HAWAI'I APPLESEED CENTER LAW AND ECONOMIC JUSTICE

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Wealthiest Residents of Hawaii Pay Almost Half the Effective Tax Rate That Poorest Pay in State and Local Taxes; Middle-Income Families Also Pay More

Comprehensive New 50-State Study Provides Detailed Profiles and Comparisons of Tax Systems and the Report Ranks Hawaii as the 4th Worst of the "Terrible Ten" Most Regressive States

Honolulu, Hawaii – Like most state tax systems, Hawaii takes a much larger share from middle- and low-income families than from wealthy families, according to the fourth edition of "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," released today by the Washington-based Institute on Taxation and Economic Policy (ITEP). Combining all of the state and GET, property, sales and excise taxes Hawaii residents pay, the average overall effective tax rates by income group are 13% for the bottom 20 percent, 11.6% for the middle 20 percent and 7.5% for the top 5 percent. Nationally, those figures are 11.1 % for the bottom 20 percent, 9.4 % for the middle 20 percent and 7.2% for the top 5 percent. The full report is online at www.whopays.org.

Hawaii ranks 4th worst in the nation with a tax system that is heavily tilted towards high earners. The ten states with the highest taxes on the poor are Arizona, Arkansas, Florida, **Hawaii,** Illinois, Indiana, Pennsylvania, Rhode Island, Texas, and Washington. Since the ITEP issued its last report in November 2009, Hawaii has dropped from the 5th worst state to tax its poor to its current position as 4th.

This year the legislature is considering legislation to reduce the tax burden on low income residents by creating a State Earned Income Tax Credit (EITC) program and a Poverty Tax Credit. The bills for the State EITC program are HB385 and SB301. The bills for establishing the Poverty Tax Credit are HB384 and SB98. Victor Geminiani, Executive Director of the Hawaii Appleseed Center on Law and Economic Justice, said that "these bills would go a long way to restoring equity in our state income tax system by implementing the proposed State EITC and Poverty Tax Credit. They would help the poorest among us survive the many economic challenges they face to their basic survival while eliminating the anomaly of taxing further into poverty those individuals and families who are earning the state's lowest incomes."

"We know that governors nationwide are promising to cut or eliminate taxes, but the question is who's going to pay for it," said Matthew Gardner, Executive Director of ITEP and an author of the study. "There's a good chance it's the so-called takers who spend so much on necessities that they pay an effective tax rate of 10 or more percent, due largely to sales and property taxes. In too many states, these are the people being asked to make up the revenues lost to income tax cuts that overwhelmingly benefit the wealthiest taxpayers." State consumption tax structures are particularly regressive, with an average 7 percent rate for the poor, a 4.6 percent rate for middle incomes and a 0.9 percent rate for the wealthiest taxpayers nationwide.

Hawai'i Appleseed Center for Law and Economic Justice is a nonprofit, 501(c)(3) law firm created to advocate on behalf of low income individuals and families in Hawai'i on civil legal issues of statewide importance. Our core mission is to help our clients gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security. www.hiappleseed.org

The Institute on Taxation and Economic Policy (ITEP) is a 501 (c) (3) non-profit, non-partisan research organization that works on federal, state, and local tax policy issues. ITEP's mission is to ensure that elected officials, the media, and the general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies. www.itep.org.