

STAND. COM. REP. NO. 657

Honolulu, Hawaii

March 4, 2011

RE: H.B. No. 1089
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1089 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 bill is to conform Hawaii income tax law to the Internal Revenue Code.

The Department of Taxation supported this bill. The Tax Foundation of Hawaii submitted comments.

Your Committee has amended this measure by:

- (1) Specifying that section 68 of the Internal Revenue Code (IRC), with respect to the overall limitation on itemized deductions, shall be operative, except for sections 68(f) and 68(g);
- (2) Specifying that section 164(b)(5) of the IRC, with respect to taxes, shall not be operative for state income tax purposes;
- (3) Repealing existing provisions that specify that certain increases in maximum deductions and qualifying investments under section 179 of the IRC (election to

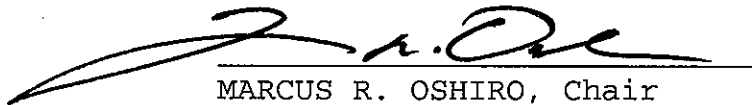


expense certain depreciable businesses assets) are not operative under state income tax law;

- (4) Establishing that the aggregate cost provided in section 179(b)(1) of the IRC that may be taken into account under subsection 179(a) for any taxable year shall not exceed \$25,000;
- (5) Establishing that the amount at which the reduction in limitation provided in section 179(b)(2) of the IRC begins shall be \$200,000 for any taxable year;
- (6) Changing its effective date to July 1, 2030, to encourage further discussion; and
- (7) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1089, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1089, H.D. 1, and be placed on the calendar for Third Reading.

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


MARCUS R. OSHIRO, Chair



