

Honolulu, Hawaii  
February 15, 2013

RE: H.B. No. 430  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 430  
entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to except charitable  
deductions taken under Section 170 of the Internal Revenue Code  
from the temporary limit on the amount of itemized deductions  
claimable by certain taxpayers.

The University of Hawaii Foundation; The Chamber of Commerce  
of Hawaii; the Hawaii Alliance of Nonprofit Organizations; Aloha  
United Way; the Hawaii Substance Abuse Coalition; Goodwill  
Industries of Hawaii, Inc.; Catholic Charities Hawaii; YMCA of  
Honolulu; Hawaiian Humane Society; Hawaii Arts Alliance;  
Conservation Council for Hawaii; Boys & Girls Club of Hawaii; Maui  
Economic Development Board; Child & Family Service; Friends of the  
Library of Hawaii; The Nature Conservancy; Hawaii Catholic  
Conference; Hawaii Family Forum; The Salvation Army, Hawaiian &  
Pacific Islands Division; Hawaii Association of Independent  
Schools; Partners in Development Foundation; and ten private  
individuals testified in support of this measure.

The Office of the Governor; Department of Taxation; Tax  
Foundation of Hawaii; American Heart Association; and a private  
individual submitted comments on the measure.



Act 97, Session Laws of Hawaii 2011, established temporary cap amounts on itemized deductions for state income tax purposes. Your Committee finds that the limitation on itemized deductions has resulted in a disincentive for taxpayers to contribute to charitable organizations. This disincentive has caused a significant reduction in funding for charitable organizations throughout the State.

Your Committee notes that House Bill No. 860 also addresses the issue of restoring the incentive for taxpayers to make contributions to charitable organizations, by exempting charitable contributions from the cap amounts on itemized deductions. Your Committee finds that this latter approach would more effectively accomplish the goal of this measure.

Your Committee has amended this measure by:

- (1) Replacing its substantive contents with the contents of House Bill No. 860; and
- (2) Changing the effective date to July 1, 2030, to facilitate further discussion on the measure.

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. 430, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 430, H.D. 1, and be placed on the calendar for Third Reading.

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



SYLVIA LUKE, Chair



