesday, March 22, 2023, 1:00 PM, conference room 225

Dear Chair San Buenaventura, Vice Chair Aquino, and members of the Committee:

Thank you for the opportunity to provide testimony in **SUPPORT** of HB 233, which would create a new state-level Child Tax Credit or “Keiki Credit” that would benefit families with children. The proposed credit is patterned off the federal Child Tax Credit, which has been a powerful tool for struggling working families, providing income-eligible households with children a boost to their income when they file their taxes.

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

Background

The COVID-19 pandemic was disastrous for Hawai'i's working families. The unemployment rate surged to over 20% at the start of the pandemic, leaving many workers without any income to support their families. Although the federal government stepped in to provide assistance to Hawai'i, much of this assistance was temporary. As a result, the effects of the pandemic are still being acutely felt by residents with limited means.

In 2022, 29% of Hawai'i residents belonged to the Asset Limited, Income Constrained, Employed (ALICE) population, and an additional 15% were in poverty. All together, this means that 44% of Hawai'i's population struggled to make ends meet. In addition, individuals in the ALICE category are a missed payment or medical emergency away from falling into poverty. This is especially true if they have children to care and provide for.

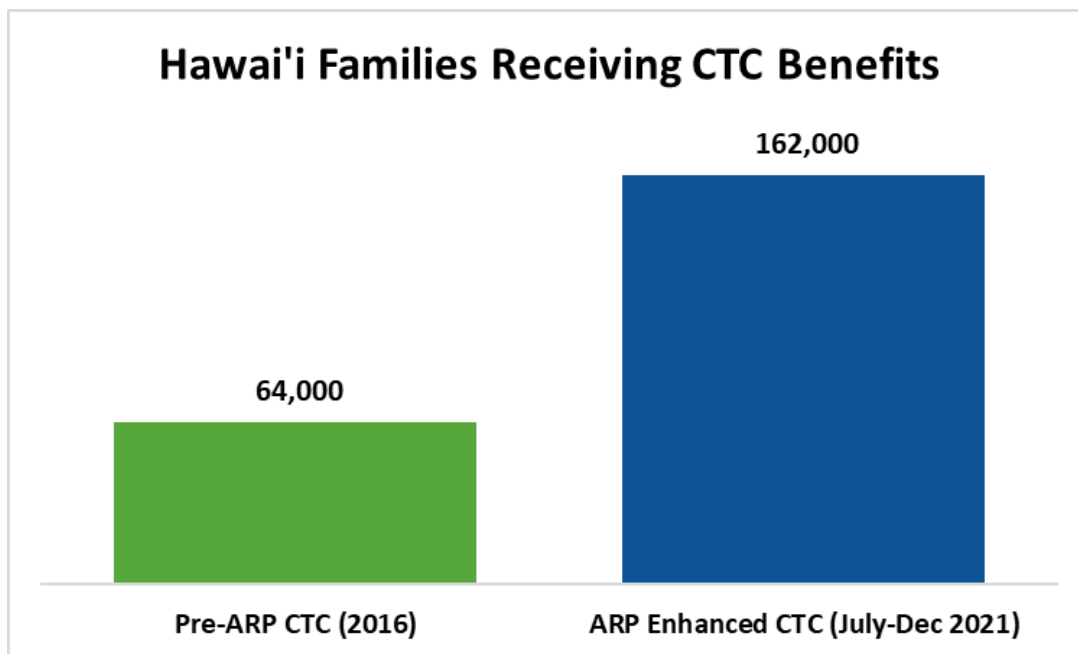
Table 1. Economic characteristics of families with children by race/ethnicity

	White Alone	Filipino Alone	Japanese Alone	Native Hawaiian and Pacific Islander Alone
Median Earnings (Male)	\$71,919	\$49,580	\$71,865	\$51,129
Median Earnings (Female)	\$62,261	\$41,131	\$58,990	\$41,723
Percentage of Population Aged 0-4	3.50%	3.80%	1.70%	7.40%
Percentage of Population Aged 5-17	10.50%	14.80%	5.00%	20.00%
Poverty Rate for Families with Related Children under 18	12.40%	7.60%	8.80%	17.60%

Due to the cost of raising children in Hawai‘i, families with children experience higher rates of poverty compared to the rest of the population. Proving this point, Hawai‘i’s Native Hawaiian and Pacific Islander families are about twice as likely to have children as white families. Almost 1/3 of the Native Hawaiian and Pacific Islander families with children are in poverty. The state Child Tax Credit for Hawaii would bring many of these families out of poverty, just as the federal CTC did when it was expanded during the federal government’s COVID-19 relief.

The Child Tax Credit

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



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

The State of Hawai‘i has the opportunity to fill the gap left by the federal CTC through the creation of a new state Keiki Credit. In the process, it would join 12 other states that have already implemented their own CTCs.

Although the value of the credit has not been finalized, we fully support the credit amounts and income limits that were proposed in prior drafts of HB 233. When HB 233 arrived at the House Finance Committee, the credit amounts were set at \$1,000 for each child aged 0 to 5 and \$500 for each child aged 6 to 17. By attaching a larger credit to young children, Hawai‘i’s Keiki Credit would support them during a critical stage of their cognitive and physical development. Furthermore, this version of the CTC was capped at incomes of \$60,000. In this way, it would target assistance towards the lower-income families that need it the most.

Recommendations on state CTC payments

In addition, we urge the Senate Committee on Health and Human Services to **remove HB 233’s periodic payments and give recipients a lump sum payment for a given tax year.** According to HB 233’s current language, the state CTC would deliver monthly payments—instead of one payment for the entire year—to qualifying taxpayers. However, state tax credits that are distributed periodically can potentially count against a recipient’s income eligibility for government programs such as the Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition Program for Women and Infant Children (WIC), Social Security Insurance (SSI), and Social Security and Disability Insurance (SSDI)

This could mean that taxpayers receiving periodic payments for the state CTC might lose their eligibility for these key programs. To avoid this pitfall, we recommend revising HB 233’s language to provide lump sum payments within the state CTC program.

Thank you for your consideration of HB 233.

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

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



TESTIMONY IN SUPPORT OF HB 233, HD2

TO: Chair San Buenaventura, Vice-Chair Aquino & Committee Members

FROM: 'Ilima DeCosta
Community Engagement Coordinator

DATE: March 22, 2023 (1:01pm)

Hawaii Health and Harm Reduction Center in is **STRONG SUPPORT** of HB 233, HD2, which would create a state Child Tax Credit for Hawai'i's working families.

The cost of living in Hawai'i is too high for working families to afford, and many of them have to move to other states in order to make ends meet. The Child Tax Credit (CTC) gives tax revenue back to families with children, so that they can pay for the childcare, education, food, and housing that their children deserve. Along with the federal CTC, 12 states have state level CTC programs that complement the highly successful federal EITC and CTC.

According to a State-by-State Analysis conducted in 2021 by the White House determined that the American Rescue Plan temporarily boosted the federal CTC amounts and lifted almost 3 million children in the U.S. above the poverty line. Expansion of the federal CTC has reportedly helped 162,000 Hawai'i families, including 272,000 children, with an average tax refund of \$2,426. Since the federal CTC expansion only lasted through the end of 2021, the credit amounts have been lowered to the level they were at in 2020.

HB 233, HD2 would create a state Child Tax Credit worth \$1000 for each child aged 0 to 5 and \$500 for each child aged 6 to 17. Studies show that the first years of a child's life are the most important for their physical and cognitive development, underscoring the need to invest in the families with young children. In order to target lower-income families, the individual's income limit for Hawai'i's CTC's would be set at \$60,000.

HHHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawai'i 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 in support of this bill.



HIPHI Board

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Coalition for a
Tobacco-Free Hawai'i

Community Health
Worker Initiative

COVID-19 Response

Hawai'i Drug & Alcohol-Free
Coalitions

Hawai'i Farm to School Hui

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Collective

Date: March 17, 2023

To: Senator San Buenaventura, Chair
Senator Henry J.C. Aquino, Vice Chair
Members of the Committee on Health and Human Services

Re: Support HB233 HD2 Relating to Health Care

Hrg: Tuesday, March 21, 2023, 1:30 PM

The Hawai'i Public Health Instituteⁱ (HIPHI) is in **support of HB233 HD2**, which establishes a refundable state child tax credit payable on a monthly basis.

The expansion of the federal child tax credit funded by the American Rescue Plan Act of 2021 recently expired. That does not mean that the need has expired as well. Families are faced with increasing prices, increasing credit rates, and increasing rents. This tax credit will bring relief to the people who do not know how they are going to continue to house and feed their children while also paying the electric bill and an unexpected expense.

This tax credit is a monetary investment, but is really a human investment that supports the environment where the next generation can thrive. By ensuring the basic necessities are consistently provided, we are strengthening the overall health of our state.

We thank the Committee for hearing this important and needed measure and ask you to consider passing **HB233 HD2**.

Mahalo,

A handwritten signature in blue ink that reads 'Peggy Mierzwa'.

Peggy Mierzwa
Director of Policy & Advocacy
Hawai'i Public Health Institute

ⁱ Hawai'i Public Health Institute is a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations.



HAWAI'I STATE
COALITION AGAINST
DOMESTIC VIOLENCE

March 22, 2023

Members of the Senate Committee on Health and Human Services:

Chair Joy A. San Buenaventura
Vice Chair Henry J.C. Aquino
Sen. Sharon Y. Moriwaki
Sen. Maile S.L. Shimabukuro
Sen. Brenton Awa

Re: HB233 HD2 Relating to Child Tax Credit

Dear Chair San Buenaventura, Vice Chair Aquino, and Members of the Senate Committee on Health and Human Services:

The Hawai'i State Coalition Against Domestic Violence (HSCADV) addresses domestic violence's social, political, and economic impacts on individuals, families, and communities. We are a statewide partnership of domestic violence programs and shelters.

On behalf of HSCADV and our 28 member programs statewide, I respectfully submit testimony supporting HB233 HD2. For individual taxpayers with an adjusted gross income of \$60,000, this bill will provide a credit of \$1,000 per year for each child aged five or younger and a \$500 credit for each child aged between six and 18 years.

Victims of domestic violence with low incomes are especially vulnerable to financial abuse and other controlling tactics by their partners. A refundable tax credit program would provide financial stability to those victims and a pathway to safety for themselves and their families.

Thank you for the opportunity to testify on this important matter.

Sincerely,
Angelina Mercado, Executive Director



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: Senate Committee on Health and Human Services

Re: **HB 233, HD2 - Relating to a Child Tax Credit**
Hawai'i State Capitol & Via Videoconference
March 22, 2023, 1:01 PM

Dear Chair San Buenaventura, Vice Chair Aquino, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **SUPPORT of HB 233, HD2**, relating to a child tax credit. This bill establishes a refundable state child tax credit payable on a monthly basis.

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

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

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

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

Thank you,

Nicole Woo
Director of Research and Economic Policy

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¹ <https://itep.org/whopays/hawaii/>

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

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



BUILDBETTER.LIVEBETTER.®

March 20, 2023

Committee: Senate Committee on Health and Human Services
Bill Number: HB 233 HD2, Relating to a child tax credit
Hearing Date and Time: March 22, 2023 at 1:01 pm
Re: Testimony of HPM Building Supply in Support

Dear Chair San Buenaventura, Vice Chair Aquino, and Committee Members:

I would like to submit this letter and written testimony in support of HB 233 HD2, relating to a child tax credit. HB 233 HD2 establishes a refundable state child tax credit payable on a monthly basis.

HPM Building Supply is a 100% employee-owned company serving Hawaii's home improvement market and building industry for over 100 years since 1921. With 17 locations across Hawaii and Washington State, HPM offers various services and products, including retail stores, building supply and lumber yards, home design centers, drafting and design services, and manufacturing facilities. HPM is dedicated to enhancing homes, improving lives, and transforming communities. The company is guided by its core values of Heart, Character, and Growth, striving to provide top-quality products and build exceptional customer loyalty. HPM has earned recognition as a leader in the industry for its products, services, and commitment to its community.

As a State-wide employer with over 500 employees, we strive to provide competitive wages and support our employees. However, raising a family is challenging and additional support may be needed. This bill seeks to provide support to families with a tax credit that would be paid monthly. This boost can assist with paying for regular expenses such as utilities, childcare, or food. By being able to cover routine costs, families can focus on their work thus benefitting the overall economy.

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

Thank you for the opportunity to provide testimony in support of HB 233 HD2. I strongly encourage your support and passage of this measure.

Sincerely,

Dennis Lin
Community Relations Administrator



(808) 966-5466 • FAX (808) 966-7564
16-166 MELEKAHIWA STREET • KEAAU, HAWAII 96749

HPMHAWAII.COM



HB-233-HD-2

Submitted on: 3/20/2023 2:49:23 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

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

Comments:

Dear Chair San Buenaventura, Vice Chair Aquino and committee members

Hawaiian Host Group supports innovative initiatives that help make Hawai‘i affordable to all working families. We are especially interested in fostering cross-sector collaboration and supporting policies that are evidence-based. And we know—thanks to the years of testing this policy underwent during the period of the expanded federal state child tax credit—that the policy approach in HB 233-HD2 checks all those boxes.

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



600 Puuloa Road | Honolulu, HI 96819 | 808.831.2600

March 20, 2023

Committee: Senate Committee on Housing and Human Services
Bill Number: HB 233 State Child Tax Credit
Date and Time: March 22 at 1pm
Re: Testimony of JN Group Support

Chair San Buenaventura, Vice Chair Aquino, and Committee members:

JN Group supports HB 233 to establish a refundable child tax credit for Hawaii's working families.

JN Group was founded in 1961, employs 300 local family members, and the many other local small businesses who provide services and products to our automotive, motorcycle, and retail businesses here in Hawaii.

HB 233 provides many of our working families the additional support needed to navigate the high cost of living here in Hawaii while raising our next generation of communities. These credits will help mitigate some of the costs of living in the area of food, child care and other necessities needed.

Let's work together in support of this effort to help our working families.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Nicolai', is written over a thin horizontal line.

Brad Nicolai
President and CEO



Testimony Presented to the Senate Committee on Health and Human Services
March 22, 2023, 1:00 p.m. (Room 225)

HB 233, HD2, RELATING TO A CHILD TAX CREDIT

Aloha Chair San Buenaventura, Vice Chair Aquino, and Committee Members:

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

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

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

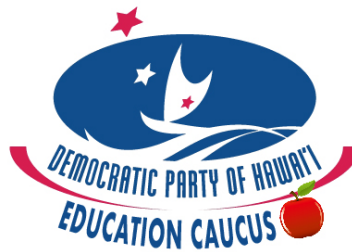
We are aligned with this approach of lifting people out of poverty while simultaneously providing a boost to the economy and are proud to testify in support.

Mahalo,

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

Brandon Kurisu
aio Family of Companies





HOUSE BILL 233, HD2, RELATING TO A CHILD TAX CREDIT

MARCH 22, 2023 · SENATE HEALTH AND HUMAN SERVICES COMMITTEE · CHAIR SEN. JOY A SAN BUENAVENTURA

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports HB 233, HD2, relating to a child tax credit, which establishes a refundable state child tax credit payable on a monthly basis.

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

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

According to the National Conference of State Legislatures, twelve other jurisdictions have enacted a state child tax credit. State laws vary regarding refundability and how child tax credits

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

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

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

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

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



HB 233, HD2, RELATING TO A CHILD TAX CREDIT

MARCH 22, 2023 · SENATE HEALTH AND HUMAN SERVICES COMMITTEE · CHAIR SEN. JOY A SAN BUENAVENTURA

POSITION: Support.

RATIONALE: Imua Alliance supports HB 233, HD2, relating to a child tax credit, which establishes a refundable state child tax credit payable on a monthly basis.

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

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

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

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

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

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

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

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



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF HB 233 HD2: RELATING TO A CHILD TAX CREDIT

TO: Senate Committee on Health and Human Services

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

Hearing: **Wednesday, 3/22/23; 1:01 PM; VIA VIDEOCONFERENCE or CR 225**

Chair San Buenaventura, Vice Chair Aquino, and Members, Committee on Health and Human Services:

Thank you for the opportunity to provide testimony **in Strong Support of HB 233 HD2**, which establishes a refundable state tax credit, payable on a monthly basis. I am Rob Van Tassell with Catholic Charities Hawaii. This bill provides one step to address the great burden that Hawaii's cost of living places on our citizens.

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

Many of the vulnerable in Hawaii are the working. They are people who earn low wages through hard work but due to our high cost of living struggle to make ends meet. They are ALICE families who now are more than 50% of our population. We serve these workers in our programs. Some are barely able to avoid homelessness, or are working several jobs to juggle the basic expenses of their families and unable to spend time raising their children. These workers are parents who try very hard to support their own families but often must also rely on some type of public or charitable assistance. A monthly payment to them to help with child care or other costs of raising their children would be a godsend to them.

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

Catholic Charities Hawaii strongly urges your support for HB 233 HD2.

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.



**Senate Committee on Health and Human Services
Wednesday March 22, 2023 – 1:01p.m.
In Support: H.B. 233 – Relating to a Child Tax Credit**

Dear Chair San Buenaventura, Vice Chair Aquino, and members of the Committee,

Thank you for the opportunity to provide testimony in SUPPORT of H.B. 233, which would create a new state-level Child Tax Credit benefiting families with children.

Economic inequities drive child nutrition and health disparities in Hawaii.

People with higher incomes can more easily afford to meet the full range of their children’s needs, from nutritious food and quality housing to medicine, transportation to the pediatrician, and healthy recreational activities, and they are more likely to live in neighborhoods with high-quality schools. Conversely, families struggling to purchase the basics not only can afford fewer of their children’s needs but may experience high — even unhealthy — levels of stress as a result. Their children tend to do worse in school, earn less as adults, and have worse health outcomes overall.

Economic security programs, such as the program proposed by H.B. 233, — bolster income, help families afford basic needs, and keep thousands of Hawaii children above the poverty line. Now and in the long term, these programs are associated with improved health for children, families, and communities.

Healthy food purchases are some of the most common uses of funds received from the federal Child Tax Credit.

[Longitudinal studies](#) of the federal child tax credit (CTC) program found that, nationally, among parents participating in the expansion, food and beverage purchases were the most common use of expanded CTC funds (45.9 percent), particularly in households with very low food security (63.0 percent). The CTC expansion was also associated with decreases in children’s consumption of added sugar, sugar-sweetened beverages, and sweetened fruit beverages.

Hawaii’s families need stronger safety nets.

Although existing federal nutrition programs (like the Supplemental Nutrition Assistance Program, or SNAP) lower the prevalence of food insecurity many families experience barriers to obtaining this food assistance, and others are not eligible despite Hawaii’s high cost of living. Moreover, benefits of these ongoing programs do not often last the entire month; for example, [the majority of SNAP funds are often spent within two weeks of receipt](#). Monthly CTC payments offer the opportunity to fill critical gaps in nutrition assistance by providing additional income for food access.

Thank you for the opportunity to testify.

HAWAII
**HUNGER
ACTION**
NETWORK

Aloha Harvest

County of Hawai'i

Hawai'i Alliance for
Community-Based Economic
Development

Hawai'i Appleseed

Hawai'i Children's Action
Network

Hawai'i Food Bank

Hawai'i Good Food Alliance

Hawai'i Public Health Institute

Kōkua Kalihi Valley
Comprehensive Health Center

Lanakila Pacific

Malama Kaua'i

Maui Food Bank

The Hawai'i Hunger Action Network is composed of advocates statewide dedicated to connecting communities and taking action to ensure all people in Hawai'i have enough food to live healthy, dignified, productive lives.



TITLE GUARANTY
HAWAII

March 20, 2023

Committee: Senate Committee on Health and Human Services
Bill Number: HB 233, HD2, Relating to a Child Tax Credit
Hearing Date & Time: March 22, 2023 at 1:01 pm (Room 225)
Re: Testimony of Title Guaranty of Hawaii in support

Aloha Chair San Buenaventura, Vice Chair Aquino, and Committee Members:

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

We write in support of HB 233, HD2, Relating to a Child Tax Credit. The purpose of HB 233 is to establish a refundable child tax credit for Hawaii's working families. This bill is needed because the expansion of the *federal* child tax credit that was included as part of the American Rescue Plan Act of 2021 was allowed to expire by Congress. That is why 12 states have already implemented their own *state* child tax credit, and we support Hawaii's effort to do the same.

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

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

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

Sincerely,

Mike B. Pietsch
President and Chief Operating Officer



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





March 21, 2023

Sen. Joy San Buenaventura, Chair
Sen. Henry Aquino, Vice Chairs
Senate Committee on Health and Human Services

RE: Testimony in support of HB 233, Relating to a Child Tax Credit

Dear Chair San Buenaventura, Vice Chair Aquino, and Committee Members,

On behalf of Hawaii Foodbank, I **support HB 233**, which would establish a refundable state child tax credit payable on a monthly basis.

Food security is a critical issue in Hawai'i, where our cost of living is higher than any other state. Families who depend on the food banks and our hunger relief partners struggle to make ends meet and pay a disproportionate amount of their income in taxes. Hawai'i also has the highest rate of child food insecurity – one in four keiki lack comprehensive access to healthy, nutritious food. A refundable child tax credit puts money back in the pockets of those who need it most, helping families with children provide for food and other essential needs.

The Hawai'i Foodbank gathers donated, rescued, and purchased food and distribute it to those in need through our network of more than 200 agency partners. Tax policies that allow lower income families to keep more of their hare-earned income are important to fighting hunger across our state.

Mahalo for your consideration.

With aloha,

Amy Miller Marvin
President and CEO, Hawaii Foodbank



HAWAII ALLIANCE for PROGRESSIVE ACTION

Senate Committee on Health & Human Services

Hawai'i Alliance for Progressive Action (HAPA) Supports: HB233 HD2

Wednesday, March 22, 2023 1:01p.m. Conference Room 225

Aloha Chair San Buenaventura, Vice Chair Aquino and Members of the Committee,

HAPA strongly supports HB233 HD1 to establish a refundable state child tax credit payable on a monthly basis.

HB233 will establish a refundable state child tax credit payable on a monthly basis.

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

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

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

According to Census data, the federal child tax credit reduced child poverty by nearly half and according to the National Conference of State Legislatures, 12 other states have enacted this.

Please support HB233 HD1.

Thank you for your consideration.

Respectfully,

Anne Frederick
Executive Director



TORI RICHARD®
HONOLULU

March 21, 2023

Committee: Senate Committee on Health and Human Services
Bill Number: HB 233, HD2, Relating to a Child Tax Credit
Hearing Date and Time: March 22, 2023 at 1:01pm (Room 225)
Re: Testimony of Tori Richard, Ltd. in Support

Aloha Chair San Buenaventura, Vice Chair Aquino, and Committee Members,

Tori Richard, Ltd. is writing in support of HB 233, HD2, relating to a refundable child tax credit for working families in Hawai'i. This is an initiative that will help to foster affordable living for working families in Hawai'i, as previously demonstrated at the federal level through the American Rescue Plan of 2021. Despite the impactful results that the American Rescue Plan Act of 2021 had on decreasing child poverty, the federal child tax credit initiative was allowed to expire. Now, Hawai'i has the opportunity to join the 12 other states who have enacted their own state child tax credits as a result.

This child tax credit will support working families in managing the rapidly rising costs associated with inflation and housing, and furthermore, will also provide assistance with factors such as food insecurity, childcare, and transportation to school and work. The previously demonstrated success in decreasing child poverty through the federal American Rescue Plan Act of 2021 exemplifies the benefits our state has to gain by supporting this bill.

An additional outcome of supporting working families by the passage this bill, is the increased benefit to the local economy as well. If supported, the tax credit will allow families to increase expenditures, thereby benefiting local businesses, and will also aid parents or guardians in joining or returning to the workforce.

I strongly encourage your support of this bill.

Sincerely,

Josh Feldman
President & CEO
Tori Richard, Ltd.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: HB 233 HD 2

INTRODUCED BY: House Committee on Finance

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

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

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

Provides that the credit is refundable.

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

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

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

EFFECTIVE DATE: June 30, 3000.

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

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

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

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

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

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

Digested: 3/18/2023

HB-233-HD-2

Submitted on: 3/18/2023 10:02:11 AM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Ezgi Green	Individual	Support	Written Testimony Only

Comments:

Aloha committee members,

This bill is crucial for local families to survive in this economy.

No family should have to apply for a loan to feed their children.

No family should have to open a "Gofundme" campaign to survive.

The families of this beautiful island deserve better.

We'd like you to support this bill to help families live decent life.

Thanks for your consideration.

Ezgi Green / Kaimanu/ Waialua

HB-233-HD-2

Submitted on: 3/18/2023 12:13:22 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

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

Comments:

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

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

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233 HD2.

Shay Chan Hodges

Maui, Hawaii

HB-233-HD-2

Submitted on: 3/18/2023 6:42:18 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

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

Comments:

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

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

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233 HD2.

HB-233-HD-2

Submitted on: 3/18/2023 6:46:51 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Allison Mikuni	Individual	Support	Written Testimony Only

Comments:

I am writing in support of HB233. Investing in the well-being of Hawai‘i’s children is essential to the creation of a prosperous and sustainable future. To address child poverty, the American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under age 6, and \$3,000 for other qualifying children under age 18, while allowing the credit to be distributed to qualifying taxpayers on a monthly basis.

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

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233 HD2. Thank you for your consideration.

Allison Mikuni; Palolo, Oahu Resident

HB-233-HD-2

Submitted on: 3/18/2023 6:56:37 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

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

Comments:

Aloha,

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

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

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233 HD2.

Mahalo, Marilyn Mick, Honolulu

HB-233-HD-2

Submitted on: 3/18/2023 7:50:33 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Barbara Barry	Individual	Support	Written Testimony Only

Comments:

Aloha,

I strongly support this important Bill for Hawai'i keiki, and their ohana.

Mahalo,

HB-233-HD-2

Submitted on: 3/18/2023 8:35:06 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Lorna Holmes	Individual	Support	Written Testimony Only

Comments:

n the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai'i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233 HD2.

Mahalo,

Dr. Lorna Holmes Honolulu 96817

To: Hawaii State House Committee on Health and Human Services
Hearing Date/Time: Wednesday, March 22, 2023, 1:01pm
Place: Hawaii State Capitol, CR 225 & Videoconference
Re: Judith Ann Armstrong is in strong support of HB 233 HD2

Dear Members of the Finance Committee,

I, Judith Ann Armstrong, am in strong support of HB233 related to a Child Tax Credit.

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

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

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai'i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233 HD2.

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

Sincerely,

Judith Ann Armstrong

HB-233-HD-2

Submitted on: 3/19/2023 7:35:01 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Lindsay Roth	Individual	Support	Written Testimony Only

Comments:

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

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

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233 HD2.

HB-233-HD-2

Submitted on: 3/19/2023 7:40:51 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Judith Wilhoite	Individual	Support	Written Testimony Only

Comments:

Please pass HB233 HD2 for the keiki of Hawaii Nei as it is an important antipoverty tool that can help foster a brighter future for all of us! I worked in the child welfare sector for 2 decades and saw the toll poverty takes on Hawaii's 'Ohana. It is not a pretty sight. Anything we can do to give struggling 'Ohana a hand up will help all of us as we will see less child abuse and domestic violence. And happier keiki. What could be better than? Please vote to pass HB 233 HD2!

Mahalo nui loa,

Judith Wilhoite

HB-233-HD-2

Submitted on: 3/20/2023 9:21:45 AM

Testimony for HHS on 3/22/2023 1:01:00 PM

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

Comments:

Support

HB-233-HD-2

Submitted on: 3/20/2023 12:13:18 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

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

Comments:

Aloha Chair, Vice Chair, and Committee Members,

As a tax-paying, working parent, I strongly support this bill. Please help us make life more affordable here so we can focus on meeting the many needs of our keiki and not spend every waking minute working to keep a roof over their head and food on the table.

Mahalo,

Shannon Matson

Hawai'i Island Resident

HB-233-HD-2

Submitted on: 3/20/2023 2:12:36 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Karen L Worthington	Individual	Support	Written Testimony Only

Comments:

3/20/20232

Committee on Health and Human Services

Hearing on March 22, 2023, 1:01pm

Testimony IN SUPPORT OF HB233 HD2 RELATING TO A CHILD TAX CREDIT

Dear Chair Buenaventura, Vice Chair Aquino, and Senators,

I write to share my strong support for HB233 HD2 and ask that you pass this bill into law. By establishing a lasting state child tax credit, you will be supporting families, reducing child poverty and food insecurity, and reducing child abuse and neglect.

Many families are struggling in this economic climate. State agencies such as DHS-Child Welfare Service are also struggling. Passing this bill accomplishes multiple goals:

- lifts families out of poverty
- reduces the likelihood that children will go hungry or become houseless or homeless
- protects children from abuse and neglect
- reduces foster care entries
- reduces the strain on the understaffed Child Welfare Services because fewer children will be abused or neglected.

Research over the last several years has established a clear link between economic supports for families, such as through a child tax credit, and the safety and well-being of children. A 2022 study found that "Earned income tax credit (EITC) and Child Tax Credit (CTC) payments are associated with immediate reductions in state-level child maltreatment reports. Each additional \$1,000 in per-child EITC and CTC refunds is associated with a decline in state-level child maltreatment reports of:

- 2.3% in the week of payment
- 7.7% in the 4 weeks after payment." (Kovski, 2022)

A summary of this and numerous other studies can be found on the Chapin Hall website, "A Key Connection: Economic Stability and Family Well-being, Addressing economic hardship as a

factor in child welfare involvement"

<https://www.chapinhall.org/project/a-key-connection-economic-stability-and-family-well-being/>

If you would like additional information about the links between economic supports and a reduction in child abuse and neglect, please contact me at karen@karenworthington.com

I urge you to pass this bill into law and protect Hawai'i keiki by providing families with a child tax credit.

Sincerely,
Karen Worthington, Kula, Hawaii (Maui)

Chair Joy San Buenaventura
Vice Chair Henry Aquino

Senate Committee on Health & Human Services

Wednesday, March 22, 2023

1:01 PM

**TESTIMONY IN STRONG SUPPORT OF HB233 HD2 RELATING TO A CHILD
TAX CREDIT**

Aloha Chair San Buenaventura, Vice Chair Aquino, Members of the Senate Committee on Health & Human Services,

My name is Jun Shin. I am a recent graduate of the University of Hawai'i at Mānoa, a son of the working class, a labor activist, and member of the Hawai'i State Youth Commission. I am testifying as an individual in **STRONG SUPPORT** of **HB233 HD2**, Relating to a Child Tax Credit.

To address child poverty during the height of the COVID pandemic, the American Rescue Plan Act of 2021 increased the federal child tax credit from \$2,000 to \$3,600 for qualifying children under the age of six and \$3,000 for other qualifying children under the age of 18. 83% of Hawai'i households who reported receiving a child tax credit payment in the last 30 days from data collected between July 21–September 27, 2021 revealed that their monthly payments were going toward basic needs (food, clothing, rent, mortgage, utilities)¹. 84% reported that the Tax Credit was going toward basic needs and/or education costs.

This helped the economy by getting money circulating, and according to Census data, the federal child tax credit reduced child poverty by nearly half. Disappointingly, the child tax credit expired at the end of 2021, and Congress has so far failed to restore it. Unfortunately, data showed us that by 2022, child poverty had increased once again². The Hawai'i State Legislature needs to join with the other states who have decided to take the lead and enact our own state child tax credit. **As of the HD2, the tax credit amount has been blanked. Please restore the original amount, if not a higher amount:**

§235-___ Refundable child tax credit. (a) Each qualifying individual taxpayer with an adjusted gross income of \$60,000 or less may claim a refundable child tax credit. The tax credit shall be \$1,000 per year for each child dependent aged five years or less and \$500 for each child dependent aged six years but less than eighteen years.

¹<https://www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education>

² <https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-january-2022>

The struggle to meet basic needs that was alleviated by the expanded federal tax credit continues for the families of working class, low-income keiki. In many cases that struggle has no doubt grown worse as costs have gone up. This is a chance to give some much needed relief and continue the fight against child poverty. Please **PASS House Bill 233 HD2** out of your committee.

Mahalo for the opportunity to testify,

Jun Shin,
State House District 23 | State Senate District 12
Cell: 808-255-6663
Email: junshinbusiness729@gmail.com

HB-233-HD-2

Submitted on: 3/21/2023 8:31:38 AM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Bruce Anderson	Individual	Support	Written Testimony Only

Comments:

Please pass this bill. Our high cost of living and inadequate public preschool system makes life difficult for low and middle class working families, and the kids bear the brunt of it. This should be a federal program, but our federal government is dysfunctional. Let's show them that the State of Hawaii knows how to do things right..

HB-233-HD-2

Submitted on: 3/21/2023 11:53:25 AM

Testimony for HHS on 3/22/2023 1:01:00 PM

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

Comments:

Please support us joining the 12 other states in helping the families that need it the most. This small amount will go a long way to provide for the very basic needs of our keiki.

Mahalo

HB-233-HD-2

Submitted on: 3/21/2023 12:32:31 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Larisa Patrick	Individual	Support	Written Testimony Only

Comments:

Aloha Chair San Buenaventura, Vice Chair Aquino and members of the Senate Committee on Health and Human Services,

Not too long ago, I escaped an abusive situation and managed to find a tiny room in a two-bedroom apartment. The inflatable mattress I bought had a hole in it, so I inevitably sank to the cold floor to sleep every night. I found out I was 12 months pregnant. I couldn't afford anything else and could barely afford rent.

Now I have a baby and a toddler who has seizures due to a rare genetic epileptic condition. All the trauma, all the bills... a Child Tax Credit would sure come in handy.

When I say families here in Hawaii need this, I don't say it lightly. What about cherishing the lives of Hawaii's people? We need substantial financial help in order to thrive HERE. We are struggling.

The Child Tax Credit has been proven to be effective in reducing childhood poverty on the federal level (hopefully they will reinstate this) and we need to implement this on a state level as well.

Thank you for listening. Mahalo.

HB-233-HD-2

Submitted on: 3/18/2023 1:26:08 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
tia pearson	Individual	Support	Written Testimony Only

Comments:

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

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

In the absence of federal action to maintain a robust child tax credit, 12 other states have enacted their own child tax credits. Hawai‘i should join them in funding this important antipoverty tool, and securing a brighter future for our keiki. Please pass HB233 HD2.

LATE

HB-233-HD-2

Submitted on: 3/21/2023 9:19:33 PM

Testimony for HHS on 3/22/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
jeanne wheeler	Individual	Support	Written Testimony Only

Comments:

This is very needed, please pass it :) Mahalo, JW