

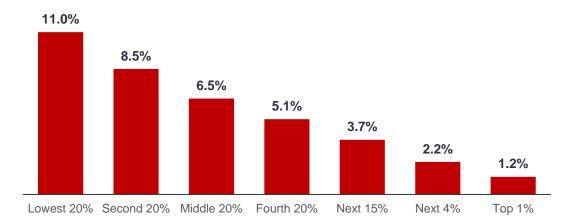
THE FOOD CREDIT January 2017

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## Helping Hawai'i's Low-Income and Working-Class Families Better Afford Food

As Hawai'i families struggle to put food on the table, the General Excise Tax (GET) is effectively another hungry mouth to feed. The GET taxes food and other life necessities, placing a significant additional financial burden on people who are working hard to make ends meet. Since 2007, Hawaii has had a Refundable Food/Excise Tax Credit designed to help ease the tax burden on basic necessities. **To keep up with the continuously rising cost of living, the credit should be** *increased***, <b>but the opposite will happen if we don't act this session to prevent the credit from being automatically reduced**. We should adopt a credit that keeps up with future cost of living increases so that the tax burden on basic necessities does not increase year after year as living costs go up.

Hawai'i's low-income families face the second-highest tax rate in the nation, with our lowest-income households paying almost twice as much of their income (over 13%) in taxes as those in the top fifth (who pay 8% or less). A main reason for this disparity is the General Excise Tax (GET), which is applied to nearly all goods and services in Hawai'i. It hits our low-income and working-class families harder because they spend almost all of their earnings on items and services that are taxed by the GET.



The GET Hits Low-Income Workers Almost 10 Times As Hard As the Top 1% Hawaii's General Excise Tax as a Share of Family Income

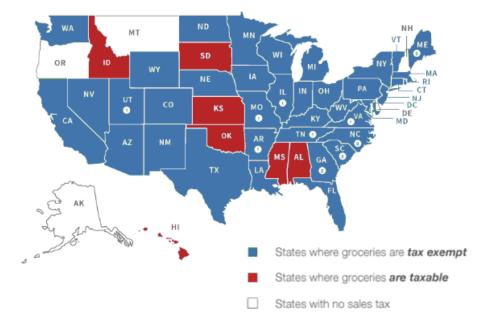
On top of that, Hawai'i has the highest cost of living in the nation, with prices more than two-thirds (68.6%) higher than the national average. One of the main contributing factors is our high cost of food. **Hawai'i is one of only seven states that fully taxes groceries**, and researchers have found that grocery taxes increase food insecurity among poorer residents who do not get SNAP benefits (formerly known as food stamps).

Fortunately, to lessen the burden on those families who are especially hard hit by the GET, our state leaders created the Refundable Food/Excise Tax Credit. Currently, tax filers who earn less than \$50,000 (or \$30,000 for single filers) can get up to \$110 per qualified exemption. The less a worker earns, the more he or she can get back. Even those who have no taxable income can receive this credit in many cases. The Refundable Food/Excise Tax Credit was created in 2007, and the amounts that families could get back

were updated to catch up with inflation in 2015. However, that cost-of-living adjustment is scheduled to expire at the end of 2017, at which point the amount of the credit will fall back to its original level, or a maximum of only \$85. That would mean **a drop of almost a quarter (23%) of its value**.

Instead, we should **update the amount of the Food Credit to make up for the inflation of the past two years, as well as schedule cost-of-living adjustments for the next four years**. That would mean increasing the maximum credit value to \$115 in 2018, \$120 in 2020, and \$125 in 2022.

In addition, the income eligibility cut-offs for the Food Credit have not been adjusted for cost-of-living increases since 2007, which means that fewer and fewer of our low-income and working-class families can claim the credit. **We should raise the income thresholds to catch up to inflation and schedule increases for the next four years**. That translates to raising the maximum annual eligible income level to \$58,000 (\$35,000 for single filers) in 2018, \$60,000 / \$36,500 in 2020, and \$63,000 / \$38,000 in 2022.



## In Which States Are Groceries Taxed?