

State and Federal Tax Burdens

TAX REVIEW COMMISSION

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A comprehensive approach to measuring the Hawaii tax burden by quintile

Estimate taxes for median HH of 3 people using micro simulations across income quintiles from CES

- Only include state taxes directly born by consumer (excise taxes, motor vehicle tax, personal income tax)
- Does not include CIT, PSC, Franchise, Estate, Unemployment, Insurance Prem, Conveyance (6.6% of collections)
- Assume GET on rent is born by capital owner

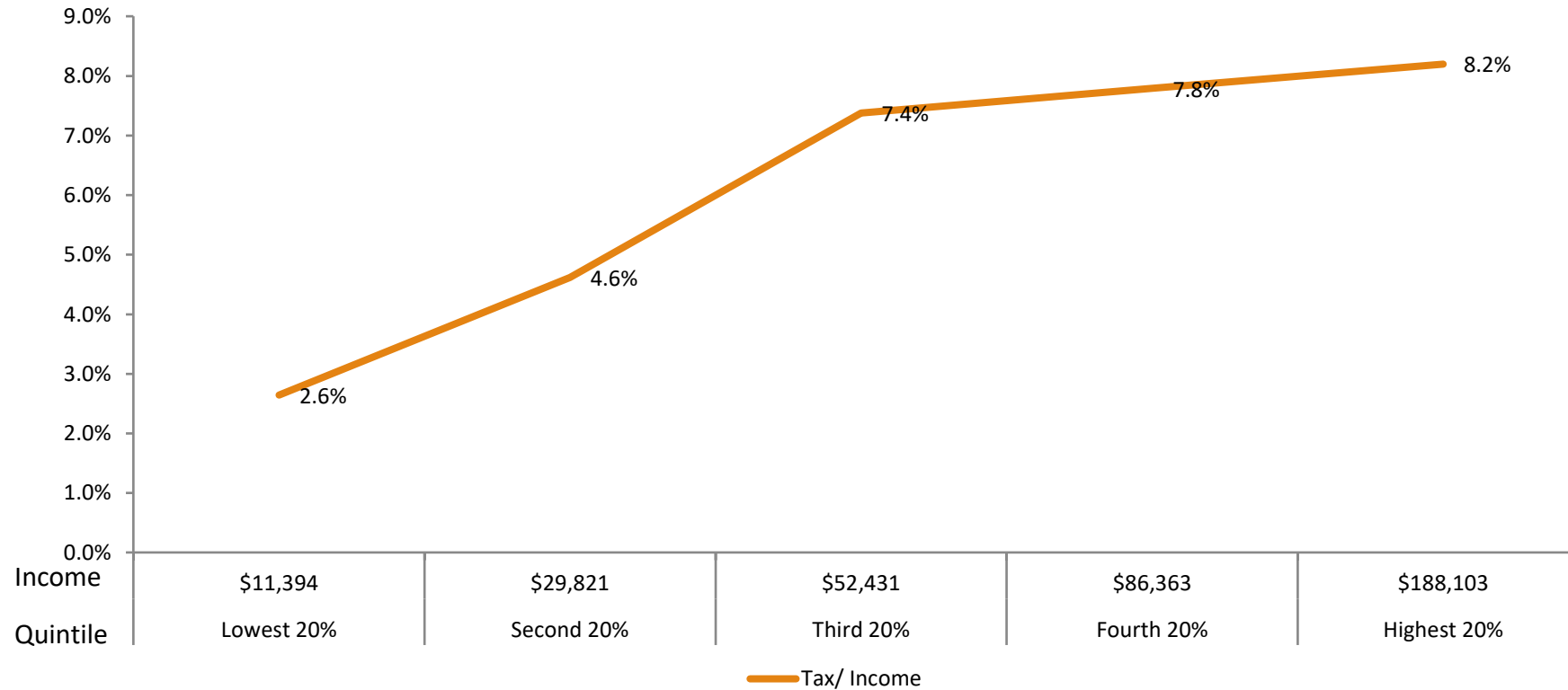
Tax Type	Estimation Methodology
GET (SNAP adj)	Consumer Expenditure Survey by quintile. Honolulu Adjusted
Liquor	Consumer Expenditure Survey by quintile. Honolulu Adjusted
Tobacco	Consumer Expenditure Survey by quintile. Honolulu Adjusted
Fuel	Consumer Expenditure Survey by quintile. Honolulu Adjusted
TAT	Consumer Expenditure Survey by quintile. Honolulu Adjusted
Motor Vehicle Tax	Consumer Expenditure Survey by quintile. Honolulu Adjusted
Personal Income Tax	Estimate state taxes for households (File Jointly, Standard deduction by HH size), Credits available: Refundable EITC, Food Credit, Low Income Rental Credit. Renters

Estimated state tax burden by income quintile for a family of three

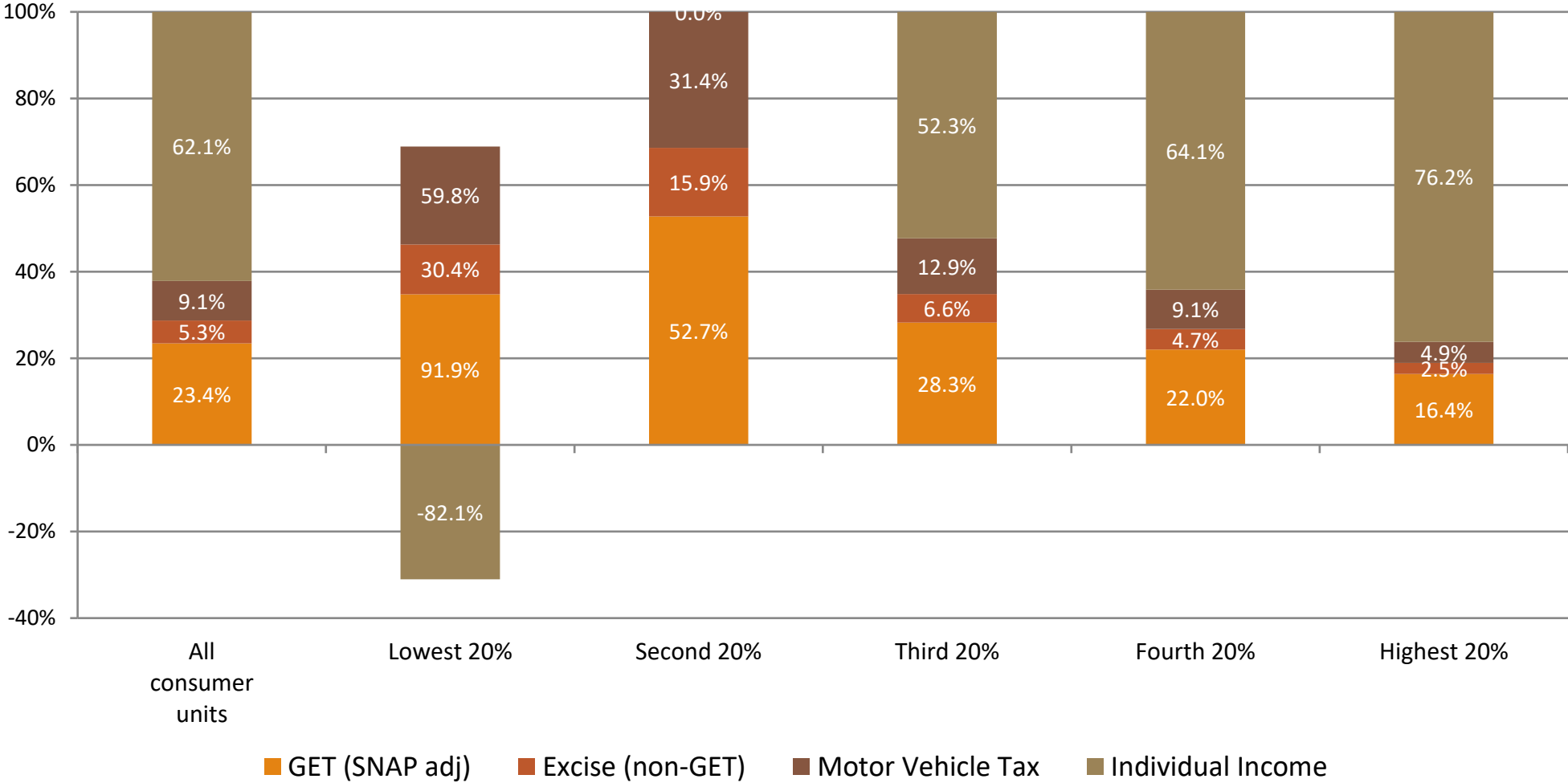
	All consumer units					
	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Highest 20%	
Pre-Tax Income	\$ 73,573	\$ 11,394	\$ 29,821	\$ 52,431	\$ 86,363	\$ 188,103
Federal AGI	\$ 66,951	\$ 10,369	\$ 27,137	\$ 47,712	\$ 78,590	\$ 171,174
After Fed Tax Income	\$ 67,015	\$ 11,411	\$ 30,316	\$ 51,306	\$ 81,387	\$ 161,237
Consumption	\$ 60,060	\$ 26,019	\$ 39,300	\$ 50,470	\$ 67,604	\$ 116,988
People in HH	2.5	1.6	2.2	2.5	2.9	3.1
GET (SNAP adj)	\$ 1,317	\$ 415	\$ 726	\$ 1,128	\$ 1,502	\$ 2,545
Excise (non-GET)	\$ 299	\$ 138	\$ 218	\$ 261	\$ 322	\$ 389
Motor Vehicle Tax	\$ 513	\$ 270	\$ 432	\$ 513	\$ 621	\$ 756
Individual Income	\$ 3,409	\$ (522)	\$ -	\$ 1,967	\$ 4,284	\$ 11,733
Total Tax	\$ 5,538	\$ 301	\$ 1,377	\$ 3,869	\$ 6,729	\$ 15,423
GET/Total Tax	23.8%	137.9%	52.7%	29.1%	22.3%	16.5%
Other Excise/Total Tax	5.4%	45.7%	15.9%	6.8%	4.8%	2.5%
MVT/ Total Tax	9.3%	89.7%	31.4%	13.3%	9.2%	4.9%
PIT/ Total Tax	61.6%	-173.4%	0.0%	50.8%	63.7%	76.1%
Total Tax	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Tax/ Income	7.5%	2.6%	4.6%	7.4%	7.8%	8.2%
Tax/ Income after Fed Inc Tax	8.3%	2.6%	4.3%	7.5%	8.3%	9.6%

Hawaii's state tax system is progressive

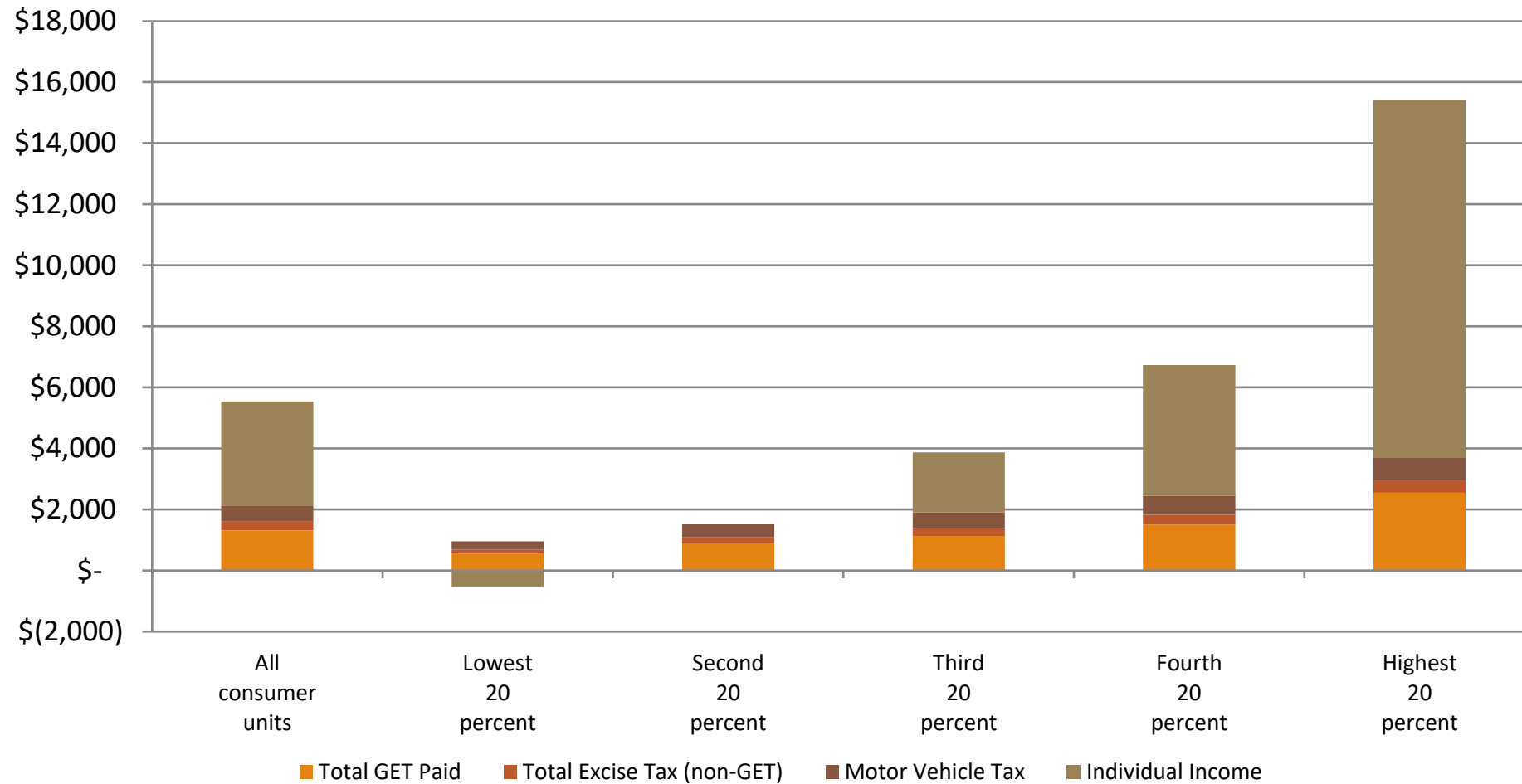
Effective Hawaii State Tax Burden by Income Decile (family of 4)



Composition of HI State Tax Burden by Income Quintile



HI State Tax Burden by Income Quintile



The American Rescue Plan Act expands federal tax credits available to low income HHs

	Pre ARPA	Post ARPA for 2021 tax year
Earned Income Tax Credit	Offers refundable credit based on dependents and income for individuals that work	Lowers eligibility age to 19 and increases benefits for individuals without dependents
Child Tax Credit	A \$2,000 for a child up to age 17. Refundable up to \$1,400. Phase out after \$75K	Increases credit to \$3,000 for a child up to age 17 and \$3,600 for a child under age 6. Credit is now fully refundable
Child and Dependent Tax Credit	Nonrefundable up to \$3,000 per dependent for childcare expenses	Makes fully refundable. Increases maximum benefit to \$4K for one individual and \$8K for two

The federal tax system offers significant tax support for lower income households

Family Number: 2 Adults, 1 dependent

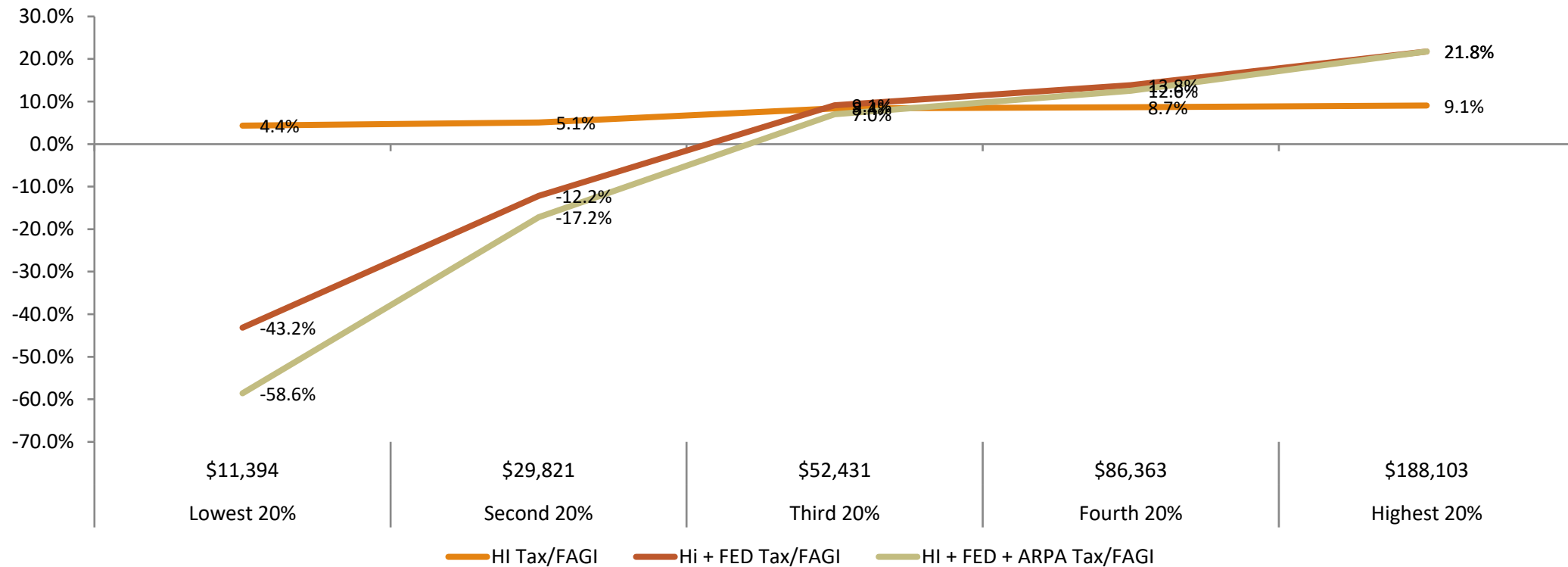
Family Number: 2 adults, 2 dependents

	All consumer units	Lowest 20 percent	Second 20 percent	Third 20 percent	Fourth 20 percent	Highest 20 percent
Pre-Tax Income	73,573	11,394	29,821	52,431	86,363	188,103
Federal AGI	66,951	10,369	27,137	47,712	78,590	171,174
Federal IIT	4,663	0	0	2,356	6,058	23,782
Child Tax Credit	(2,000)	(1,400)	(1,400)	(2,000)	(2,000)	(2,000)
EITC	0	(3,528)	(3,279)	0	0	0
Total Fed Tax	2,663	(4,928)	(4,679)	356	4,058	21,782
ARPA Addition*	(1,000)	(1,600)	(1,366)	(1,000)	(1,000)	0
Total Fed Tax + ARPA	1,663	(6,528)	(6,045)	(644)	3,058	21,782

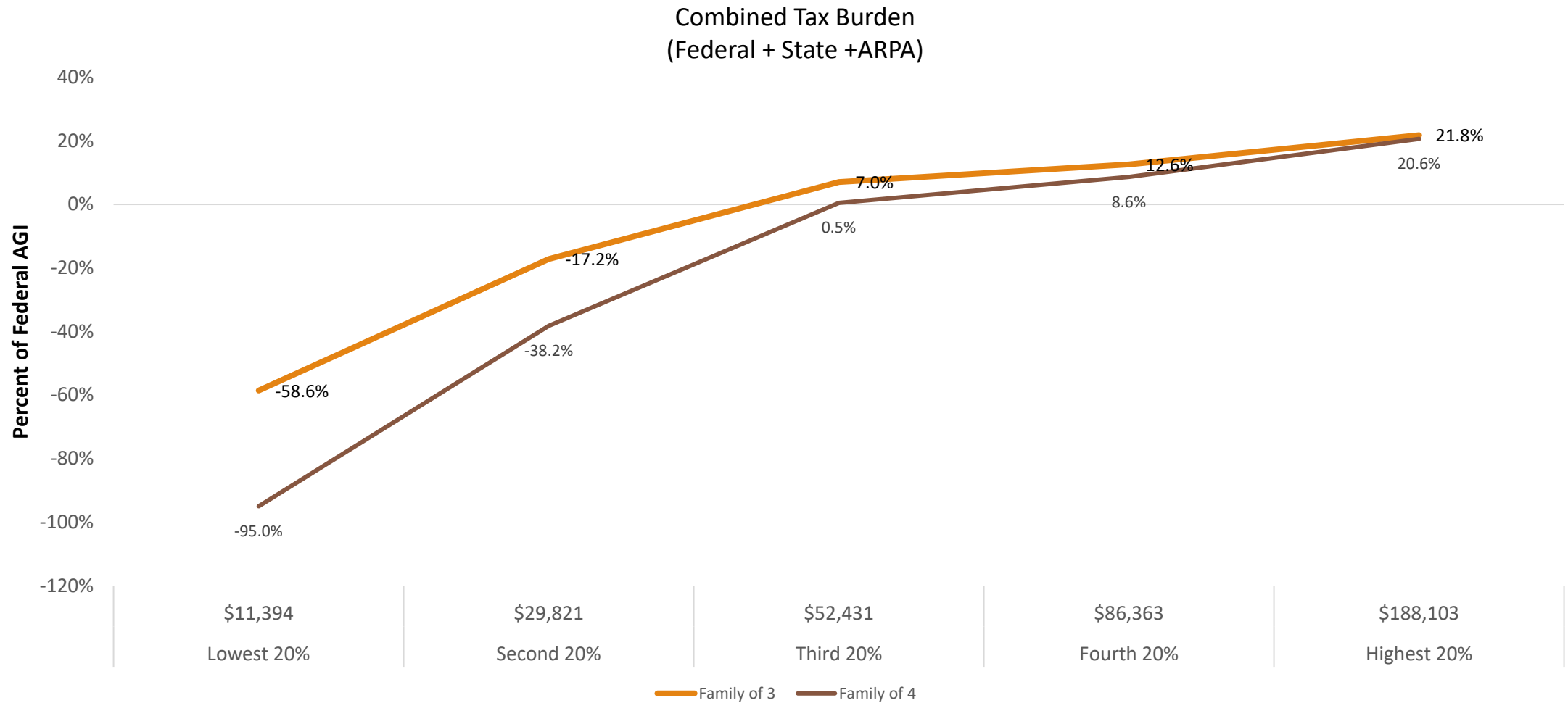
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Pre-Tax Income	73,573	11,394	29,821	52,431	86,363	188,103
Federal AGI	66,951	10,369	27,137	47,712	78,590	171,174
Federal IIT	4,663	0	0	2,356	6,058	23,782
Child Tax Credit	(4,000)	(2,800)	(2,800)	(4,000)	(4,000)	(4,000)
EITC	0	(4,190)	(5,582)	0	0	0
Total Fed Tax	663	(6,950)	(8,319)	(1,644)	2,058	19,782
ARPA Addition*	(2,000)	(3,200)	(3,434)	(2,000)	(2,000)	0
Total Fed Tax + ARPA	(1,337)	(10,150)	(11,753)	(3,644)	58	19,782

Hawaii taxpayers experience a progressive tax schedule at the Federal and State level

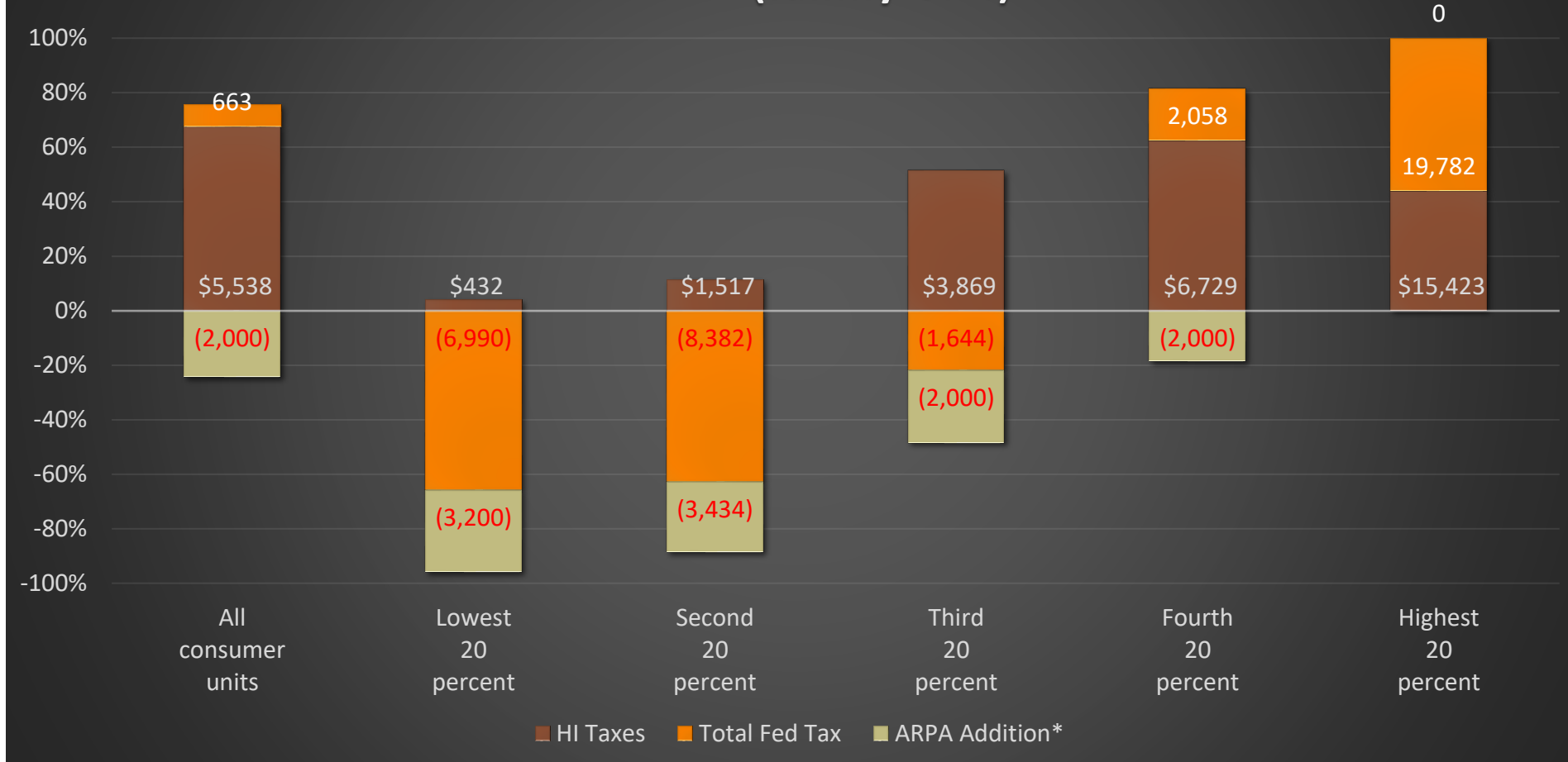
Effective Tax Burden by Income Decile For a Family of Three



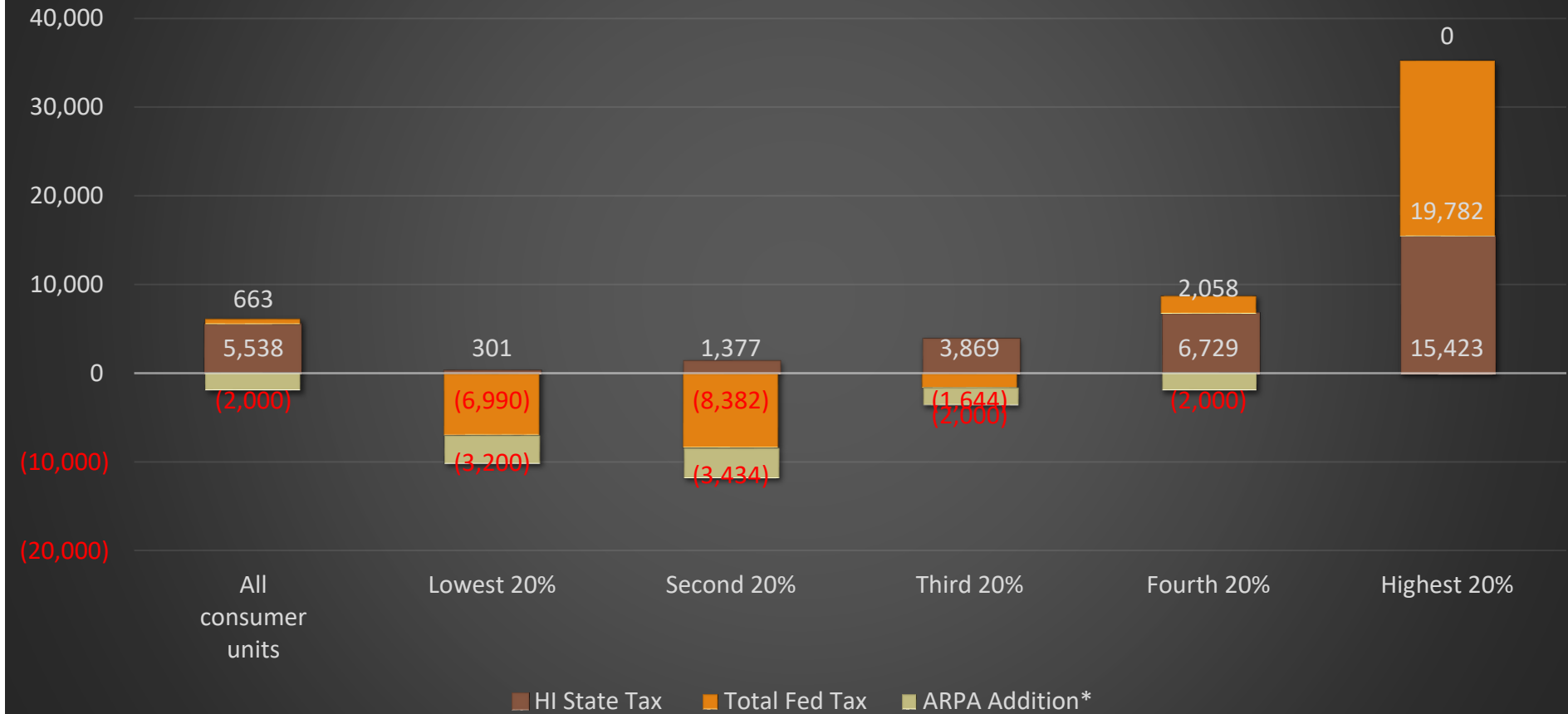
Progressivity increases with more dependents



State and Federal Tax Burden for HH (family of 4)



State and Federal Tax Burden for HH (family of 4)



Mahalo