



GOV. MSG. NO. 783

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

July 1, 2009

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fifth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

This is to inform you that on July 1, 2009, the following bill was signed into law:

HB1495 HD1 SD1 CD1

A BILL FOR AN ACT
RELATING TO STATE INCOME TAX.
ACT 165 (09)

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle".

LINDA LINGLE

Approved by the Governor

on JUL 1 2009

HOUSE OF REPRESENTATIVES
TWENTY-FIFTH LEGISLATURE, 2009
STATE OF HAWAII

ACT 165

H.B. NO. 1495
H.D. 1
S.D. 1
C.D. 1

A BILL FOR AN ACT

RELATING TO STATE INCOME TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the state is
2 undergoing a significant and possibly protracted economic
3 downturn in tandem with the national and global economic and
4 financial crises. Numerous jobs have been lost, a number of
5 large and small companies have declared bankruptcy or left the
6 state, and many families have suffered foreclosure on their
7 over-mortgaged houses. In the past year, the council on
8 revenues has consistently reduced its forecasts of Hawaii's tax
9 revenues. Across-the-board spending restrictions have already
10 been put in place in state government and a general hiring
11 freeze has already been implemented except in areas that impact
12 public health and safety.

13 In the face of these extraordinary conditions, the State
14 cannot proceed with business as usual. All resources must be
15 examined to address critical statewide health, safety, and
16 educational needs.

17 The legislature also finds that Hawaii is only one of two
18 states in which gambling is not permitted. At the same time,

HB1495 CD1 HMS 2009-3940



1 Hawaii conforms to the relevant section of the Internal Revenue
2 Code that allows, for the purposes of state income tax, the
3 deduction of wagering losses against wagering income. Allowing
4 this deduction for state income tax purposes, in effect,
5 subsidizes the other forty-eight states that do allow gambling.

6 Accordingly, the purpose of this Act is to generate
7 additional general funds to ensure the delivery of critical
8 services statewide by repealing the deduction of wagering losses
9 for the purposes of the Hawaii state income tax.

10 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is
11 amended by amending subsection (e) to read as follows:

12 "(e) Section 165 (with respect to losses) of the Internal
13 Revenue Code shall be operative for purposes of this chapter~~[-]~~,
14 except that Section 165(d) (with respect to wagering losses)
15 shall not be operative for the purposes of this chapter.

16 Section 165 as operative for this chapter shall also apply to
17 losses sustained from the sale of stocks or other interests
18 issued through the exercise of the stock options or warrants
19 granted by a qualified high technology business as defined in
20 section 235-7.3."

21 SECTION 3. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval,
2 and shall apply to taxable years beginning after December 31,
3 2008.

APPROVED this 1 day of JUL , 2009



GOVERNOR OF THE STATE OF HAWAII

