

Honolulu, Hawaii

FEB 15 2007

RE: S.B. No. 1493
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 1493 entitled:

"A BILL FOR AN ACT RELATING TO INCREASING THE STANDARD DEDUCTION FOR INDIVIDUAL INCOME TAXATION,"

begs leave to report as follows:

The purpose of this measure is to raise the Hawaii standard deduction to seventy-five per cent of the 2005 federal standard deduction.

Testimony in support of this measure was received from the Office of the Governor and the Department of Taxation. The Tax Foundation of Hawaii submitted comments.

Your Committee finds that in 2006, the Hawaii standard deduction was raised from approximately twenty per cent of the federal standard deduction to forty per cent, the first increase since 1989. Your Committee further finds that each Tax Review Commission since 1985 has recommended raising the Hawaii standard deduction.

Your Committee received a revenue impact statement from the Department of Taxation that the estimated revenue loss from this measure is \$30,000,000 per fiscal year.

In its methodology, the Department stated that the estimated annual revenue loss is based on the 2004 individual returns, but did not provide any additional information.




Your Committee is in strong support of tax relief for Hawaii's citizens and it is the intent of your Committee to continue the discussion in the Legislature of how best to do so.

Your Committee has amended this measure for the purposes of further review and discussion, by:

- (1) Replacing the proposed revised standard deductions with unspecified amounts; and
- (2) Inserting an effective date of July 1, 2025.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1493, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1493, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



