

Editorial | Island Voices

Tax credits would lift unfair burden on low-income taxpayers

By Jeff Gilbreath

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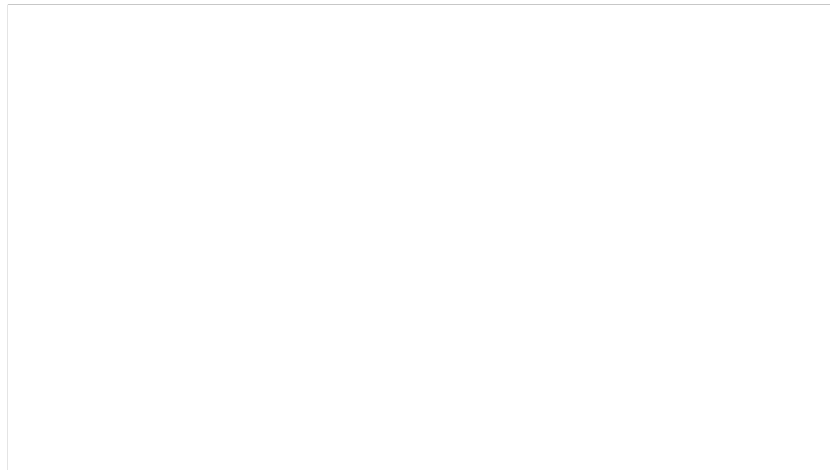
"We need to remind our elected representatives that they have an obligation to enact public policy that addresses systemic inequities that make the lives of low-income earners such a struggle," writes Jeff Gilbreath, executive director of Hawaiian Community Assets, a housing counseling agency.

Continuing media coverage of families reduced to living on the streets and the lag in building enough affordable housing should challenge all of us to ask if we are doing enough to develop solutions.

We need to remind our elected representatives that they have an obligation to enact public policy that addresses systemic inequities that make the lives of low-income earners such a struggle. Remember, these are not people sitting around waiting for a handout. Many of these workers hold two, and sometimes three jobs. Our regressive tax system, which unfairly burdens the poor with paying a higher percentage of their income to state taxes than the rich, is one such systemic inequity that can, and should, be fixed this legislative session.

Currently, our lowest-income workers and working families pay more than 13 percent of their income in state taxes, while the top 1 percent of earners pay just 7 percent. This has given our state the dubious honor of being second on the Institute on Taxation and Economic Policy's list of states with the highest taxes on its poorest residents. This unfair tax structure results in us gifting our high-income earners with approximately \$75 million annually that could otherwise be invested strategically within our communities to tackle serious issues like the need for affordable housing or to reduce a homeless rate that has skyrocketed to the highest per capita of any state in the nation.

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Another area of concern is our food and renters' tax credits. The Bureau of Labor Statistics Consumer Price Index Data shows that the value of \$1 in 1980 is now 34 cents today, yet the amount of our renters' tax credit has not been updated since 1981. At the same time, our state's food tax credit is set to lose a quarter of its value if no action is taken by the Legislature. By not updating our food and renters' tax credits to reflect inflation, we are, at least in part, responsible for more of our families going hungry and facing homelessness year after year.

A 2014 study showed that Native Hawaiians in Hawaii have the lowest median family income of all ethnic groups and must make their low earnings stretch further to support bigger families.

Tax credits could help some of these families in a big way. Based on the Department of Hawaiian Home Lands' mortgage delinquency report dated August 2016, a "working family tax credit" could help 95 native Hawaiian beneficiary families pay back their

mortgage arrears to DHHL and prevent lease cancellation and homelessness. This would reduce the DHHL's mortgage delinquency rate by 38 percent and ensure native Hawaiian communities retain approximately \$6 million in home equity.

A working family tax credit also could provide resources for the down payment and closing costs necessary for the more than 24,000 beneficiaries on the Hawaiian Home Lands waitlist to qualify for mortgage financing or to help all low-income Native Hawaiian and non-Native Hawaiian workers and working families meet their current living expenses, including first month's rent and rental deposits as well as property taxes owed to their respective municipalities.

[House Bill 209](#) would institute long overdue reforms that would get us closer to tax fairness by updating food and renters' tax credits, establishing a working family tax credit, and ensuring our highest income earners pay their fair share of state taxes. These improvements to our tax system are not just good for our low income working families and Hawaii overall, they reflect the truest sense of who we are as a community — one that believes in being pono.

Jeff Gilbreath is the executive director of Hawaiian Community Assets, a housing counseling agency.

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