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To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, March 23, 2016

Time: 9:15 A.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.C.R. No. 59/S.R. No. 31, Requesting the Tax Review Commission to Study Conformity of State Income Tax Law with the Internal Revenue Code as it Relates to the Standard Deduction and Personal Exemption.

The Department of Taxation (Department) appreciates the intent of S.C.R. No. 59/S.R. No. 31, and offers the following comments for your consideration.

S.C.R. No. 59/S.R. No. 31 requests the Tax Review Commission (TRC) to evaluate whether the standard deduction and personal exemption under chapter 235, Hawaii Revised Statutes, should be increased or conformed to the Internal Revenue Code. Specifically, this resolution requests the TRC to consider whether the Hawaii standard deduction and personal exemption should be indexed to inflation, as currently provided under the IRC and include estimates of the revenue impacts of its recommendations, as well the revenue impacts of any alternatives considered.

The Department notes that the past six TRCs, since 1983, recommended an increase in the standard deduction, and the past four TRCs also recommended an increase in personal exemption.

The TRC is a commission which is administratively attached to the Department. As such the Department will provide support to the TRC to the extent that resources permit.

Thank you for the opportunity to provide comments.