

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

STANLEY SHIRAKI
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

**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 2868
RELATING TO TAXATION**

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

DATE: FEBRUARY 10, 2010

TIME: 3PM

ROOM: 308

This measure provides for a cap on itemized deductions.

The Department of Taxation (Department) **opposes** this measure.

The Department does not support capping the itemized deductions as proposed in this measure. Hawaii already has some of the highest income tax rates in the nation.

This measure could also have unintended impact of reducing contributions to charities and other worthwhile causes because a taxpayer's charitable contribution deductions could be limited. This measure would likely apply to the wealthy who tend to donate to charitable causes. This measure could impact such donations.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Limit itemized deductions

BILL NUMBER: HB 2868

INTRODUCED BY: Say

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to provide that itemized tax deductions under the state income tax shall not exceed: (1) \$100,000 for taxpayers filing a joint return or as a surviving spouse; (2) \$80,000 for taxpayers filing as a head of household; (3) \$50,000 for taxpayers filing as unmarried individuals or not as a surviving spouse or not as a head of household; or (4) \$50,000 for taxpayers filing as a married individual filing separately.

EFFECTIVE DATE: Tax years beginning after December 31, 2009

STAFF COMMENTS: At the federal level, taxpayers with high adjusted gross incomes may see some of their itemized deductions being reduced. The types of itemized deductions which are pared by the limit include deductions for taxes, interest paid, charitable contributions, job expenses and certain other miscellaneous deductions. Those itemized deductions which are not limited because of high incomes include: medical and dental expenses, investment interest expenses, casualty and theft losses, and gambling losses. If this is the goal of this particular proposal, then consideration might be given to patterning it after the federal application. At least this would be one step closer to conformity in this area although the legislature could set different adjusted gross income thresholds as the state income tax rates are not as high as the federal rates.

Digested 2/9/10



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA

Executive Director

Tel: 808.543.0011

Fax: 808.528.0922

NORA A. NOMURA

Deputy Executive Director

Tel: 808.543.0003

Fax: 808.528.0922

DEREK M. MIZUNO

Deputy Executive Director

Tel: 808.543.0055

Fax: 808.523.6879

The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 10, 2010

H.B. 2868 – RELATING TO
TAXATION

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 2868 – Relating to Taxation. This bill places a cap on itemized deductions claimed on state income taxes. Hawaii is one of the few states allowing itemized deductions of state income taxes or sales taxes.

While we support the concept of a cap on itemized deductions, the proposed limitation appears quite high -- \$100,000 for married couples, \$80,000 for a head of household and \$50,000 for a single individual. We also would support eliminating the deduction for state income taxes in keeping with many other states. The revenue gain for disallowing state income deductions entirely would be about \$50 million per year.

Thank you for the opportunity to testify in support of H.B. 2868.

Respectfully submitted,

Nora A. Nomura

Deputy Executive Director