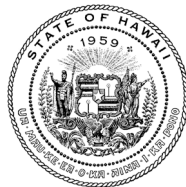


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2444, Relating to Taxation

BEFORE THE:

House Committee on Housing

DATE: Friday, February 6, 2026

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 430

Chair Evslin, Vice-Chair Miyake, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2444 for your consideration.

Section 2 of H.B. 2444 amends section 235-55.7, Hawaii Revised Statutes, by increasing the tax credit for low-income household renters from \$50 to \$100 per qualified exemption claimed by the taxpayer. A taxpayer claiming this credit, if age sixty-five years or older, may claim double the tax credit, and a resident individual taxpayer claiming the tax credit who has no income or no taxable income under this chapter may also claim the tax credit.

Upon approval, the bill applies to taxable years beginning after December 31, 2025. DOTAX can administer the bill with this effective date.

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Low-Income Household Renters Credit Increase

BILL NUMBER: HB 2444

INTRODUCED BY: TEMPLO, ALCOS, AMATO, BELATTI, HUSSEY, IWAMOTO, KILA, KUSCH, LOWEN, MARTEN, MATAYOSHI, MORIKAWA, MURAOKA, PIERICK, POEPOE, SHIMIZU, SOUZA, TAKAYAMA

EXECUTIVE SUMMARY: Increases the tax credit for low-income household renters from \$50 to \$100 per exemption claimed by the taxpayer.

SYNOPSIS: Amends sec 235-55.7(c), HRS, increasing the low income household renters tax credit to \$100 multiplied by the number of qualified exemptions.

EFFECTIVE DATE: Taxable years beginning after December 31, 2025

STAFF COMMENTS: The 1970 legislature adopted a system of tax credits for household renters which was intended to partially offset the higher tax burden on renters resulting from the lack of tax relief like the home exemption for homeowners and the 4% general excise tax levied on rental income. The current renter credit was established by the 1977 legislature at \$20 per exemption for those taxpayers with adjusted gross incomes of less than \$20,000 who paid more than \$1,000 in rent during the tax year. Act 230, SLH 1981, increased the credit amount to \$50. Act 239, SLH 1989, increased the adjusted gross income (AGI) limit to \$30,000 to claim the credit. The proposed measure would increase the amount of the credit from \$50 to \$100. It does not increase the qualification amount – the taxpayer still will need to pay \$1,000 in rent during a taxable year to qualify for the credit.

There are two more issues with refundable credits targeted at low-income people generally.

First, a tax return is one of the most complicated documents for government agencies to process. The administrative costs associated with each one can quickly make heads spin. But when refundable credits are made available to folks who don't have much (or any) tax liability, those folks are motivated to file a return purely to get the refund check. When this happens, the department is visited by several folks who require special handling, homeless people for example. They might be able to provide a Social Security number, but they have no address and they don't have a bank account. Nevertheless, they are entitled to their refundable credit. Processing such people is even more expensive because higher level workers within the department need to get involved once the established procedures prove inadequate.

Second, as a policy matter, lawmakers might prefer that the recipient of the refund not use the money obtained on such things as cigarettes, alcohol, or illegal drugs. But the tax system contains no way of restricting the uses of a refund check; other departments do have systems in place (EBT, for example). The solution? 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. If additional relief to such people is considered desirable, funnel it through the agencies that are better equipped to do so.

We in Hawaii have several disparate programs and tax credits aimed at poverty relief. This measure adjusts the tax credit allowed to household renters (HRS section 235-55.7). Other credits that fall into this category are the credit for those with dependent care expenses necessary for gainful employment (HRS section 235-55.6), the food/excise tax credit (HRS section 235-55.85) and the earned income tax credit (HRS section 235-55.75). Many of these credits have non-duplication provisions and all have strict time limits on when they may be claimed upon pain of credit forfeiture. Apparently, lawmakers of the past had many different ideas on how to address the problem of poverty in Paradise but couldn't figure out which program to go with, so they adopted them all. The principal disadvantage of this is that people can and do get confused over which credits they can and can't claim, and as a result are exposed to credit disallowance, penalties, and other undesirable consequences.

Now, we simply can't afford tax credits and business as usual. Yes, we need to help those who need it, but the shotgun style used in the past has not produced results. Perhaps a better approach would be lopping off the income tax brackets applicable to lower-income taxpayers and designing ONE credit to encourage social behavior necessary to lift the taxpayer out of poverty. Some commentators have stated that the Earned Income Tax Credit has these characteristics, so it may be worthwhile to focus attention on that credit instead.

Digested: 2/4/2026



CATHOLIC CHARITIES HAWAI'I

SUPPORT FOR HB 2444: RELATING TO TAXATION

TO: House Committee on Housing
FROM: Tina Andrade, President and CEO, Catholic Charities Hawai'i
Hearing: Friday, 2/6/26, 9:30 AM; CR 430 or Videoconference

Aloha Chair Evslin, Vice Chair Miyake, and Members, Committee on Housing:

Thank you for the opportunity to testify in **support of HB 4222**, which increases the tax credit for low-income renters from \$50 to \$100 per exemption claimed by the taxpayer.

Catholic Charities Hawai'i (CCH) is a tax-exempt, Community-Based Organization that has provided social services in Hawai'i for more than 78 years, now serving over 40,000 individuals statewide each year. Our mission is to provide services and advocacy for Hawai'i's most vulnerable. We have a long-standing history of leadership in affordable housing, homelessness solutions, and child welfare.

Hawai'i's renters are facing an unprecedented affordability crisis, and the need for meaningful relief has never been more urgent. Data consistently show that renters in our state pay some of the highest housing costs in the nation. Recent reports indicate that Hawai'i renters spend **approximately 52.88% of their median household income on rent**—well above the national definition of “severely cost-burdened,” which is spending more than 50% of income on housing.

At the same time, other essential costs—food, utilities, and everyday necessities—continue to rise, with Honolulu's Consumer Price Index increasing 2.4% over the past year. Food costs alone rose 4.4%, intensifying financial strain on already stretched households. [\[bls.gov\]](https://www.bls.gov)

Catholic Charities Hawai'i sees this crisis firsthand. Every day, our staff hear from families who are desperately trying to keep up with rent payments. In the most recent year, **over 11,000 families and individuals** sought housing and rent-related assistance through our programs. Growing numbers of working families, seniors, and those with children are turning to us because they have no remaining financial cushion.

A refundable tax credit targeted toward lower-income renters provides critical relief. It gives families a modest but meaningful financial boost at tax time—a moment when many households are catching up on bills, addressing emergencies, or trying to get ahead financially. Research consistently shows that refundable credits help stabilize families, reduce financial stress, and improve child well-being.

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

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

To: House Committee on Housing
Re: **HB2444 – Relating to Taxation**
Hawai'i State Capitol & Via Videoconference
February 6, 2026, 9:30 AM

LATE

Dear Chair Evslin, Vice Chairs Miyake, and Committee Members,

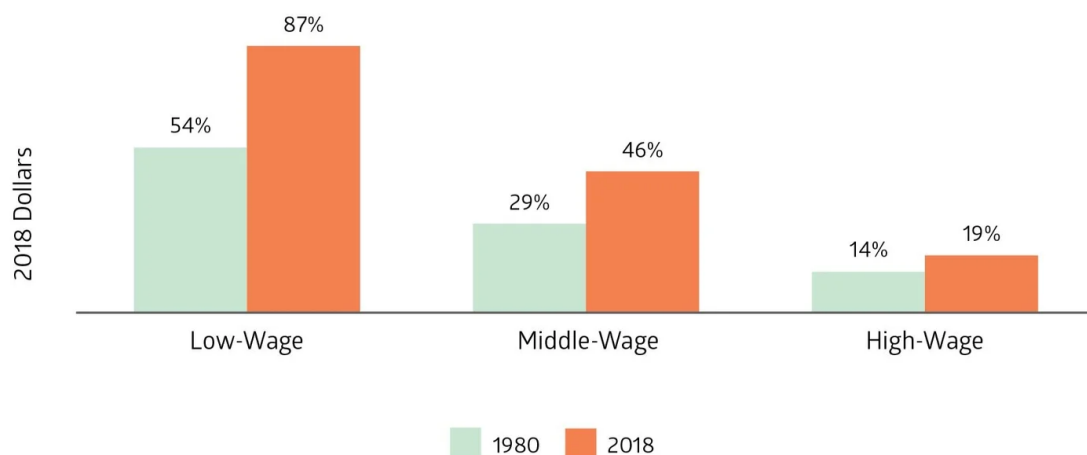
On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **SUPPORT with suggested amendments to HB2444**. This bill increases the tax credit for low-income household renters from \$50 to \$100 per exemption claimed by the taxpayer.

It is well known that Hawai'i has the highest housing costs in the nation. According to the National Low-Income Housing Coalition, the hourly "housing wage" needed to afford a one-bedroom apartment in Hawai'i last year was \$37.16, which is an annual income of \$78,244.¹ Meanwhile, our current minimum wage of \$16 per hour, or \$33,280 per year, is less than half of that.

The low-income household renters' credit was created in 1977 to provide tax relief to low- and moderate-income renter households in our state. **In 1981, the credit amount was set at \$50 per exemption. Adjusting that amount for inflation is more than \$170 now.**²

In 1989, the annual **income eligibility cut off for the renters' credit was set at \$30,000**, which was just above the median household income at the time. In other words, a full-time, full-year minimum wage makes too much money to qualify for this credit. **If we adjust the income cut-off for inflation, it would be more than \$77,000 per year now.**

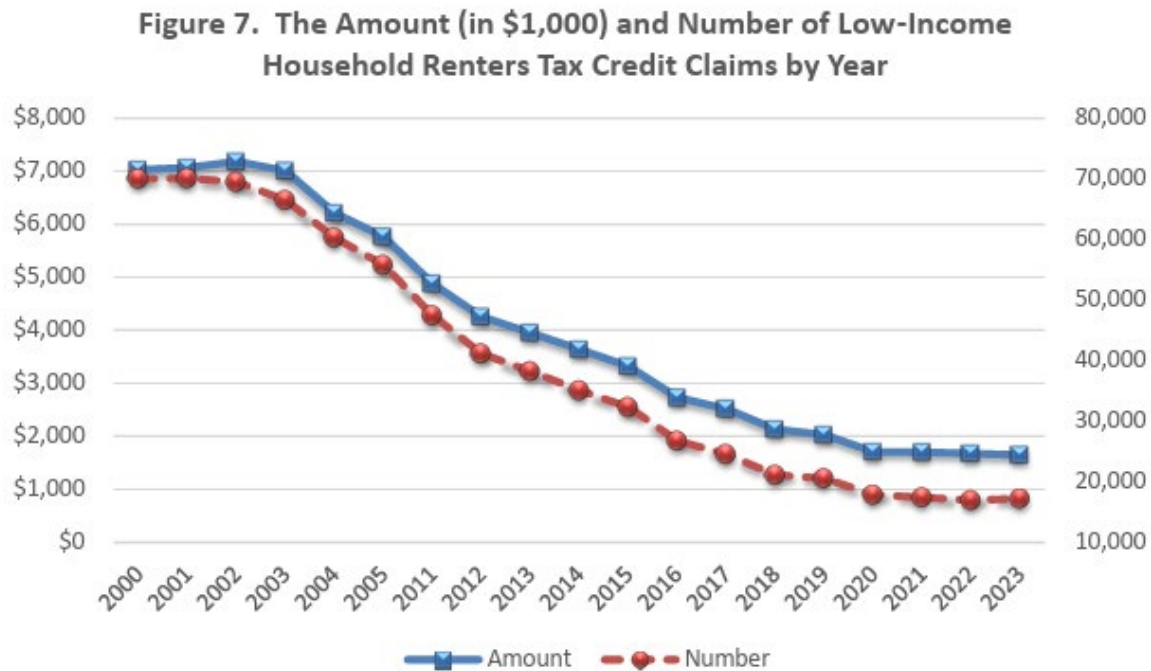
On top of that, the cost of renting a home has been rising faster than wages for decades. As the chart from Hawai'i Appleseed below shows, **rent for a one-bedroom apartment in 1980 was 54% of a low-wage workers' income. By 2018, it skyrocketed to 87%:**



¹ <https://nlihc.org/oor/state/hi>

² https://www.bls.gov/data/inflation_calculator.htm

With the renters' credit being stuck at the same level since the 1980s, fewer and fewer Hawai'i residents are able to claim the credit every year, as seen in this chart from the Department of Taxation³:



This bill rightly updates the renters' credit to recover some ground lost to decades of inflation by increasing value of the credit from \$50 to \$100. In order to better address the our state's housing affordability crisis, **we suggest raising the amount of the credit to at least \$170 and the income eligibility cap to \$77,000, just to keep up with inflation.**

Mahalo for the opportunity to provide this testimony. Please pass this bill with our suggested amendments.

Sincerely,

Nicole Woo
Director of Research and Economic Policy

³ <https://files.hawaii.gov/tax/stats/stats/credits/2023credit.pdf>

HB-2444

Submitted on: 2/5/2026 8:21:36 AM

Testimony for HSG on 2/6/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry Support

2444 HB RELATING TO TAXATION.

HB-2444

Submitted on: 2/5/2026 8:34:47 AM

Testimony for HSG on 2/6/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Megan Blazak	Individual	Support	Written Testimony Only

Comments:

Honorable Chair Evslin, Vice Chair Miyake, and Members of the Committee,

As a constituent of House District 2 in Hilo, I support this measure. Increasing the credit amount from \$50 to \$100 under this existing tax credit program will relieve state tax burden on many low-income working families and directly address the cost of living crisis in Hawaii. Thank you.