HB 793

NEIL ABERCROMBIE
GOVERNOR

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SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY OF THE DEPARTMENT OF TAXATION
REGARDING HB 793
RELATING TO TAXATION

TESTIFIER:	**FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR DESIGNEE)**
COMMITTEE:	**WAM**
DATE:	**MARCH 17, 2011**
TIME:	**9:00AM**
POSITION:	**SUPPORT**

This measure delays implementation of the standard deduction and personal exemption increases of Act 60, Session Laws of Hawaii 2009 which are scheduled to take effect beginning this tax year. The measure also makes them permanent as the increases were set to sunset in tax years after December 31, 2015.

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

MODEST INCREASES— The Department notes that Act 60, Session Laws of Hawaii 2009 increased the standard deduction and exemption amounts by 10%. Compared to the federal standard deduction and exemption amounts, the State amounts are extremely low, even after the scheduled increases.

REVENUE IMPACT—This measure will result in the following approximate revenue gains and losses:

$__________ in FY 2011;
$__________ for FY 2012;
$__________ for FY 2013;
$__________ for FY 2014;
$__________ for FY 2015; and
$__________ for FY 2016.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Delay increase in standard deduction and personal exemption

BILL NUMBER: HB 793

INTRODUCED BY: Say

BRIEF SUMMARY: Amends Act 60, SLH 2009, to: (1) delay the increase in the standard deduction and the personal exemption from tax years beginning after December 31, 2010 to tax years beginning after December 31, 2012; and (2) make these increases permanent.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The legislature by Act 60, SLH 2009, provided for an increase in the standard deduction from $4,000 to $4,400 for joint returns or surviving spouses, from $2,920 to $3,212 for head of households; and from $2,000 to $2,200 for individuals or married taxpayers filing separately. Act 60 also provided for an increase in the personal exemption from $1,040 to $1,144.

While both of these increases are scheduled to take effect for tax years beginning after December 31, 2010, they are scheduled to be repealed on December 31, 2015. While this measure proposes to delay the increase in the standard deduction and the increase in the personal exemption for two years, it also proposes to make these increases permanent. While it appears that this measure delays these increases for two years due to the state's financial condition, if the state's financial condition does not improve, there is no doubt that the implementation of the increases will be postponed again.

That said, this increase in both the standard deduction and the personal exemption are long overdue. What few dollars gained by the delay would be more than offset by the amount of money the legislators would put back into taxpayers' pocketbooks to be spent in an economy hungry for activity. This measure would certainly be one more stall in the road to economic recovery.

Digested 2/14/11