

ACT 165

H.B. NO. 1495

A Bill for an Act Relating to State Income Tax.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that the state is undergoing a significant and possibly protracted economic downturn in tandem with the national and global economic and financial crises. Numerous jobs have been lost, a number of large and small companies have declared bankruptcy or left the state, and many families have suffered foreclosure on their over-mortgaged houses. In the past year, the council on revenues has consistently reduced its forecasts of Hawaii's tax revenues. Across-the-board spending restrictions have already been put in place in state government and a general hiring freeze has already been implemented except in areas that impact public health and safety.

In the face of these extraordinary conditions, the State cannot proceed with business as usual. All resources must be examined to address critical state-wide health, safety, and educational needs.

The legislature also finds that Hawaii is only one of two states in which gambling is not permitted. At the same time, Hawaii conforms to the relevant section of the Internal Revenue Code that allows, for the purposes of state income tax, the deduction of wagering losses against wagering income. Allowing this deduction for state income tax purposes, in effect, subsidizes the other forty-eight states that do allow gambling.

Accordingly, the purpose of this Act is to generate additional general funds to ensure the delivery of critical services statewide by repealing the deduction of wagering losses for the purposes of the Hawaii state income tax.

SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

“(e) Section 165 (with respect to losses) of the Internal Revenue Code shall be operative for purposes of this ~~chapter[-],~~ except that Section 165(d) (with respect to wagering losses) shall not be operative for the purposes of this chapter. Section 165 as operative for this chapter shall also apply to losses sustained from the sale of stocks or other interests issued through the exercise of the stock options or warrants granted by a qualified high technology business as defined in section 235-7.3.”

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval, and shall apply to taxable years beginning after December 31, 2008.

(Approved July 1, 2009.)