

Honolulu, Hawaii

APR 23 2010 , 2010

RE: S.B. No. 2842  
S.D. 2  
H.D. 1  
C.D. 1

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

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2842, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE PERMITTED TRANSFERS IN TRUST ACT,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this bill is to establish the Permitted Transfers in Trust Act to govern transfers of currency, bonds, and securities from a transferor to a trustee by means of an irrevocable trust instrument.

Your Committee finds that Hawaii relies heavily on the travel industry as an economic engine and that it is in the interest of the economic stability of the State to diversify sources of revenue, including state tax revenues. Your Committee further finds that estate and financial planning has proven to be a source of capital for other jurisdictions.



Your Committee believes that authorizing such transactions will provide the State with a source of revenue to help stabilize the current budget crisis and to fuel future economic growth by offering incentives to individuals with high net worth throughout the world to transfer a portion of their liquid net worth into Hawaii for asset and trust management.

Your Committee has amended this measure by:

- (1) Inserting definitions of "grantor trust" and "non-grantor trust" and amending the definition of "permitted trustee";
- (2) Clarifying that "permitted trustee" means people, banks, or trust companies that have their principal place of business in this State;
- (3) Expanding the exemptions from limitations on actions by creditors to avoid permitted transfers from applying to the State of Hawaii to the extent necessary to extinguish a transferor's tax liabilities;
- (4) Setting a one per cent excise tax on the fair market value of all permitted transfers and placing administration of this tax in the Department of Taxation;
- (5) Clarifying that any beneficial interest in the non-grantor trust held by a beneficiary residing outside of this State shall be excluded from Hawaii income tax and that the trustee of the non-grantor trust shall not be required to track the accumulated income or gains attributable to a nonresident beneficiary;
- (6) Providing that in circumstances where the percentage of beneficiaries' interests are indeterminable based on the provisions of the trust, the trustee shall allocate income and gains equally among all entitled beneficiaries;
- (7) Changing the effective date of this measure to July 1, 2010; and
- (8) Making technical, nonsubstantive changes to ensure clarity and accuracy in the language of this measure.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your



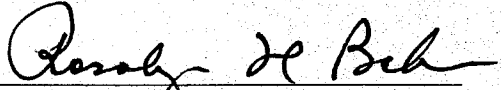
Committee on Conference is in accord with the intent and purpose of S.B. No. 2842, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 2842, S.D. 2, H.D. 1, C.D. 1.

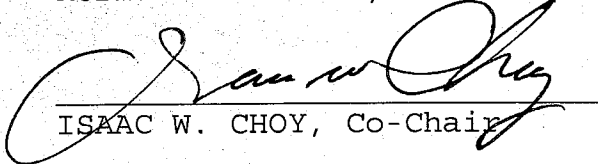
Respectfully submitted on behalf  
of the managers:


ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE

  
\_\_\_\_\_  
ROBERT N. HERKES, Co-Chair

  
\_\_\_\_\_  
ROSALYN H. BAKER, Chair

  
\_\_\_\_\_  
ISAAC W. CHOY, Co-Chair

  
\_\_\_\_\_  
SHAN S. TSUTSUI, Co-Chair



Hawaii State Legislature

Record of Votes of a  
Conference Committee

Bill / Concurrent Resolution No.: <b>SB 2842, SD 2, HD 1</b>	Date/Time: <i>H-23-2010</i> <span style="float:right"><i>2:15 pm</i></span>
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The recommendation of the House and Senate managers is to pass with amendments (CD).

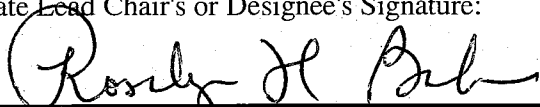

The Committee is reconsidering its previous decision.

<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.
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Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
BAKER, Rosalyn H., Chr.	✓				HERKES, Robert N., Co-Chr.	✓			
TSUTSUI, Shan S., Co-Chr.	✓				CHOY, Isaac W., Co-Chr.	✓			
ESPERO, Will	✓				AQUINO, Henry J.C.				✓
IGE, David Y.				✓	WAKAI, Glenn	✓			
HEMMINGS, Fred	✓				MARUMOTO, Barbara C.	✓			
<b>TOTAL</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>TOTAL</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>1</b>

A = Aye      WR = Aye with Reservations      N = Nay      E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
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Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature: 
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**Distribution:**      **Original**      **Yellow**      **Pink**      **Goldenrod**  
*File with Conference Committee Report      House Clerk's Office      Senate Clerk's Office      Drafting Agency*