

**HB 1495**

LINDA LINGLE  
GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

LATE TESTIMONY  
JAMES R. AIOA, JR.  
LT. GOVERNOR

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510  
FAX NO: (808) 587-1560

SENATE COMMITTEE ON WAYS AND MEANS  
TESTIMONY REGARDING HB 1495 HD 1  
RELATING TO STATE INCOME TAX

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

DATE: MARCH 19, 2009

TIME: 10:10 AM

ROOM: 211

---

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

The Department of Taxation (Department) supports this measure.

Although this bill would take Hawaii out of conformity with the Internal Revenue Code with respect to allowing a deduction for wagering losses, the Department supports this measure given the fact that gambling losses can only occur outside the State. Providing a loss deduction (even though it is limited to gambling earnings) encourages taxpayers to spend their monies outside the State, rather than patronizing businesses here. Removing this tax incentive may encourage taxpayers to vacation within the State, thereby assisting our already hard-hit visitor industry.

Cognizant of the State's fiscal constraints, the Department also 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 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.