

# HACBED

Hawai`i Alliance for Community-Based Economic Development  
677 Ala Moana Blvd., Suite 702 Honolulu, HI 96813  
Ph. 808.550.2661 Fax 808.534.1199  
Email [info@hacbed.org](mailto:info@hacbed.org) www.hacbed.org

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## **HACBED Staff**

Robert Agres, Jr  
*Executive Director*

Brent Dillabaugh  
*Deputy Director*

Justin Fanslau  
*Associate Director*

Larissa Meinecke  
*Public Policy Associate*

Tony Hall  
*Administrative Manager*

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Economic Development and Taxation

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CR 224

SB 2240 SUPPORT

Dear Chair Fukunaga and Committee Members:

The Hawai`i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of **SB 2240**.

Hawai`i needs comprehensive public policy to help people build assets. This should include a combination of programs, tax incentives, regulatory changes, and other mechanisms to help people earn more, save more, protect hard earned assets, start businesses and realize the dream of homeownership. HACBED supports **SB 2240** in that this bill is a major component of a larger asset building policy package. The 2008 Ho`owaiwai Asset Policy agenda addresses these needs by putting together a comprehensive package of policies that encourages and widens opportunities for asset building.

### **Assets are essential for three reasons:**

1. To have **financial security** against difficult times
2. To create **economic opportunities** for oneself
3. To **leave a legacy** for future generations to have a better life

To date, 23 states (including the District of Columbia) have enacted EITC's. These states will combine for close \$2 billion to nearly 6 million families. **EITC's put money back into the community where it is needed most.**

Hawai`i's families continue to struggle to provide the very bare necessities. Many are burdened with the high day to day costs of living not to mention the need to save for college, a new home, a small business or starting a family. These families need tools for building assets- EITC's provide an opportunity to do so.

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For most tax payers, their annual refunds from both federal and state filings are the largest lump sum of discretionary funds they ever see. These funds can be used for home down payments, debt reduction, creation of Individual Development Accounts, and rainy day funds.

**How would a state EITC work?**

**SB 2240** establishes a state EITC that is similar to the 23 other states that utilize the credit. Hawai`i individual filers that qualify for a federal EITC may claim 20% of the earned income credit allowed and reported on the individuals' federal income tax return. Filers have already been utilizing tax preparation assistance from Aloha United Way since the incorporation of the federal EITC and will be provided the same opportunity should a state EITC become available to them. It is key to note that these credits encourage timely filing and offer an opportunity to educate filers on the importance of early filing and financial planning.

In closing, Hawai`i families are struggling to provide for their families given the high cost of living across the state. They are overburdened by taxes and have few opportunities to build their assets and work toward self-sufficiency. Low wages mean pay check to pay check living and an uncertain future. A state EITC will help the working families in Hawai`i who need it the most. It provides a targeted tax relief for these families when they need it most.

Thank you for your consideration.

Sincerely,

Justin Fanslau  
Associate Director