

STAND. COM. REP. NO.

1458

Honolulu, Hawaii

April 5, 2013

RE: S.B. No. 1184

S.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 S.B. No. 1184, S.D. 1, 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 make conforming amendments to the state income tax law that are based upon amendments made to the Internal Revenue Code from January 1, 2012, to January 2, 2013.

Your Committee received testimony in support of this measure from the Department of Taxation. Your Committee received comments from the Tax Foundation of Hawaii.

According to section 235-3, Hawaii Revised Statutes, the intent of the state income tax law is to conform as closely as possible to the Internal Revenue Code. Pursuant to this goal, provisions of sections 235-2.3 and 235-2.5, Hawaii Revised Statutes, are designed to incorporate amendments to the Internal Revenue Code that are made as of the end of the preceding calendar year.

However, your Committee finds that due to protracted "fiscal cliff" negotiations, amendments to the Internal Revenue Code were not enacted before the end of the past calendar year and, instead, were enacted on January 2, 2013. To reflect the late enactment of

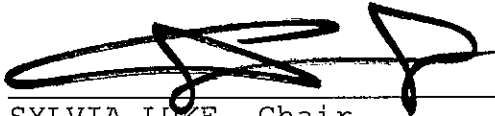
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Internal Revenue Code amendments and the stated intent of section 235-3, Hawaii Revised Statutes, the amendments to the income tax law should conform to the version of the Internal Revenue Code as amended on January 2, 2013.

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. 1184, S.D. 1, and recommends that it pass Second Reading and be placed on the calendar for Third Reading.

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



SYLVIA LUKE, Chair



