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NEWS RELEASE

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STATE INCOME TAXES PUSHING HAWAII'S WORKING-POOR FAMILIES DEEPER INTO POVERTY

Hawaii's income tax burdens for working-poor families are among the highest in the country, according to a new study from the Center on Budget and Policy Priorities, which examines the income tax burdens on the poor in the 42 states that levy income taxes. A two-parent family of four in Hawaii with income at the federal poverty line of $19,961 owes $470 in state income taxes for 2005. A single-parent family of three in Hawaii with income at the federal poverty line of $15,577 owes $373. Those amounts are the nation's second-highest, after Alabama.

Working poor families in Hawaii face substantial state income tax burdens even if their incomes are well below the federal poverty line. Hawaii's "tax threshold" (the income level at which families begin owing taxes) for tax year 2005 is $11,500 for a two-parent family of four and $9,800 for a single-parent family of three. These thresholds are the 4th- lowest and 3rd-lowest in the nation, respectively. Such taxes can make a big difference to a family struggling to escape poverty.

"The federal government has exempted poor working families from income taxes since the 1980s because both parties agree on the importance of helping families work their way out of poverty," said Jason Levitis, co-author of the report. "Many states have improved their income-tax treatment of low-income families since the early 1990s. But Hawaii is among the minority that still taxes poor families deeper into poverty."

Leading state legislators and the governor have introduced proposals that would substantially increase income tax thresholds and reduce state income taxes paid by low-income families. An appendix to the Center's study provides an analysis of three of these proposals.

According to the Center's analysis, both the governor's proposal and a proposed state Earned Income Tax Credit (EITC) would be sufficient to move Hawaii's thresholds above the poverty line, and to guarantee tax refunds to families at the poverty line. Hawaii's income-tax treatment of low-income families would go from being substantially *worse* than that of other states to being *better* than that of most other states. A proposal to increase the standard deduction would also increase the thresholds substantially but would leave thresholds somewhat below the poverty line and lower than those in the majority of other states.

"Eliminating state income taxes on working families with poverty-level incomes gives a boost in take-home pay that helps offset higher child care and transportation costs that families incur as they strive to become economically selfsufficient," said Nicholas Johnson, co-author of the report. "In other words, relieving state income taxes on poor families can make a meaningful contribution toward making work pay."

The full report, with Hawaii-specific fact sheet, is available at: http://www.cbpp.org/2-22-06sfp.htm.

Note to editors: The Center on Budget will host a Hawaii-specific media conference call briefing to discuss the findings for Hawaii and proposals to reduce state income taxes paid by low-income families at 11:30 a.m. (HT) [4:30 p.m. (ET)] on Wednesday, February 22nd.

To participate, please register by e-mailing spillane@cbpp.org, or calling the media team at (202) 408-1080.

You may register on-line at <http://www.cbpp.org/confcall.htm>.

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