

STAND. COM. REP. NO.

2965

Honolulu, Hawaii

APR - 1 2010

RE: H.B. No. 2594
H.D. 2
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 2594, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE,"

begs leave to report as follows:

The purpose of this measure is to amend Hawaii's income tax law by conforming it to changes made to the Internal Revenue Code for calendar year 2009.

The measure also conforms judgments in disputed tax cases against the State to federal law, by decreasing the interest rate on moneys held by the litigated claims fund from eight per cent to just over three per cent.

The Department of Taxation testified in support of this measure. The Tax Foundation of Hawaii submitted comments on the measure. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that conforming state tax law to recent amendments to section 48 of the Internal Revenue Code will encourage investment in renewable energy projects.

Your Committee has amended this measure by:



- (1) Qualifying section 408A(d)(3)(A)(iii) of the Internal Revenue Code, with respect to Roth individual retirement accounts, to provide that amounts included in gross income are for a two-year period instead of a four-year period;
- (2) Conforming to section 48(d)(3) of the Internal Revenue Code, as amended, as of February 17, 2009, with respect to not taxing United States Department of Treasury renewable energy grants made under section 1603 of the American Recovery and Reinvestment Tax Act of 2009;
- (3) Changing the effective date to January 1, 2050, to facilitate further discussion on the measure; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and style.

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. 2594, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2594, H.D. 2, S.D. 1, and be placed on the calendar for Third Reading.

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


DONNA MERCADO KIM, Chair



