To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Friday, March 29, 2019
Time: 10:00 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 1190, H.D. 1, Relating to Taxation

The Department of Taxation (Department) offers the following comments on H.B. 1190, H.D. 1, for the Committee's consideration.

H.B. 1190, H.D. 1, amends individual income tax brackets and rates. The bill is effective July 1, 2030 and applies to taxable years beginning after December 31, 2018.

H.B. 1190, H.D. 1, eliminates individual income taxes for taxpayers with taxable income of:

- $3,300 or less for single filers,
- $4,800 or less for head of household filers, and
- $6,600 or less for joint filers.

H.B. 1190, H.D. 1, changes the individual income tax rates to unspecified rates for taxpayers with taxable income of:

- $3,301 or more for single filers,
- $4,801 or more for head of household filers, and
- $6,601 or more for joint filers.

The Department notes that though the rates have been changed to unspecified rates, the elimination of income taxes for taxpayers under certain taxable income thresholds is still contained in the bill.
The Department respectfully requests that the changes to the individual income tax brackets and rates be made applicable to taxable years beginning after December 31, 2019 to allow the Department time to make required forms and computer systems changes.

Thank you for the opportunity to provide comments.
SUBJECT: INCOME TAX
BILL NUMBER: HB 1190, HD-1
INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Changes income tax rates and eliminates state income tax for those at or below the poverty level for taxable years beginning after December 31, 2018.

SYNOPSIS: Amends section 235-51, HRS, to eliminate tax liability in the lowest tax brackets. The following table illustrates the changed brackets for the bill as originally introduced; all the amounts are blank at present.

<p>| MFJ -- EXISTING LAW FOR TAXABLE YEARS BEGINNING AFTER 12/31/2017 |</p>
<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Rate</th>
<th>Tax for This Bracket</th>
<th>Next Bracket Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>4,800</td>
<td>1.40%</td>
<td>67.20</td>
<td>67</td>
</tr>
<tr>
<td>4,800</td>
<td>9,600</td>
<td>3.20%</td>
<td>153.60</td>
<td>221</td>
</tr>
<tr>
<td>9,600</td>
<td>19,200</td>
<td>5.50%</td>
<td>528.00</td>
<td>749</td>
</tr>
<tr>
<td>19,200</td>
<td>28,800</td>
<td>6.40%</td>
<td>614.40</td>
<td>1,363</td>
</tr>
<tr>
<td>28,800</td>
<td>38,400</td>
<td>6.80%</td>
<td>652.80</td>
<td>2,016</td>
</tr>
<tr>
<td>38,400</td>
<td>48,000</td>
<td>7.20%</td>
<td>691.20</td>
<td>2,707</td>
</tr>
<tr>
<td>48,000</td>
<td>72,000</td>
<td>7.60%</td>
<td>1,824.00</td>
<td>4,531</td>
</tr>
<tr>
<td>72,000</td>
<td>96,000</td>
<td>7.90%</td>
<td>1,896.00</td>
<td>6,427</td>
</tr>
<tr>
<td>96,000</td>
<td>300,000</td>
<td>8.25%</td>
<td>16,830.00</td>
<td>23,257</td>
</tr>
<tr>
<td>300,000</td>
<td>350,000</td>
<td>9.00%</td>
<td>4,500.00</td>
<td>27,757</td>
</tr>
<tr>
<td>350,000</td>
<td>400,000</td>
<td>10.00%</td>
<td>5,000.00</td>
<td>32,757</td>
</tr>
<tr>
<td>400,000</td>
<td>-</td>
<td>11.00%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<p>| MFJ -- PROPOSED FOR TAXABLE YEARS BEGINNING AFTER 12/31/2018 |</p>
<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Rate</th>
<th>Tax for This Bracket</th>
<th>Next Bracket Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>6,600</td>
<td>0.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6,600</td>
<td>9,600</td>
<td>3.20%</td>
<td>96.00</td>
<td>96</td>
</tr>
<tr>
<td>9,600</td>
<td>28,800</td>
<td>6.60%</td>
<td>1,267.20</td>
<td>1,363</td>
</tr>
<tr>
<td>28,800</td>
<td>38,400</td>
<td>6.80%</td>
<td>652.80</td>
<td>2,016</td>
</tr>
</tbody>
</table>
EFFECTIVE DATE: This Act shall take effect on July 1, 2030 and shall apply to taxable years beginning after December 31, 2018.

STAFF COMMENTS: As shown by the highlighted rows in the table above, the bill as introduced changes the tax brackets to start later but to catch up by the time the taxable income hits $28,800 for married filing jointly. For taxpayers with taxable income in excess of that amount, liability is unchanged.

We have often remarked that 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. Furthermore, as the U.S. Treasury has experienced with the Earned Income Tax Credit, the combination of complexity and a refundable credit result in a certain percentage of improper payouts, some due to mistake or misunderstanding, and some due to bad actors. Thus, we have said that 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. If additional relief to such people is considered desirable, it can be delivered through the agencies that are better equipped to do so.

With all of the amounts in this bill blank, we cannot tell if the objective of this bill still is to stop taxing the poor deeper into poverty by getting them off the tax system. Depending on how the blanks are filled in, the bill could easily turn into a revenue raiser.

If the bill does become a revenue raiser, it will reinforce the image that Hawaii is a poor place to live, work, and invest, underscoring the poor business climate. When the 9%, 10%, and 11% rates were enacted in 2009, the national Tax Foundation was motivated to write:

**Taxing High-Income Earners Has Failed Before as Sound Fiscal Policy**

The trend may be new, but the policy has been tried before. Through the early 1990s, several states maintained double-digit income tax rates, including California (11% until 1996) and Hawaii (10% until 1998). These rates came down due to a combination of booming tax revenues from all sources, and growing expert understanding that location decisions of highly mobile entrepreneurs are sensitive to state income tax rates, particularly in the interstate context. To attract and keep good talent, create jobs and drive economic growth, legislators knew that state tax systems had to be competitive with their neighbors.
We still see elements of that today. Even in adopting its millionaires' tax, New York did not let its rate go above neighboring New Jersey, and other states are wary of crossing the 10% psychological barrier. The California Franchise Tax Board has taken pains to deny that their 10.3% top tax rate is in the double digits, referring on their website and on tax forms to a 9.3% top rate and elsewhere noting that there is a 1% surcharge. Now those rates are 9.55% and 10.55% (see Table 1).

If states are still concerned about interstate tax competition, what has really changed? The short answer is priorities. States that adopt new taxes on high-income earners are ones where policymakers are persuaded to ignore concerns about long-term economic growth in favor of a short-term budget fix that avoids deep spending cuts. In New Jersey, while the new millionaires' tax raised revenue for the state and helped reduce a budget shortfall, it reduced the state's overall economic output and harmed its ability to grow during and after the recession.

This is the tradeoff that proponents of taxes on high-income earners usually fail to acknowledge. Yes, such taxes will generally raise revenue in the short term without a sudden exodus of wealthy people fleeing to the state next door, especially in Hawaii. But over the medium term, the taxes will negatively impact location decisions. People expanding old businesses or creating new ones will incorporate the higher cost of doing business into their decision-making, and steer clear of the state. California currently faces an enormous brain drain of dynamic individuals after five years of double-digit income taxes, and it seems that New Jersey may now be seeing the evidence of a brain drain from its millionaires' tax. Hawaii has long been accused of chasing out its best and brightest, and it can only be exacerbating that problem with these new tax rates.


To similar effect is a study sponsored by the American Legislative Exchange Council (ALEC), which states:

> When competing for residents, relative tax burdens among states matter most. States with lower relative tax burdens can expect higher growth, while states with higher relative tax burdens experience slower economic expansion. Contrasting state-specific economic metrics of the states with the lowest and highest tax burdens highlight the importance of tax policy (Table 3).

Data clearly shows that low tax burdens enhance a state’s chances of performing well economically (Table 3). On the other hand, a high tax burden reduces a state’s chances of performing well. Of course, other policy variables impact economic performance, but tax burden is most consequential. In addition to comparing a state’s economic performance to its tax burden, we also examine the 11 states that adopted an income tax since 1960 to show how their economies fared afterwards (Table 4).
Every one of the 11 states that introduced a state income tax since 1960 declined relative to the rest of the nation in population growth, gross state product (GSP) growth, and state and local tax revenue growth. That state and local tax revenue growth in New Jersey and Connecticut underperformed by relatively smaller amounts than the other nine states is partially attributable to their adoption of an income tax most recently and their proximity to high-tax New York City.

The new cap on federal deductibility of state and local taxes will materially change the competitive outlook for states. States with a combination of exceptionally high personal income tax rates and large percentages of high income earners tend to underperform on job growth, GSP growth, and income growth under the new tax law compared to previously. Unless high-tax states mend their ways, low-tax states with pro-growth policies will benefit from the resulting flow of capital and people.

Once migration trends begin, it can be difficult to stop them. Just look at population dynamics of Michigan, Connecticut, and West Virginia (see Figure 2). These are three of the 11 states that adopted an income tax since 1960. Once a downward spiral commences, reversal is nearly impossible due to political roadblocks to pragmatic economic policy changes.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>South Dakota</td>
<td>7.1%</td>
<td>9.5%</td>
<td>1.0%</td>
<td>7.4%</td>
<td>37.0%</td>
<td>42.0%</td>
<td>55.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tennessee</td>
<td>7.4%</td>
<td>8.7%</td>
<td>5.4%</td>
<td>7.8%</td>
<td>41.1%</td>
<td>42.1%</td>
<td>54.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Louisiana</td>
<td>7.6%</td>
<td>7.1%</td>
<td>-6.7%</td>
<td>3.3%</td>
<td>50.1%</td>
<td>17.6%</td>
<td>29.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas</td>
<td>7.6%</td>
<td>12.6%</td>
<td>12.6%</td>
<td>15.0%</td>
<td>52.2%</td>
<td>43.3%</td>
<td>63.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Hampshire</td>
<td>7.9%</td>
<td>2.5%</td>
<td>2.7%</td>
<td>4.9%</td>
<td>30.3%</td>
<td>31.2%</td>
<td>43.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nevada</td>
<td>8.1%</td>
<td>15.3%</td>
<td>8.2%</td>
<td>3.8%</td>
<td>28.2%</td>
<td>18.3%</td>
<td>31.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td>9.4%</td>
<td>15.1%</td>
<td>14.4%</td>
<td>7.4%</td>
<td>43.0%</td>
<td>35.0%</td>
<td>42.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal Weighted Avg. of 9 Lowest Tax Burden States ex WY and AK</td>
<td>7.7%</td>
<td>10.7%</td>
<td>5.4%</td>
<td>7.5%</td>
<td>37.4%</td>
<td>33.1%</td>
<td>42.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50-State Equal-Weighted Average</td>
<td>9.5%</td>
<td>7.5%</td>
<td>0.6%</td>
<td>5.8%</td>
<td>35.8%</td>
<td>32.0%</td>
<td>49.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal Weighted Avg. of 9 Highest Tax Burden States</td>
<td>11.5%</td>
<td>4.1%</td>
<td>-10.1%</td>
<td>3.9%</td>
<td>31.8%</td>
<td>29.6%</td>
<td>43.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rhode Island</td>
<td>10.9%</td>
<td>0.2%</td>
<td>-6.3%</td>
<td>0.9%</td>
<td>26.2%</td>
<td>25.3%</td>
<td>27.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td>10.9%</td>
<td>7.1%</td>
<td>-3.4%</td>
<td>5.6%</td>
<td>34.6%</td>
<td>37.3%</td>
<td>47.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minnesota</td>
<td>10.9%</td>
<td>7.1%</td>
<td>-6.1%</td>
<td>6.3%</td>
<td>37.7%</td>
<td>35.6%</td>
<td>55.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>California</td>
<td>11.0%</td>
<td>9.1%</td>
<td>-11.0%</td>
<td>8.5%</td>
<td>45.5%</td>
<td>40.4%</td>
<td>55.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Illinois</td>
<td>11.0%</td>
<td>0.5%</td>
<td>-16.6%</td>
<td>1.1%</td>
<td>26.0%</td>
<td>26.9%</td>
<td>51.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisconsin</td>
<td>11.0%</td>
<td>3.3%</td>
<td>-2.2%</td>
<td>2.8%</td>
<td>31.5%</td>
<td>33.0%</td>
<td>25.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Jersey</td>
<td>12.2%</td>
<td>3.8%</td>
<td>-20.4%</td>
<td>1.1%</td>
<td>28.4%</td>
<td>23.0%</td>
<td>36.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connecticut</td>
<td>12.6%</td>
<td>1.7%</td>
<td>-8.9%</td>
<td>0.8%</td>
<td>25.2%</td>
<td>10.2%</td>
<td>40.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>12.7%</td>
<td>3.7%</td>
<td>-21.4%</td>
<td>9.2%</td>
<td>33.3%</td>
<td>38.2%</td>
<td>54.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Tax Burden as a Share of Personal Income is calculated by the Tax Foundation and is currently as of 2012.
**State & Local Tax Revenue is the 10-year growth in state and local tax revenue from the Census Bureau’s State & Local Government Finances survey. Because of data release lag, these data are 2005 to 2015.
For these reasons, we recommend that lawmakers think twice before continuing or increasing the high individual rates that put Hawaii on the map for all the wrong reasons.

Digested 3/27/2019
Aloha Senators,

The LGBT Caucus of the Democratic Party of Hawaii supports the passage of HB 1190 HD 1.

Mahalo for your consideration and for the opportunity to testify.

Mahalo,

Michael Golojuch, Jr.
Chair
LGBT Caucus of the Democratic Party of Hawaii
<table>
<thead>
<tr>
<th>Submitted By</th>
<th>Organization</th>
<th>Testifier Position</th>
<th>Present at Hearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rainbow</td>
<td>Testifying for Rainbow Family 808</td>
<td>Support</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Comments:

Rainbow Family 808 Strong Supports decreasing the State Income Taxes for our most needy working citizens. This is the pono thing to do. Thank you for passing this important legislation.
March 26, 2019

TO: Honorble Chair Dela Cruz & WAM Committee Members

RE: HB 1190 HD1 Relating to Taxation

Support for Hearing on March 29

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support HB 1190 HD1 as it would reduce or eliminate taxes for people earning less than $6,600 per year. Hawaii Appleseed reports that state and local taxes take a 15 percent bite out of the earnings of Hawaii’s households in the bottom fifth of the income spectrum. Meanwhile, those in the top 5 percent pay a state and local tax rate of only about 9 percent. This regressivity leads to Hawaii’s ranking as the second-worst state in the nation for low-income residents. Adjustments to the tax brackets to ameliorate this would be most welcome.

Thank you for your favorable consideration.

Sincerely,

John Bickel President
March 27, 2019

Senate Committee on Ways and Means
Friday, March 29, 2019, 10am
Conference Room 201

HB1190, HD1 – SUPPORT

Aloha Committee Chair, Vice-Chair, and Members:

I am submitting testimony in my capacity as Executive Director of Hawaiian Community Assets (HCA), a nonprofit community development corporation, HUD-approved housing counseling agency, and community development financial institution, to **STONGLY SUPPORT HB1190, HD1**.

HB1190 would allow Hawaii to join the majority of states in NOT imposing a state income tax on individuals and families living under the Federal poverty line.

At a time when Hawaii reports the highest housing cost burdens on its renters and homeowners, while having the lowest annual average pay rates, it is time to end our practice of taxing those most in need who struggle day in and day out to afford basic necessities.

This tax relief will allow our struggling households to use the funds to support their families and children by spending on housing, transportation, and education which will in-turn boost consumer spending in our local and state economies that will have a multiplier effect that will benefit all Hawaii residents.

Eliminate our state income tax on our families, friends, neighbors, and your constituents who live under the Federal poverty line. **Pass HB1190, HD1.**

Mahalo for your time, leadership and consideration. Please contact me directly at 808.587.7653 or jeff@hawaiiancommunity.net should you have any questions or need additional information.

Sincerely

Jeff Gilbreath
Executive Director

“Building Foundations for Future Generations”
Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to provide testimony in SUPPORT of HB 1190 HD1, to provide much-needed tax relief to the poorest taxpayers among us.

High housing costs, low wages, and increasing energy and food costs mean a family’s dollar has to stretch further each year just to meet basic needs. Faced with the highest cost of living in the nation, nearly half of our state’s residents live paycheck-to-paycheck.

State and local taxes take a 15 percent bite out of the earnings Hawai‘i households in the bottom fifth of the income spectrum. Meanwhile, those in the top 5 percent pay a state and local tax rate of only about 9 percent. This regressivity leads to Hawai‘i’s ranking as the second-worst state in the nation for low-income residents.¹
A good first step to help the low-income families in our state who are burdened with heavy taxes would be to eliminate or provide a meaningful reduction in state income tax liability for workers in the lowest tax brackets.

HB 1190 HD1 has the amounts and percentages of the tax brackets blanked out. We recommend restoring the language of the original HD 1190, which eliminates income tax for those in the lowest bracket and reduces the income tax on households up to approximately the poverty level, without any large jumps up in tax liability at certain income thresholds.

We appreciate your consideration of this testimony.

https://itep.org/whopays/
The property tax is a good thing to have, but some people depending what job they do dont make enough to cover all essentials on top of providing extra for property tax.
Comments:

HB 1190 eliminates state income tax for the poorest among us. Hawai‘i places the second highest tax burden in the nation on low-income families: our lowest income households pay 15% of their income in state and local taxes, while those at the top pay only about 9%. This bill would help restore some balance.
**HB-1190-HD-1**  
Submitted on: 3/27/2019 2:59:26 PM  
Testimony for WAM on 3/29/2019 10:00:00 AM

<table>
<thead>
<tr>
<th>Submitted By</th>
<th>Organization</th>
<th>Testifier Position</th>
<th>Present at Hearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marilyn Mick</td>
<td>Individual</td>
<td>Support</td>
<td>No</td>
</tr>
</tbody>
</table>

Comments:
Submitted By | Organization | Testifier Position | Present at Hearing
---|---|---|---
donald erway | Individual | Support | No

Comments:
Please vote YES on, and support the enactment of HB 1190, which eliminates state income tax for the poorest among us. Hawai‘i places the second highest tax burden in the nation on low-income families: our lowest income households pay 15% of their income in state and local taxes, while those at the top pay only about 9%.

HB 1190 would help restore some balance.

Mahalo,

Greg and Pat Farstrup

Pauoa, O‘ahu
Aloha Chair Dela Cruz,

I strongly support HB1190 HD1 to eliminate the lowest income tax bracket, which reflects people living at or below the poverty threshold in Hawai‘i. It doesn't make any sense to expect people struggling to survive to pay income tax. Hawai‘i places the second highest tax burden in the nation on low-income families: our lowest income households pay 15% of their income in state and local taxes, while those at the top pay only about 9%. This bill would help restore some balance.

Mahalo,
**HB-1190-HD-1**  
Submitted on: 3/27/2019 5:57:27 PM  
Testimony for WAM on 3/29/2019 10:00:00 AM

<table>
<thead>
<tr>
<th>Submitted By</th>
<th>Organization</th>
<th>Testifier Position</th>
<th>Present at Hearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael deYcaza</td>
<td>Individual</td>
<td>Support</td>
<td>No</td>
</tr>
</tbody>
</table>

Comments:
Aloha,

Please help with the burden of those who are struggling the most in our communities. We cannot continue having the richest and the well off members of the community not paying their fair share. We need to continue to work to create a society that works for all of us so all of us can rise and benefit together.

Mahalo,

Jun Shin

808-255-6663

junshinbusiness729@gmail.com
I am writing from Kauai. I strongly support this bill. Hawaii's citizens in the lowest income brackets are unduly burdened with income tax combined with excise tax on all of their basic needs including rent.
<table>
<thead>
<tr>
<th>Submitted By</th>
<th>Organization</th>
<th>Testifier Position</th>
<th>Present at Hearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brandon W Duran</td>
<td>Individual</td>
<td>Support</td>
<td>No</td>
</tr>
</tbody>
</table>

Comments:
Chair DELA CRUZ, Vice-Chair KEITH-AGARAN and Committee Members:

The League of Women Voters of Hawaii strongly supports the intent of HB1900 HD1 that eliminates the income tax for people at or below the poverty level and lowers tax liability for people with very low incomes.

Currently, the federal poverty level for a single person in Hawaii is $14,380 annual or $1,198 per month. The average rental rate for a studio apartment in Hawaii is $1,821. These numbers alone demonstrate that to impose income tax on someone at this income level is cruel and unfair. Not surprisingly, Hawaii is one of a small minority of states which taxes people with incomes below the poverty line. HB1900 HD1 begins to remediate this situation. It is long overdue.

We admit to finding HD1 as written confusing. The sections at lines (respectively)13 on page 5; line 4 on page 10; and line 19 on page 14 seem mutually contradictory. All pertain to dates after 12/31/18. We strongly prefer the proposed changes as written starting at line 13 on page 5.

Unless our confusion is ill-founded, please support HB1900 HD1 using the wording at line 13 on page 5, and remove the other two sections on pages 10 and 19. Thank you for the opportunity to submit testimony.
Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of Ways and Means,

RE: HB1190 HD1, Relating to Taxation.

The O‘ahu County Democrats support House Bill 1190, House Draft 1.

This bill would both provide tax relief for the poor and update the tax code based on inflationary increases to income over the last decade. The Platform of the O‘ahu County Democrats states that "fair and equitable taxation is essential for good government." So we Democrats are in clear support, as HB1190 HD1 would reduce the regressiveness of the tax code.

There is reason to hope that HB1190 will boost our economy. First, poorer workers spend a higher proportion of disposable income. That stimulates small business. Second, burdening the same working poor with income taxes when their net receipts make up such a small share of tax revenue is a lot of administrative hassle, and is very likely a tax liability. Third, the working poor get no ‘free lunch’; they pay more income as a percent in the form of GET than we middle and top-earners.

We Democrats reject the fear-based argument, made by some, that a fairer tax code would cause an exodus by the richest residents. In recent years, Hawai‘i has experienced occasional population stagnation and decline, rare in the urban U.S., for complex reasons. Certain attribution to taxes thus seems premature if not speculative. There are many ways to boost worker income, local business, and sustainability: HB1190 lets the poor keep more of their hard-earned money.

Individually, I have lost countless working-age friends to the mainland—not a single one ever cited taxes as their rationale. And I resent having my fellow ‘youth’ being used selfishly as a prop.

In the bigger picture, if we move to greater housing security and personal savings at lower-and-middle income levels, for which HB1190 sets the stage, we will be more free and less burdened.

We cannot get there by adopting ‘Stockholm Syndrome’ in relation to the top 1% and the idle rich, who drive up our high cost of living, and create little added value in Hawai‘i, while shamelessly demanding lower taxes. The burden of taxation on the true rich of Hawai‘i (individuals making hundreds of thousands in gross income per year) is actually far less than in many jurisdictions (i.e., property taxes) as a percentage of income and/or wealth, and these taxpayers are relatively few.

We urge all members of the Committee on Ways and Means to vote ‘aye’. In summary, the O‘ahu County Democrats and its tens of thousands of members support HB1190 HD1.

Respectfully,

DYLAN P. ARMSTRONG, VICE CHAIR
O‘AHU COUNTY COMMITTEE, O‘AHU COUNTY DEMOCRATS

References
<table>
<thead>
<tr>
<th>Submitted By</th>
<th>Organization</th>
<th>Testifier Position</th>
<th>Present at Hearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seena Clowser</td>
<td>Individual</td>
<td>Support</td>
<td>No</td>
</tr>
</tbody>
</table>

Comments: