

STAND. COM. REP. NO. 1450

Honolulu, Hawaii

April 8, 2011

RE: S.B. No. 570
S.D. 2
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 S.B. No. 570, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill as received by your Committee is to:

- (1) Eliminate, either immediately or in phases, the state income tax deduction for general excise taxes paid by a taxpayer in taxable years beginning after December 31, 2010; and
- (2) Index income tax amounts for inflation.

For the purposes of a public hearing, your Committee circulated a proposed draft that deletes the bill's contents and replaces them with provisions that:

- (1) Provide for the taxation of certain pension income;
- (2) Eliminate the deduction for state taxes paid for taxpayers with income above specified thresholds;
- (3) Place temporary limitations on claims for itemized tax deductions; and

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- (4) Delay the standard deduction and personal exemption increases approved under Act 60, Session Laws of Hawaii 2009, while also making those increases permanent.

The Department of Taxation and Imua Alliance supported the proposed draft. Several concerned individuals opposed the proposed draft. The Department of the Attorney General; Department of Budget and Finance; Policy Advisory Board for Elder Affairs; Tax Foundation of Hawaii; Military Officers Association of America, Hawaii Chapter; Hawaii State Teachers Association; AARP; and a concerned individual provided comments.

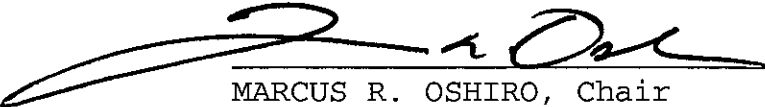
Your Committee has amended this bill by adopting the proposed draft.

Your Committee has further amended this bill by:

- (1) Changing its effective date to July 1, 2011; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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 S.B. No. 570, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 570, S.D. 2, 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



