

STRUGGLING TO MAKE ENDS MEET

March
2017

The Need for a Working Family Credit



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STRUGGLING TO MAKE ENDS MEET:

THE NEED FOR THE WORKING FAMILY TAX CREDIT

MARCH 2017

This report summarizes findings from the Hawai'i Appleseed Center for Law & Economic Justice and QMark Research poll conducted in 2016. A total of 503 telephone surveys (both landline and mobile telephones) of Hawai'i residents were completed, assigned proportionally based on population estimates of adults on each of the major Hawaiian islands.

About QMark

QMark's mission is to find the answers to the questions that often underlie expensive decisions. From the public's perceptions of a client to the motivating factors for a particular audience, we provide decision makers with sound information so that they may proceed in an educated, effective manner.

About Hawai'i Appleseed

Hawai'i Appleseed is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, legislative advocacy, coalition building, and litigation.

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INTRODUCTION

Hawai‘i has the lowest wages in the nation after adjusting for our cost of living, which is the highest in the nation. We also place the second highest tax burden in the country on our low-income families: our lowest-income households pay over 13% of their income in taxes, while those at the top pay 8% or less. As a result, almost half of our state’s residents are living paycheck-to-paycheck.

We can help our struggling neighbors keep more of their hard-earned money by reducing their tax burden. Hawai‘i already has some tax credits for low-income households, such as the Food Credit and the Renters’ Credit, but their values have been eaten away by inflation. Another way to help is by creating a Hawai‘i Working Family Credit, based upon the successful federal Earned Income Tax Credit (EITC), which is also targeted at low- to moderate-income working households.

This report summarizes findings from the Hawai‘i Applesseed Center for Law & Economic Justice and QMark Research poll conducted in 2016 that looked at the financial situation of our state’s residents as well as their opinion of tax credits for working-class families, especially the EITC.

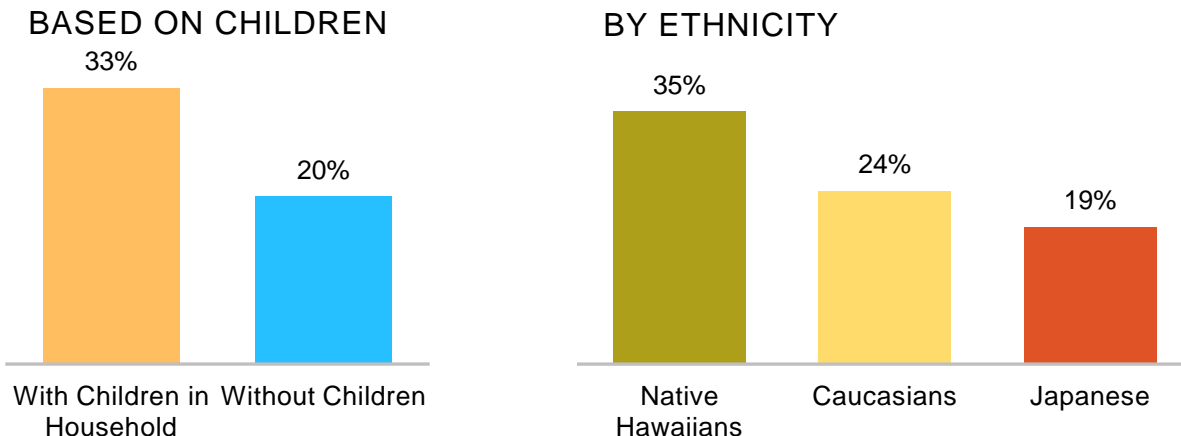
THE ESSENTIAL SUPPORT PROVIDED BY THE FEDERAL EITC

Since the 1970s, the federal government has provided much-needed support to working families through the Earned Income Tax Credit (EITC). The survey showed that significant numbers of Hawai‘i residents have qualified for this important program, with 24% of all respondents having qualified for the EITC at some point in their lives.

This number was higher among certain groups. One-third of those with at least one child currently living with them had qualified, compared to one-fifth of those without children had qualified. Over one-third of Native Hawaiians, one-quarter of Caucasians, and nearly one-fifth of Japanese had qualified for EITC at some point in their lives.

1 in 4
have qualified for
the federal EITC at
some point

PERCENT OF RESPONDENTS THAT QUALIFIED FOR THE EITC



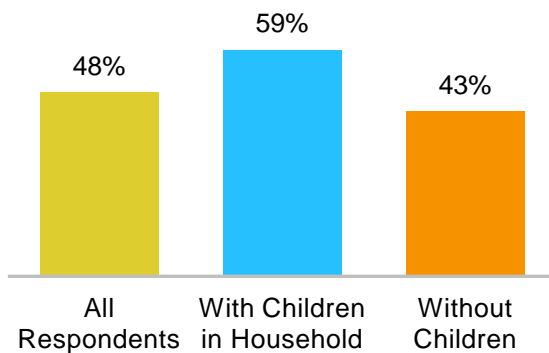
LIVING PAYCHECK-TO-PAYCHECK

Even with the support provided by the federal EITC, a startlingly high percentage of Hawai'i residents report that they are living paycheck-to-paycheck. According to the Hawai'i Appleseed/QMark poll, nearly half of all respondents consider themselves to be currently living paycheck-to-paycheck.

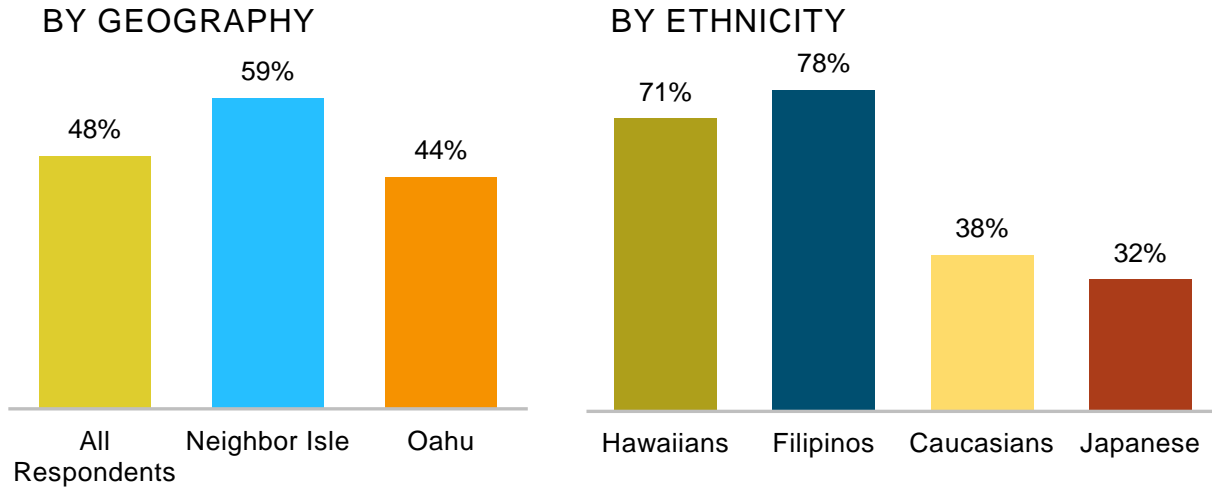
The situation is even worse among certain groups of residents: of those with a child living with them, nearly 60% are living paycheck to paycheck. This compares to 43% of those without a child living with them.

Nearly 60% of neighbor islanders, over 60% of those without a college degree, over 70% of Native Hawaiians, and nearly 80% of Filipinos report they consider themselves to be living paycheck-to-paycheck.

PERCENT OF RESPONDENTS LIVING PAYCHECK TO PAYCHECK WITH CHILDREN



PERCENT OF RESPONDENTS LIVING PAYCHECK TO PAYCHECK

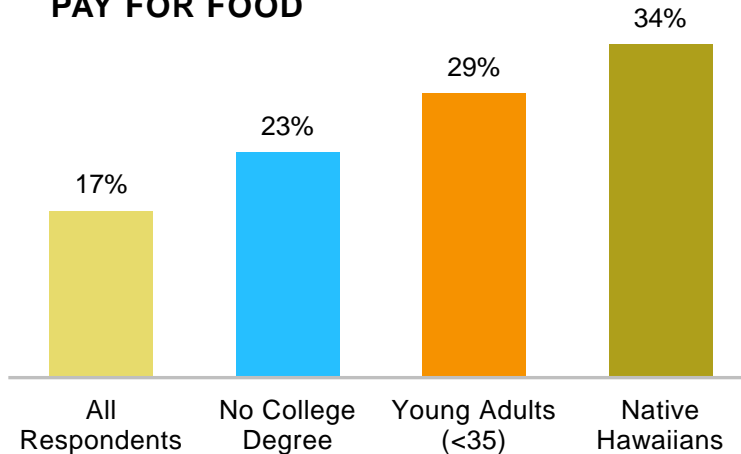


DIFFICULTY PAYING FOR BASIC NEEDS & CRISIS SCENARIOS

The data also shows that significant proportions of Hawai'i residents have faced difficulty paying for basic needs as well as crisis scenarios. Those polled were asked if they faced any of the following problems in the past five years.

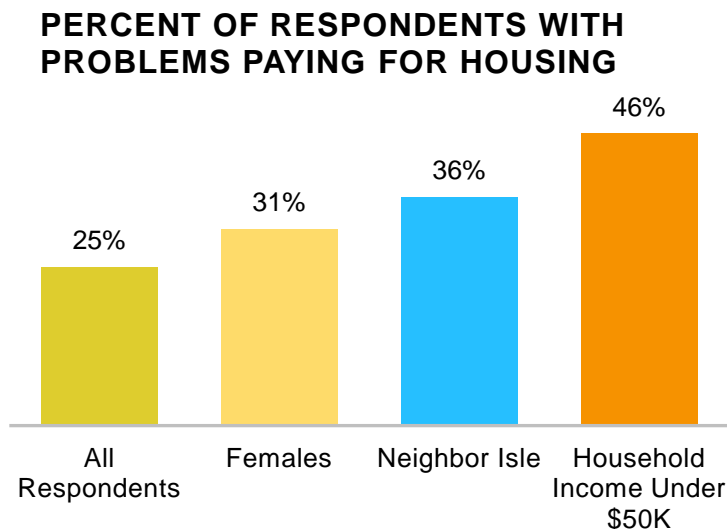
Paying for Food. A significant number of respondents said that they have had problems in the past providing enough food for their household. For all respondents this number was nearly 1 out of 5, and for certain demographic groups the problem was especially alarming – 23% of those

OVER ONE-THIRD OF NATIVE HAWAIIANS HAVE STRUGGLED TO PAY FOR FOOD



without college degree, 29% of young adults under age 35, and 34% of Native Hawaiians have had problems providing enough food for their household.

Paying for Housing & Utilities. One out of 4 respondents have had problems paying their rent or mortgage. This statistic rises to almost one-third of females, over one-third of neighbor islanders, and nearly half of those from households with income under \$50,000.



Furthermore, 21% of all respondents have had problems paying for utilities, and this rises to 26% of females.

These problems of paying for housing and utilities were more likely among younger respondents, those in larger households, and those with at least one child.

Paying for Back-to-School or Excursion Expenses. The burdens of Hawai‘i’s high cost of living and low wages are especially difficult for families with children. More than 1 out of 5 (21%) have had difficulty covering back-to-school or excursion expenses.

21%
had difficulty covering
back-to-school or
excursion expenses

Crisis Scenario: Car Breakdown. 25% of respondents have had their car breakdown and did not know how they would fund its repair. This financial crisis situation was more likely among certain groups – 48% of Native Hawaiians and 30% of Filipino respondents had faced this scenario.

25%
had a car breakdown
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they would pay for
repair

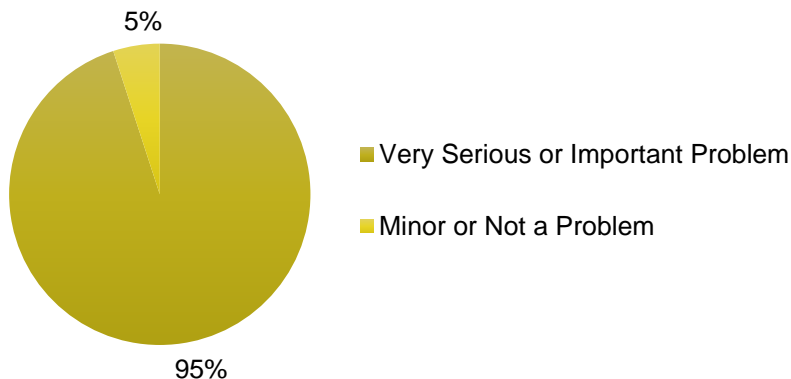
Crisis Scenario: Health. One-fifth (20%) of respondents have had a health crisis in the family that caused them to worry about how they would pay for it.

HOUSING, WAGES & TAXES SEEN AS LARGEST PROBLEMS

How difficult are the financial problems facing Hawai'i residents? The Hawai'i Appleseed/QMark poll asked respondents how much of a problem each one is – “very serious”, “important”, “minor”, or “not a problem”. The overwhelming majority said that high housing costs, lower wages, and tax burdens are “very serious” or “important” problems:

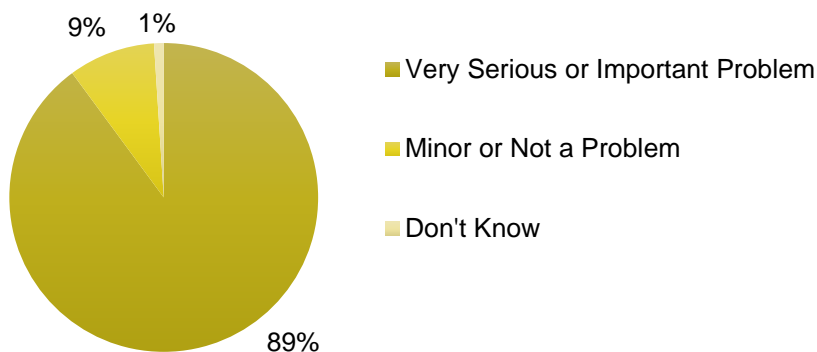
High Housing Costs. Hawai'i's high housing costs making it difficult for average families to live a quality life: 95% said this is a “very serious” or “important” problem.

HIGH HOUSING COSTS MAKE IT DIFFICULT TO LIVE A QUALITY LIFE



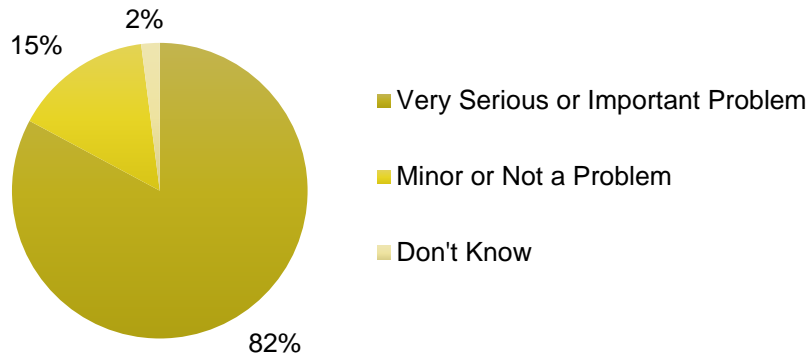
Lower Wages. Working people have to struggle to make ends meet because of Hawai'i's lower wages: 89% say this is a “very serious” or “important” problem. Female respondents and those with at least one child in their home were more likely to see this as a problem.

WORKING PEOPLE HAVE TO STRUGGLE TO MAKE ENDS MEET BECAUSE OF HAWAI'I'S LOWER WAGES



Tax Burden. Hawai'i residents' tax burden is one of the highest in the nation when adding together federal taxes, state income tax and Hawai'i state excise tax: 82% said this is a "very serious" or "important" problem.

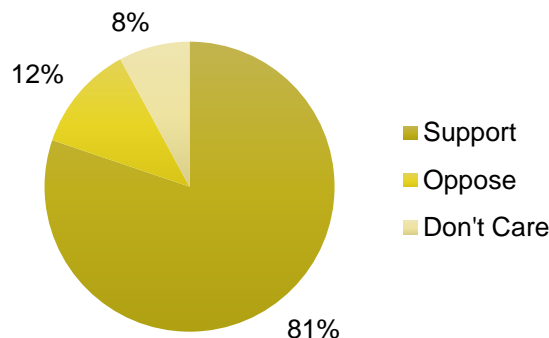
HAWAI'I RESIDENTS' TAX BURDEN IS ONE OF THE HIGHEST IN THE NATION



BROAD VOTER SUPPORT FOR A HAWAI'I WORKING FAMILY CREDIT

The poll showed overwhelming support for a state credit for low- to moderate-income working families, set at 10% of the federal EITC, with 81% of registered voters in favor.

THE MAJORITY OF REGISTERED VOTERS SUPPORT A STATE WORKING FAMILY CREDIT



Similarly, overwhelming majorities of those polled found the following arguments to be reasons to support the tax credit:

- 86% - it will benefit local families allowing them to keep more of their income for some of their basic needs
- 80% - it will offer working families a hand up by supporting work and reducing the use of public assistance
- 80% - it will help alleviate some of the effects of child poverty
- 79% - it will have a positive effect on local businesses

In contrast, fewer than half of respondents found the following arguments to be reasons to oppose the tax credit:

- 45% - low and moderate income people will spend it in inappropriate things
- 42% - programs such as this encourage people to rely more heavily on government assistance
- 33% - it is too complex, forcing people to seek help filing their tax return

CONCLUSION

The results of this poll show the significant financial difficulties facing Hawai'i's residents today as well as strong support for tax credits targeted at low-income and working-class households to help relieve their economic problems.

The Hawai'i Tax Fairness Coalition, of which Hawai'i Appleseed is a member, has proposed a tax fairness package at the state Capitol to help narrow the gap between the tax burdens of our high- and low- income neighbors. It achieves that goal by improving the already-existing Food Credit and Renters' Credit and creating a Working Family Credit.

By preventing the upcoming reduction of the Food Credit, the tax fairness package restores money taken from low-income people's pockets by our state's General Excise Tax. The Renters' Credit helps address high housing costs, but it needs to be adjusted to catch up for over 30 years of inflation. As explained in this report, The Working Family Credit would help working households make ends meet by letting them keep more of what they earn.

This tax fairness package can be more than paid for by reinstating the tax rates that were in place for our highest-income earners from 2009 to 2015. For more details about these policy proposals, visit hitaxfairness.org.



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