

## Less taxing of rich but more taxing of us all is so taxing - Hawaii News - Honolulu Star-Advertiser

StarAdvertiser.com

### Less taxing of rich but more taxing of us all is so taxing

By Richard Borreca

POSTED: 01:30 a.m. HST, May 03, 2015

For Hawaii's rich, a little bit of Christmas is coming.

For Oahu's not-so-rich, instead of a present, you are getting a new bill for the sleigh ride.

The issue is a bit complicated, but the results are clear: If you are rich, your state income taxes are going down by up to 2.75 percent while extra taxes to pay for Oahu's over-budget heavy rail system are going into overtime.

As of press time, the specifics of the perpetuation of the rail tax had not been set, but the state Legislature was going over plans to extend it either five or 25 years. No one was saying it was time for the Legislature to tell the county to curb its transit plans.

The Legislature, at the behest of then-Mayor Mufi Hannemann, asked for a supplemental tax to pay for rail, promising it would expire in 2022.

The general excise tax is a regressive tax because it takes the same amount from every taxpayer, which means that the poor end up paying a larger portion of their money compared to the rich.

"Low-income people must spend basically all of their income on necessities subject to the GET. They pay almost twice as much of their income — 13.4 percent — toward state taxes as the wealthiest 1 percent. Because the burden of the GET is so high, low-income households in our state actually face the second-heaviest state tax burden in the country," said Jenny Lee, Hawaii Appleseed attorney, in a Star-Advertiser commentary.

The extra money, regressive or not, is needed because the city's rail plan is nearly a billion dollars over budget.

While the Legislature is likely to break its promise to Oahu taxpayers and not stop the rail tax in 2022, the same Legislature has already stood up strong for the state's top income earners.

Back in 2009, with the state staring at a \$2.3 billion deficit, it took \$36 million a year from the state's most wealthy to help pay down the deficit.

But it promised that the money grab would end this year, when the tax credit would return to its former rate and all would be fine.

As a tiny footnote, the Ige administration had included the tax credit rise in the state budget, so it is no surprise. Ige last year during a debate with former Gov. Neil Abercrombie had even posed the question to the Manoa Democrat, asking him if he favored canceling the credit.

Abercrombie misunderstood the question and instead defended the excise tax as an efficient and

broad-based way to raise money.

In an interview this week, state Rep. Marcus Oshiro, former Finance Committee chairman and the architect of the tax increase, said it was needed in 2009 and he hoped that it would not sunset.

"I hoped all along that that we could keep the rate," Oshiro told me.

"Everyone was saying the high wage earner would flee Hawaii because of the tax; that didn't happen. You still see the well-to-do moving here."

Oshiro sold the tax change for the rich because while the excise tax is regressive, the income tax rate is progressive and fair; that is, the more you make, the more you pay.

This year's tax policy is less about fairness, and more about pragmatism.

*Richard Borreca writes on politics on Sundays, Tuesdays and Fridays. Reach him at [rborreca@staradvertiser.com](mailto:rborreca@staradvertiser.com).*

---

*Copyright (c) Honolulu Star-Advertiser*