

STAND. COM. REP. NO. 275-08

Honolulu, Hawaii
Feb 8, 2008

RE: H.B. No. 2456
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 2456 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to extend certain options available to married persons under state tax laws to the parties in a reciprocal beneficiary relationship. Specifically, this bill:

- (1) Allows taxpayers who are reciprocal beneficiaries to elect to file tax returns jointly, separately for which a joint return could be made, or separately as an individual;
- (2) Excludes from gross income, adjusted gross income, and taxable income, the value of health insurance and other direct or indirect benefits provided by an employer to an employee, in excess of what the employer provides or would provide to single employees, when such benefits are provided to the employee due to his or her being married or being a reciprocal beneficiary; and
- (3) Allows an exemption to be claimed for a taxpayer's reciprocal beneficiary.

HB2456 HD1 HSCR JUD HMS 2008-1541



Several individuals testified in favor of this measure. The Gay and Lesbian Education and Advocacy Foundation supported this bill with amendments. PFLAG-Oahu and an individual opposed this bill. The Department of Taxation offered comments on this measure.

Your Committee acknowledges that certain tax options and benefits currently available to married couples should also be available to reciprocal beneficiaries and domestic partners. However, your Committee is aware that the state tax laws are to a great extent coupled with federal tax laws, both substantively and technically. Because federal tax law does not recognize reciprocal beneficiary or similar relationships, in the event of any decoupling of our state tax law from federal tax law, great attention needs to be given to possible unintended consequences and inconsistent terminology.

Your Committee has amended this measure by:

- (1) Deleting the provisions allowing taxpayers who are reciprocal beneficiaries to elect to file tax returns jointly, separately for which a joint return could be made, or separately as an individual;
- (2) Deleting the provision allowing an exemption to be claimed for a taxpayer's reciprocal beneficiary;
- (3) Clarifying the income tax exclusions by excluding from gross income, adjusted gross income, and taxable income, the value of health insurance and other direct or indirect benefits provided by an employer to an employee, in excess of what the employer provides or would provide to single employees, when such benefits are provided to the employee due to the employee's status as a reciprocal beneficiary as defined in Chapter 572C, Hawaii Revised Statutes, or a domestic partner as defined in the administrative rules of the Hawaii Employer-Union Health Benefits Trust Fund; and
- (4) Specifying that the provisions of the bill shall apply to taxable years beginning after December 31, 2008, to conform to standard provisions for the effective date of income tax measures; and
- (5) Making technical, non-substantive amendments for clarity, consistency, and style.



The measure, in its amended form addresses, only the exclusion of the excess value of health insurance benefits attributed to a taxpayer who already receives benefits that include coverage of a valid reciprocal beneficiary or domestic partner.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2456, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2456, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



TOMMY WATERS, Chair



