

Honolulu, Hawaii

APR - 7 2006

RE: H.B. No. 1800
H.D. 1
S.D. 1

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1800, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO SALE OF REAL PROPERTY,"

begs leave to report as follows:

The purpose of this measure is to increase the income tax withheld from nonresidents who sell real property in Hawaii.

Presently, nonresident sellers of real property are required to withhold five per cent of the selling price of the property to ensure that the taxes owed to the State are paid.

Your Committee finds, however, that the State's maximum individual income tax rate of eight and one-quarter per cent and the State's maximum capital gains rate of seven and one-quarter per cent are higher than the five per cent withheld on real property sold to non-residents. Additionally, with the skyrocketing prices of real estate in Hawaii, the withholding of only five per cent of a real property's selling price may be insufficient to cover the taxes due to the State.

To address this concern, this measure provides a modest increase in the amount of the taxes withheld from five per cent to eight and one-quarter per cent to ensure the proper payment of income taxes by nonresident real property sellers.

Your Committee has amended the measure by:



- (1) Changing the taxable years subject to the increased withholding amount to years beginning after December 31, 2006; and
- (2) Changing the effective date to July 1, 2050 for purposes of furthering discussion on this matter.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1800, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1800, H.D. 1, S.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



BRIAN T. TANIGUCHI, Chair



The Senate
Twenty-Third Legislature
State of Hawaii

Record of Votes of the
Committee on Ways and Means
(Bills and Resolutions)

Measure: HB 1800 HD1	Committee Referral: CPH, WAM	Date: 3/31/06		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to: <input type="checkbox"/> Pass, unamended (2312) <input checked="" type="checkbox"/> Pass, with amendments (2311) <input type="checkbox"/> Hold (2310) <input type="checkbox"/> Recommit (2313)				
Members	Ayes	Ayes(WR)	Nays	Excused
TANIGUCHI, Brian T. (C)	/			
TSUTSUI, Shan S. (VC)	/			
ENGLISH, J. Kalani	X 51			/
ESPERO, Will		/		
FUKUNAGA, Carol				/
HOOSER, Gary L.	/			
INOUYE, Lorraine R.		/		
KANNO, Brian	/			
KIM, Donna Mercado				/
KOKUBUN, Russell S.	/			
NISHIHARA, Clarence K.	/			
SAKAMOTO, Norman	/			
HEMMINGS, Fred			/	
SLOM, Sam			/	
TRIMBLE, Gordon				/
TOTAL	7	2	2	4
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Do not list more than one measure per Record of Votes.