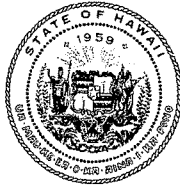


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**HOUSE COMMITTEE ON FINANCE  
TESTIMONY REGARDING HB 1495  
RELATING TO STATE INCOME TAX**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 26, 2009**

**TIME: 11 AM**

**ROOM: 308**

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This measure amends HRS § 235-2.4(e) by disallowing a deduction of wagering losses.

The Department of Taxation (Department ) **offers comments.**

This bill would take Hawaii out of conformity with the Internal Revenue Code with respect to allowing a deduction for wagering losses.

Cognizant of the State's fiscal constraints, the Department recognizes that this bill would generate additional revenue.

There is no hard data. If it were assumed \$5 million gambling losses currently claimed, revenue gain would be \$300,000 million a year for FY 2011 and after. 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.

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SUBJECT: INCOME, Repeal deduction for wagering losses

BILL NUMBER: HB 1495

INTRODUCED BY: Chong and B. Oshiro

BRIEF SUMMARY: Amends HRS section 235-2.4(e) to provide that IRC section 165(d) (with respect to wagering losses) shall not be operative for Hawaii income tax purposes.

EFFECTIVE DATE: Tax years beginning after December 31, 2009

EFFECTIVE DATE: It appears that this measure is proposed to generate additional funds to address the state's financial crisis. While the adoption of this measure would prohibit Hawaii taxpayers from deducting their "gambling" losses, it is questionable whether the amount of revenue generated from its enactment will result in a windfall. The adoption of this measure would run contrary to the state's intent to conform to the federal Internal Revenue Code provisions.

Digested 2/25/09