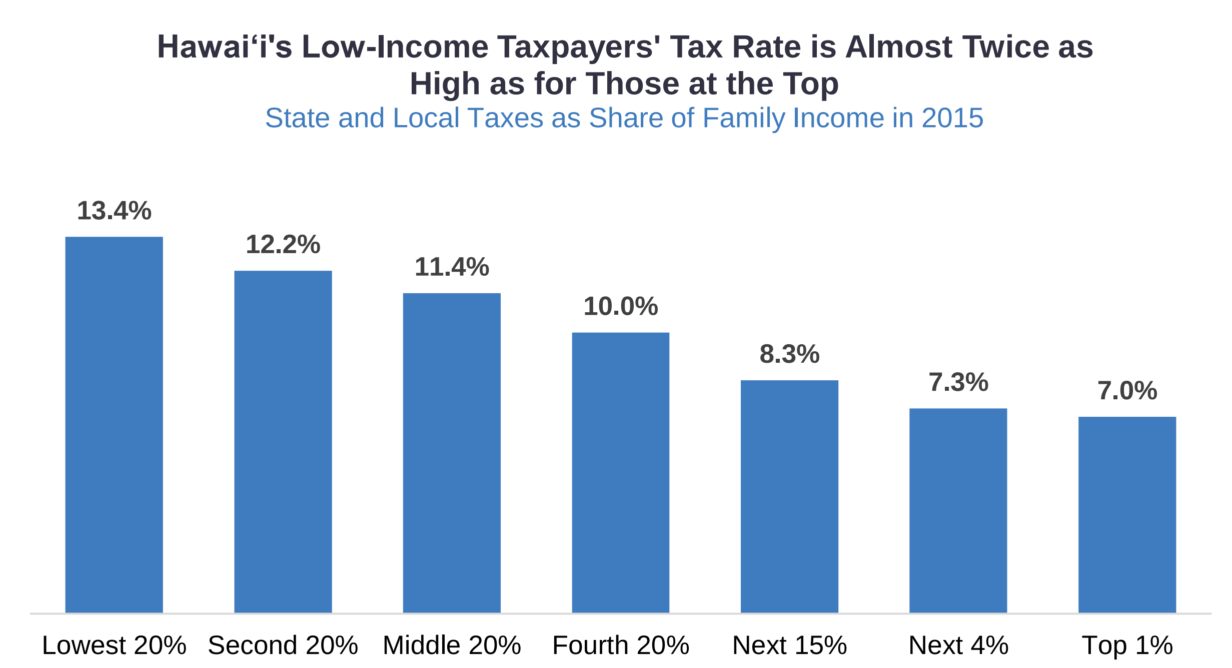
# Hawai‘i Ranks High for Tax Unfairness

Hawai‘i ranks second nationally in how heavily we tax our low-income households. In fact, we are in the minority of states that actually pushes low-income people deeper into poverty with taxes. As a result, nearly half of our state’s residents live paycheck-to-paycheck.

Our lowest-income households pay over 13% of their income in state and local taxes, while those at the top pay less than 8%. A main reason for this is the General Excise Tax (GET), applied to almost all goods and services, which hits low-income and working-class families almost ten times harder than those at the top.




## Restoring Revenue

From 2009 to 2015, Hawai‘i’s highest-income residents paid higher tax rates than in prior years. These higher rates slightly narrowed the gap between the tax burdens of our high- and low-income neighbors.

However, those rates were allowed to sunset at the end of 2015. We should reinstate those top tax rates, which would provide more than enough to pay for needed tax relief for those most squeezed by Hawai‘i’s high costs and low wages.

The Institute for Taxation and Economic Policy estimates that reinstating these tax rates would raise **over $75 million per year**. About 90% of the revenues raised would be paid by the top 1% of Hawai‘i earners.

## How Much More Would High Earners Pay?

These higher tax rates would apply only to **taxable** income earned above the highest tax bracket levels that were in effect from 2009 to 2015.

**Taxable** income is often much lower than total income earned, because it is the amount AFTER a taxpayer has subtracted their exemptions and deductions, which can amount to tens of thousands or hundreds of thousands of dollars.

| High earner tax rates would apply to: | ...with taxable incomes over: |
|---|---|
| Joint Filers | $300,000 |
| Heads of Household | $225,000 |
| Single Filers | $150,000 |

These rates would NOT affect any of the income that these high earners make below these limits. In other words, the higher taxes would be paid only on any additional dollars earned ABOVE the bracket levels.

For a married couple filing jointly with a taxable income of $350,000, the higher tax rates would only apply to the last $50,000 that they earn. That means they would pay an extra $375 per year with the higher rates in effect.

For heads of households, the higher tax rates would apply to taxable income above $225,000 per year. So with a taxable annual income of $250,000, a head of household would pay higher taxes on only their last $25,000 of income, for an additional $188 per year.

For single filer with an annual taxable income of $175,000, the higher rates would apply only to the last $25,000 that they earn. They would pay an extra $188 per year under the higher rates.

| How much would high earners pay? For example: | | | | | | | |
|---|---|---|---|---|---|---|---|
| A joint filer | | $350,000 | | $375 | | 0.10% | |
| A head of household | with a **taxable income** of | $250,000 | would pay an additional | $188 | in taxes, which is just | 0.08% | of their total income. |
| A single filer | | $175,000 | | $188 | | 0.10% | |

The top 1% of Hawai'i earners would provide about 90% of the revenues raised by these higher tax rates. In the case of those making a million dollars in taxable income per year, the higher rates would mean paying an additional $17,750 for joint filers, $20,188 for heads of households, and $22,625 for single filers.