

HB 35

Department of Taxation

Position Summary

Senate Committee on Ways & Means/April 2, 2009

| Bill Number | Bill Title "Relating to..." | Position | Comments | Revenue Impact | Methodology |
|-------------|---|--------------------|------------------------|----------------------|---|
| HB 35 HD1 | INCOME TAX CREDIT (constitutional credit) | Support the intent | No technical comments. | Loss: \$1.06 million | With a tax credit of \$1 per qualified exemption that includes taxpayers, spouses, children and dependents, the annual revenue loss would be \$1.06 million. Based on the 2006 individual tax returns filed by residents, a total of 1,056,297 exemptions qualify for the tax credit. |

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| HB 1495 HD1 | STATE INCOME TAX (eliminates wagering loss | Support | No technical comments. | Gain: \$300,000 a year for FY 2011 and after. | <p>Assumption and apply 6% average tax rate.</p> <p>No hard data. If it were assumed \$5 million gambling losses currently claimed, revenue gain would be \$300,000 a year for FY 2011 and after.</p> <p>The Department points out for the Committee that a taxpayer can only deduct wagering losses to the extent of gains. Therefore, it is important to note that a taxpayer can only capitalize on gambling losses for tax purposes if the person also wins.</p> |
| HB 1544 HD1 | TAX EXEMPTIONS (conforms to federal law) | Oppose | Any conformity in Hawaii tax law should be similar to that of the Internal Revenue Code in all respects. | Gain: approximately \$14.1 million per year for FY10 to FY15. | <p>Using the 2006 Individual Income data set, we used the SAS program to determine the revenue loss.</p> <p>If the bill simply conforms to the Federal phase-out threshold, the revenue gain would be \$11.7 million per year for FY10 to FY15.</p> |

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| HB 1583 HD 1 | TAXATION (cuts credits; other amendments) | Offered comments at previous hearing | No technical comments. | Gain: estimated at \$83.3 million for FY 2010 and \$76.1 million FY 2011. | 2006 tax credit data; non-refundable = 70% refundable first year; 1/1 ratio reduces high tech investment credit claimed by 20%; prohibit "double dip" investment/research tax credits would reduce 60% of research tax credit claimed. |
| HB 1271 HD3 SD1 | GOVERNMENT (increases the environmental response tax) | Oppose | No technical comments. | <p>Ultimate gain or loss to general fund depends on amount remaining after indeterminate amounts disbursed to numerous special funds.</p> <p>Increase in barrel tax Possible Gain: Assuming that Fiscal Year 2010's fuel use remains at the same level as calendar year 2008, that the bill is approved on July 1, 2009, and that there is a one-month lag in collections, Fiscal Year 2010 will have a revenue increase of \$28.5 million. Fiscal Year 2011 and after will have a revenue increase of \$31.1 million.</p> <p>Repeal of Sunset Date for Alcohol Fuel exemption Loss: The repeal of the sunset date for alcohol fuels would cost the State \$34 million per year.</p> | <p>If the tax was \$1 per barrel and the effective date was July 1, 2009: Based on calendar year 2008's 32,777,477 barrels of fuel taxed and collections of the environmental tax of \$1,638,874, the \$1 per barrel tax would raise revenues by \$31,138,603 (\$32,777,477 - \$1,638,874).</p> |