

Honolulu, Hawaii

FEB 15 2007

RE: S.B. No. 704

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 704 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to provide additional tax exemptions for persons with disabilities.

Specifically, this measure exempts up to \$2,000 of income received by a trust whose sole beneficiary is blind, deaf, or disabled, from the general excise tax and limits any general excise tax (GET) collected from these trusts to 0.5%.

The Department of Taxation (Department) and the Tax Foundation of Hawaii submitted comments.

Your Committee finds that trusts whose sole beneficiaries are blind, deaf, or disabled, should be treated the same with regard to the general excise tax as the business income of blind, deaf, or disabled individuals.

Your Committee has received a revenue impact statement from the Department that indicates an annual revenue loss of \$150,000.

In its methodology, the Department used data from the HIP Individual Report 2004, which notes a total of fifty disabled resident returns reporting estates and trusts incomes of \$4.3 million. By applying the current GET rate of 4%, total GET collected from disabled residents amounts to \$171,000. Assuming



all disabled resident returns qualify for the \$2,000 exemption, the total taxable income comes to \$4.2 million. By applying the 0.5% GET rate proposed in this measure, the total GET collected from disabled residents would be \$21,000. The Department did not have data on estates and trusts income received by part-year residents and non-residents who are disabled.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 704 and recommends that it be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:*	Committee Referral:	Date:
<i>SB 704</i>	<i>HSP, EDT, WAM</i>	<i>2/13/07</i>

The committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312
 Pass, with amendments 2311
 Hold 2310
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.				✓
SLOM, Sam	✓			
TOTAL	3			2

Recommendation:
 Adopted
 Not Adopted

Chair's or Designee's Signature: *Will Espero*

Distribution:
 Original Yellow Pink
 File with Committee Report Clerk's Office Drafting Agency

*Only one measure per Record of Votes