

Hawaii News

Tax credit to aid poor among bills to survive

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The Legislature turned down a proposal to create an “airport corporation” that would oversee the state’s 15 airports.

Key negotiators for the House and Senate advanced a bill late Friday that would create a state earned income tax credit designed to supplement the incomes of low- and middle-income workers and help alleviate poverty.

The state credit has been pushed for years by tax reform advocates who say it's an effective anti-poverty tool. The federal government already provides such a credit, as do 26 other states.

"I really view this as a historic bill because it has just been so long that people have been pushing for this," said Gavin Thornton, co-executive director of Hawaii Appleseed Center for Law and Economic Justice.



The measure must still pass the full House and Senate before it can be sent to Gov. David Ige for review. But the bill cleared its toughest hurdle on Friday by making it out of conference committee, where many measures die.

The credit would give households back 20 percent of what they are owed from the federal earned income tax credit that can be used to offset any tax liability.

For example, a married couple with three children earning a combined income of \$40,000 would owe \$1,261 in state income taxes, according to the HI Tax Fairness Coalition. The 20 percent credit would offset that tax liability by \$568.

Supporters of **House Bill 209** had pushed to make the state credit refundable so that households could receive extra money at the end of the tax year if they didn't have a tax liability. The refundable credit also would have impacted many more households. But lawmakers indicated Friday that they had decided to go with the nonrefundable version of the credit, which is estimated to cost the state significantly less.

The nonrefundable credit is expected to cost the state \$12.7 million in fiscal year 2018, compared to \$49 million if the credit was refundable, according to estimates from the state Department of Taxation.

The cost of the nonrefundable tax credit is expected to increase annually to as much as \$30.1 million in 2023, when it is scheduled to sunset.

"We were really hoping for the refundable credit, but this is going to have a tremendous impact on a lot of low-income families so we are really excited and

grateful to the Legislature,” said Thornton.

The bill also makes permanent a low-income food credit that is expected to cost the state about \$6.5 million annually.

Under the bill, the upper 5 percent of income earners would also be taxed at a higher rate. The higher tax rate, which actually reverts back to what they were taxed in 2015, would apply to single filers with taxable incomes of \$150,000 or more and joint filers with taxable incomes of \$300,000 or more.

Lawmakers also advanced a bill ahead of the Friday deadline that regulates clinics run by anti-abortion, religious groups. The clinics, which number at least five throughout the state, have come under fire for deceptive practices.

Doctors have accused the clinics of giving false information to women about the physical and emotional risks of abortion to discourage women from undergoing the procedure and misleading them about how far along they are in their pregnancy.

Senate Bill 501 would require the clinics to post information about where women can obtain health insurance if needed that will cover the full range of family planning, prenatal care and contraception.

Clinic officials have argued that the bill treads on their constitutional right to free speech and freedom of religion and have threatened to sue.

Dying bills

Among the bills that failed to make the Friday deadline was a measure to deploy high-tech cameras for traffic enforcement by photographing the license plates of motorists who run red lights.

Senate Bill 221 would have authorized the cameras in Honolulu and the three neighbor island counties, and made the counties responsible for issuing citations by mail to the registered owners of the vehicles, according to the bill.

The use of cameras for traffic enforcement is common in other states, but it isn't clear whether Hawaii residents would accept the practice.

Lawmakers authorized a photo enforcement system to ticket speeding motorists, but that triggered a community outcry when a private contractor deployed a traffic enforcement system known as “van cams” on Oahu in 2002. In the face of that opposition, lawmakers repealed that law and have not approved a new photo enforcement law since.

A proposal to create an “airport corporation” to take control of the state’s 15 airports also failed to advance in time to meet the Friday evening deadline.

State Director of Transportation Ford Fuchigami supports a plan to create a new airport authority or “airport corporation” within his department to upgrade and better manage the facilities, and has been lobbying lawmakers to try to get them to approve the idea.

Fuchigami cites the “progressive deterioration of the quality of terminal facilities, which no longer reflect the best of our state, and are increasingly well below the standard of other airports serving leading global destinations.”

However, the bill died in part because of legal questions about whether the new authority would be able to spend money without appropriations from the state Legislature. Lawmakers requested formal legal guidance on that issue from the state attorney general’s office, but it did not arrive in time for Friday’s deadline.

Lawmakers also shelved a measure that would have authorized Airbnb to collect state taxes from vacation rentals when accepting bookings in Hawaii.

Critics of the industry are concerned that allowing companies such as Airbnb to collect and pay taxes on behalf of illegal units would effectively conceal the locations and owners of those units, making it harder for county officials to crack down on illegal operators.

The online rental company has said it had more than 8,300 listings in Hawaii last year, but Airbnb representatives said they do not know how many of those vacation rentals are illegal.

A similar measure passed the Legislature last year but was vetoed by Ige.

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