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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2444, H.D.2, Relating to Taxation

BEFORE THE:

House Committee on Finance

DATE: Friday, February 27, 2026
TIME: 2:00 p.m.
LOCATION: State Capitol, Conference Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2444, H.D.2, for your consideration.

Section 2 of H.B. 2444, H.D.2, amends section 235-55.7, Hawaii Revised Statutes, by increasing the tax credit for low-income household renters from \$50 to \$170 per qualified exemption claimed by the taxpayer. A taxpayer sixty-five years or older may claim double the tax credit, and a resident individual taxpayer who has no income or no taxable income under this chapter may also claim the tax credit.

The bill has a defective effective date of July 1, 3000, and applies to taxable years beginning after December 31, 2025.

DOTAX notes that it can administer the bill for taxable years beginning after December 31, 2025.

DOTAX estimates the following revenue loss:

General Fund Impact (\$ millions)

FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
-3.2	-3.0	-2.7	-2.6	-2.4	-2.2

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 HD2

INTRODUCED BY: ECD

EXECUTIVE SUMMARY: Increases the tax credit for low-income household renters from \$50 to \$170 per exemption claimed by the taxpayer. Effective 7/1/3000. (HD2)

SYNOPSIS: Amends sec 235-55.7(c), HRS, increasing the low-income household renters tax credit to \$170 multiplied by the number of qualified exemptions.

EFFECTIVE DATE: July 1, 3000, for 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 \$170. 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: 2/25/2026

To: House Committee on Finance
Re: **HB2444 HD2 – Relating to Taxation**
Hawai'i State Capitol & Via Videoconference
February 27, 2026, 2:00 PM

Dear Chair Todd, Vice Chair Takenouchi, and Committee Members,

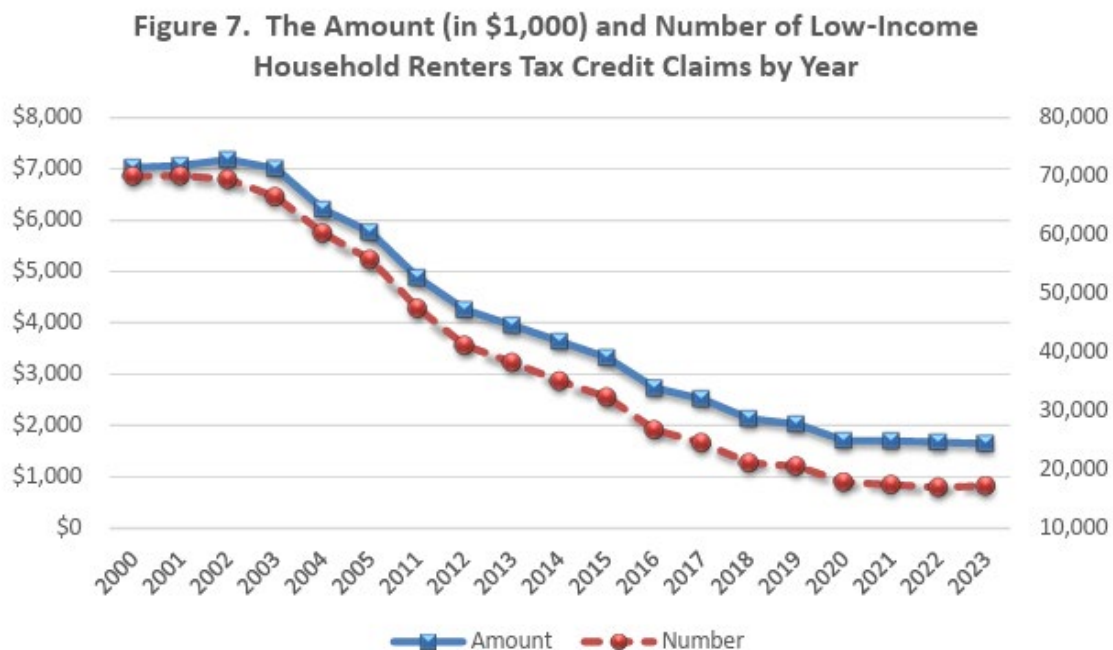
On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **SUPPORT with a suggested amendment to HB2444 HD2**. This bill increases the tax credit for low-income household renters from \$50 to \$170 per exemption claimed by the taxpayer.

This bill rightly updates the renters' credit to recover some ground lost to decades of inflation by increasing value of the credit. **We suggest also raising the annual income eligibility cap to \$77,000. The current cap of \$30,000 is so low that a full-time, full-year minimum wage worker makes too much money to qualify for this credit.**

This 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, and adjusting for inflation is more than \$170 now.¹

In 1989, the income eligibility cut off was set at \$30,000, which was just above the median household income. **If we adjust the income cut-off for inflation, it would be more than \$77,000 per year now.**

With the renters' credit being stuck at the same level since then, fewer and fewer Hawai'i residents are able to claim the credit every year, as you can see in this chart from the Department of Taxation²:

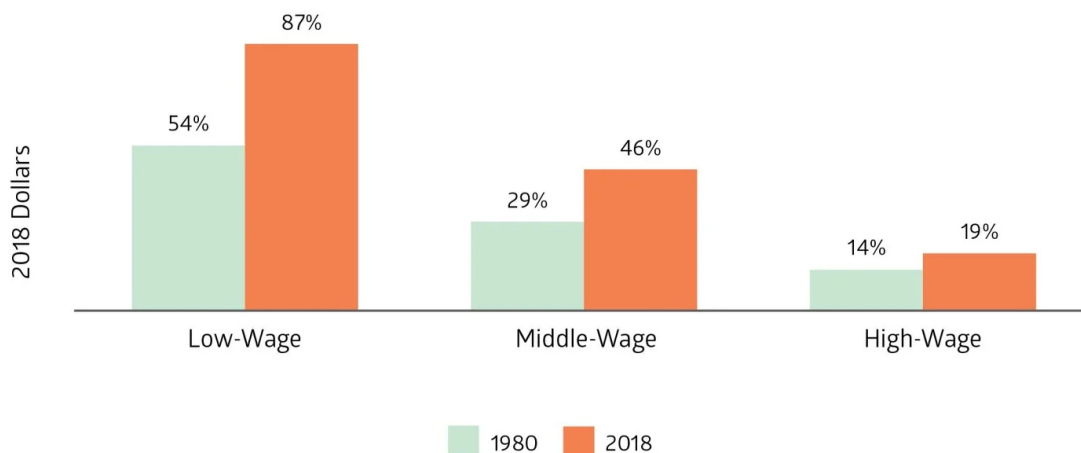


¹ https://www.bls.gov/data/inflation_calculator.htm

² <https://files.hawaii.gov/tax/stats/stats/credits/2023credit.pdf>

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.**³ Our current minimum wage of \$16 per hour, or \$33,280 per year, is less than half of that.

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%:⁴



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

Sincerely,

Nicole Woo
Director of Research and Economic Policy

³ <https://nlihc.org/oor/state/hi>

⁴ <https://hiappleseed.org/blog/hawaii-housing-costs-top-expense-skyrocketed-since-1980>



CATHOLIC CHARITIES HAWAII

SUPPORT FOR HB 2444 HD2: RELATING TO TAXATION

TO: House Committee on Finance
FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawai'i
Hearing: Friday, 2/27/26; 2:00 PM; CR 308 or Videoconference

Chair Todd, Vice Chair Takenouchi, and Members, Committee on Finance:

I am Betty Lou Larson from Catholic Charities Hawai'i. Thank you for the opportunity to testify in **support with a suggested amendment to HB 2444 HD2**, which increases the tax credit for low-income renters from \$50 to \$170 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.

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. We also provide services to the ALICE (Asset Limited Income Constrained Employed) population who are often in great economic stress.

We support HD2 which recognizes that this renters tax credit has not kept up with inflation and it proposes an increase to \$170 per exemption. However, renters who need this help most -- low-income workers and ALICE workers --cannot qualify for this help! The income cap of \$30,000 has not been updated since 1989. If the cutoff was adjusted for inflation, it would be more than \$77,000/year now. The latest ALICE Report found that a **Survival Budget for a family of 4 is \$99,552** (a 16% increase over 2023).

We respectfully suggest raising the income cap to \$77,000 just to keep up with inflation. Renters cannot participate in the property tax relief programs open to homeowners. Raising the cap would give relief to low and middle income workers to help them remain in Hawai'i. They provide essential services to our communities.

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



CLARENS T. C. CHING CAMPUS • 1822 Ke'eumoku Street, Honolulu, HI 96822
Phone (808) 527-4813 •



HB-2444-HD-2

Submitted on: 2/24/2026 6:37:28 PM

Testimony for FIN on 2/27/2026 2:00:00 PM

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

Comments:

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

I am writing in **strong support of HB2444**, which would increase the tax credit for low-income household renters from \$50 to \$170 per exemption claimed. This update is long overdue and urgently needed for working families struggling to keep up with Hawai‘i's soaring cost of living.

Inflation alone makes this increase necessary. The renter's tax credit has not been meaningfully updated in years. Meanwhile, the cost of everything—groceries, gas, utilities—has climbed steadily. A \$50 credit in today's dollars is worth far less than when it was set. Raising it to \$170 is not a gift; it is simply catching up to reality.

Hawai‘i's sky-high housing costs make this credit absolutely critical. We have the highest rents in the nation. Working families, seniors on fixed incomes, and low-wage workers devote unsustainable portions of their paychecks just to keep a roof over their heads. Every dollar matters. For households already stretched to the breaking point, an additional \$120 in relief can mean keeping the lights on, filling the gas tank, or putting food on the table.

HB2444 is a small but meaningful step toward affordability. It does not solve the housing crisis on its own, but it provides direct, immediate relief to the renters who need it most. It acknowledges that the state has a role to play in easing the burden on families being priced out of their own communities.

When we fail to update tax credits for inflation, we are effectively cutting them. HB2444 reverses that erosion and restores a measure of support for low-income renters.

I urge you to pass this bill. Mahalo for the opportunity to testify.