RE: HB 2541 RELATING TO HELPING WORKING FAMILIES

Chairs Johanson and Luke, Vice Chairs Eli and Cullen and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") provides its overall support of HB 2541, which would make the state earned income tax refundable and permanent; increase and amend the refundable food/excise tax credit; and increase the minimum wage to $13 per hour by 2024.

The Chamber is Hawaii’s leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of members and the entire business community to improve the state’s economic climate and to foster positive action on issues of common concern.

The Chamber appreciates the Legislature’s work to introduce a package of bills to address cost-of-living issues through a comprehensive and holistic approach. We believe that we all must play a part in allowing Hawaii residents to find brighter futures here at home. The Chamber is committed to contributing to collaborative approaches. Our businesses are an integral part of our communities, and many face similar challenges that families grapple with on a daily basis.

Given the collective nature of this package, the Chamber supports Sections 1 and 2 of HB2541, relating to the earned income tax credit and the refundable food/excise tax credit. These measures would provide direct financial relief to the most vulnerable families and individuals in Hawaii.

In addition, the Chamber does not oppose Section 3 of this bill, relating to the minimum wage. We appreciate the reasonable and incremental approach to $13.00.

We also ask that the Committees consider measures or include language to reduce the burden of a minimum wage increase on Hawaii’s small businesses, as the first increase is almost a 10% increase per hourly wage.
Implementing a minimum wage increase without some kind of relief for small and local business owners could lead to the downfall of these businesses. While the number of small businesses across the state of Hawaii vary from the size of the business, number of employees and the goods they sell, many of these businesses expressed to the Chamber that they operate on shoestring budgets with thin profit margins.

According to a 2019 Congressional Budget Office report, “a higher minimum wage reduces the family income of business owners...these losses in business income are biggest in the first years after a higher minimum wage is introduced.”

Another issue is wage compression, a small difference in pay between employees regardless of their skills, experience or seniority. As such, some businesses may be forced to increase other wage levels.

Some Chamber members have said that their businesses would be able to absorb the additional costs of an increase in minimum wage. However, for others, this loss in income could be the final straw that leads to permanent closure.

Hawaii’s small business owners face rising costs on all fronts. Hawaii is consistently recognized as one of the worst states in which to start and run a business due to high costs and limited access to resources. Annual studies produced by WalletHub, CNBC and Forbes consistently rank Hawaii at or near the bottom each year. For their 2019 studies, Hawaii was ranked 47th, 49th and 46th, respectively.

Hawaii is the only state in the country to require employers to provide health care for all employees that work 20 hours or more per week. According to the Henry J. Kaiser Family Foundation, in 2018, Hawaii employers contributed an average of $5,720 per employee to employer-based health insurance plans.

On January 1, 2020, new U.S. Department of Labor overtime rules went into effect that raised the annual salary threshold to earn overtime by nearly $12,000— from $23,660 to $35,568. The Associated Press reported that this change will impact approximately 1.3 million workers nationwide.

Other employer mandates include Workers’ Compensation insurance, temporary disability insurance, unemployment insurance, payroll taxes and other voluntary benefit programs. Changing state and county regulation regarding expenses such as packaging, utilities and building construction add to the uncertainty that small business owners face.

In addition, according to State Economist Eugene Tian’s January 7 presentation to the Legislature, Hawaii’s real GDP growth will slow in the coming years—to nearly half of the previous 20-year average.
In closing, we know that Hawaii faces significant challenges with regard to the cost of living and the cost of doing business. The Chamber and Hawaii’s business community are committed to contributing to holistic solutions that make Hawaii affordable for its businesses and its residents. As such, we ask that the committees pass HB 2541 for further discussion.

Thank you for the opportunity to testify. We look forward to collaborating with the Legislature on reasonable, rational and practical ways forward.