

EXECUTIVE CHAMBERS

HONOLULU

July 15, 2009

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 1544

Honorable Members
Twenty-Fifth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 1544, entitled "A Bill for an Act Relating to Tax Exemptions."

The purpose of this bill is to phase out the Hawaii income tax personal exemption starting in tax year 2009. This measure decreases the Hawaii personal exemption of \$1,040 per person by two percent for every \$2,500 over the income threshold of \$119,963 for individual filers and \$179,963 for joint filers. The measure sunsets on June 30, 2015.

This bill is objectionable because it is a tax increase on Hawaii residents and businesses at a time when additional taxation will delay our economic recovery. Unlike the Hawaii personal exemption of \$1,040, which has not been adjusted since 1985, the current federal income tax personal exemption is \$3,500 and it is adjusted annually for inflation.

The purpose of a personal exemption was to recognize that a certain basic level of income should not be taxed since it serves as a floor to cover living costs. This original purpose has seriously eroded over time. Hawaii's personal exemption is only one-third of what the federal government recognizes and does not take into account the current higher cost of living in Hawaii and the escalating costs households and businesses are experiencing.

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Finally, this bill targets the same group of taxpayers that are already affected by the income tax increase enacted by the Legislature earlier this session. It will particularly impact those companies that report their income as personal income. This legislation will further curtail their ability to create jobs or increase wages of their current employees. It is inappropriate for the same taxpayers to shoulder more tax burden, which discourages spending and investments.

For the foregoing reasons, I am returning House Bill No. 1544 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read 'L. Lingle', written over the printed name.

LINDA LINGLE
Governor of Hawaii