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Editorial | Island Voices

Adjusting low-income renters credit long overdue

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Jerry Rauckhorst, left, is president and CEO of Catholic Charities Hawaii; Victor Geminiani, center, is co-executive director of Hawaii **Apple**seed Center for Law and Economic Justice; and David Derauf is a physician and executive director at Kokua Kalihi Valley.

The Legislature has an opportunity to make a real difference in the lives of our low- and moderate-income renters throughout the islands.

This week it will be considering adjusting the existing credit of $50 provided by the low-income household renters credit (LIHRC) to account for the inflation that has occurred since it was last modified in 1981.

Today that $50 is worth less than $19 in inflation-adjusted dollars.

In supporting this common-sense adjustment, we join the overwhelming majority of residents who recently responded to a poll that indicated 95 percent of Hawaii residents believe that the high cost of housing is a major problem for our community ("48% walk financial tightrope," Star-Advertiser, March 29), and the 86 percent who support tax credits that allow working families to keep more of what they earn.

Updating the credit is an efficient and immediate way to alleviate the tax burden on families that rent and too often are struggling to stay in their homes and build assets for a brighter future.

Renters in Hawaii, who make up 43 percent of our residents, face staggering housing costs. More than half of Hawaii's renters are cost-burdened, meaning they pay more than 30 percent of their income in rent. Our rate of cost-burdened renters is the highest in the nation.

Even more startling, 72 percent of those living at or near poverty are paying more than half of their income for shelter. This should come as little surprise since a worker making the mean renter wage ($14.49 an hour) would need to work 2.2 full-time jobs to afford fair market rent for a two-bedroom apartment.

These housing-cost burdens leave families with precious little left over to make ends meet and avoid higher debt along with the possibility of homelessness.

While our families are struggling to keep a roof over their heads, our state tax structure actively works against them.

Hawaii's low-income residents face the second highest state and local tax burden in the country.

Our tax structure is heavily regressive, with those earning in the lowest 20 percent of income paying over 13 cents per dollar of income toward state and local taxes while the wealthiest pay just 8 cents.

Even after applying the refundable tax credits targeted at low-income households, a family of four living at the poverty line owes $464 in income taxes on top of the general excise tax — which, on average, would amount to $2,371 per year for a family at this income level.

It simply makes no sense to have a tax structure that forces those struggling the most to pay the highest share of their income toward taxes.

Updating the LIHRC would make our tax structure fairer by providing targeted tax relief to renters.

Renters, who are disproportionately low-income, do not benefit from tax breaks such as deductions for mortgage interest, maintenance costs, property and GET taxes. All of these are available only to homeowners, even though these costs are paid by tenants in their rent.

The LIHRC provides similar tax relief to renters and helps to stabilize tenuous family finances that are too often pushing working families onto the streets.

But as it is, the credit is hopelessly outdated.

By updating and strengthening the LIHRC, House Bill 2166 SD2 would be a modest but effective step toward addressing our affordable- housing crisis, helping reduce homelessness and decrease the inequities built into our current tax system.

It would not only keep more money in the pockets of our most economically challenged, but help create a fairer, more just Hawaii.

We urge the Legislature to pass HB 2166 SD2 and send it to the governor for his signature.