WHEREAS, the State of Hawaii must close an unprecedented $1.23 billion deficit for Fiscal Biennium 2009-2011; and

WHEREAS, in 2009, the Legislature attempted to make up some of this deficit by enacting into law a series of tax increases, including the following two bills that targeted those increases on the wealthy:

(1) ACT 59, Session Laws of Hawaii 2009 - increased conveyance taxes on property values beginning at $2 million when the purchaser is eligible for a county homeowner exemption, and $1 million if the purchaser is ineligible for the county homeowner exemption; and

(2) ACT 60, Session Laws of Hawaii 2009 - increased income taxes by 33% on the wealthiest individuals beginning at $400,000 for joint return filers, $300,000 for head of household filers, and $200,000 for unmarried individual filers; and

WHEREAS, income tax collections for the first six months of FY2010 demonstrate that these tax increases failed to generate additional revenues as evidence by income tax collections falling by 9.3% in FY2010 as compared to year-to-date collections last fiscal year; and

WHEREAS, taxpayers, investment capital, and businesses are mobile, meaning people with existing businesses in the state or those wishing to create new ones can leave if the tax burden is too high; and
WHEREAS, a study entitled "Can State Taxes Redistribute Income" co-authored by Martin Feldstein, a Harvard economist and former president of the National Bureau of Economic Research concluded that "since individuals can avoid unfavorable taxes by migrating to jurisdictions that offer more favorable tax conditions, a relatively unfavorable tax will cause gross wages to adjust. . . . A more progressive tax thus induces firms to hire fewer high skilled employees and to hire more low skilled employees"; and

WHEREAS, research by economists Arthur Laffer and Stephen Moore found that from 1998 to 2007, more than 1,100 people everyday left high tax states such as California, New Jersey, New York, and Ohio, for mostly states with no income taxes, including Florida, Nevada, New Hampshire, and Texas; and

WHEREAS, a recent study of New Jersey tax policy by Boston College's Center on Wealth and Philanthropy found that that state lost $70 billion in household wealth from 2004-2008 after the State began increasing taxes by 40% on the state's wealthiest individuals; and

WHEREAS, data from a 2008 Princeton study on New Jersey's tax hike on the wealthy found that there were 4,000 less half-millionaires in the state after the tax went into effect; and

WHEREAS this out-migration of wealth has had a devastating effect on the State of New Jersey budget where the top 1% of taxpayers pay more than 40% of the State income tax, and the State is facing a potential $11 billion budget deficit for FY2011; and

WHEREAS, Hawaii's tax policies are similar to New Jersey and other high tax states, and may be experiencing similar out-migration of wealth; and

WHEREAS, a study on tax policy in Hawaii, similar to the one done in New Jersey, can reveal to Hawaii's lawmakers how its tax policies are impacting wealth in the state; now, therefore,
BE IT RESOLVED by the House of Representatives of the Twenty-fifth Legislature of the State of Hawaii, Regular Session of 2010, that the Department of Business Economic Development and Tourism with the assistance of the Department of Taxation conduct a study on recent migration of wealth to and from Hawaii, and its impact on tax collections; and

BE IT FURTHER RESOLVED that the Department of Business Economic Development and Tourism submit a report of its findings to the Legislature no later than 20 days prior to the convening of the Regular Session of 2011; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Director of the Department of Business Economic Development and Tourism, the Director of the Department of Taxation, and the Governor of the State of Hawaii.

OFFERED BY:

MAR 10 2010