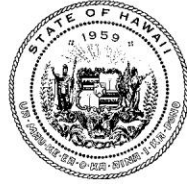


NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Thursday, March 14, 2013  
Time: 2:00 p.m.  
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 1203 S.D.1 Relating to Conformity of the Hawaii Estate and Generation Skipping Transfer Tax Law to the Internal Revenue Code

The Department of Taxation (Department) **strongly supports** S.B. 1203 S.D.1

S.B. 1203 S.D.1 amends the Hawaii estate and generation skipping transfer (GST) tax law to conform to the Internal Revenue Code, as amended, as of the signing of the Taxpayer Relief Act of 2012. The Department is required by §236E-4(c) to submit to the legislature a bill to conform Hawaii's estate and GST tax with the Internal Revenue Code no later than 20 days prior to each regular session. This bill fulfills that statutory requirement.

The proposed amendments to the bill make clear Hawaii's estate and GST tax law conforms to the Internal Revenue Code, as amended as of January 2, 2013, rather than December 31, 2012. The amendments make clear Hawaii is conforming to the Internal Revenue Code as amended by the Taxpayer Relief Act of 2012.

In January 2013, the American Taxpayer Relief Act of 2012 (Act) became law. The Act amended several provisions of the federal estate and GST taxes. The Act extended and made permanent most treatment offered during 2012. Specifically, the estate tax exclusion amount and the portability of unused exclusion were made permanent. For 2012, for an estate of any decedent dying during calendar year 2012, the basic exclusion from estate tax amount was \$5,125,000.

Thank you for the opportunity to provide comments.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** ESTATE AND GENERATION-SKIPPING TRANSFER TAX, Conformity to the federal Internal Revenue Code

**BILL NUMBER:** SB 1203, SD-1

**INTRODUCED BY:** Senate Committee on Ways and Means

**BRIEF SUMMARY:** Conforms Hawaii's estate and generation-skipping transfer tax to the Internal Revenue Code (IRC) amendments made by the American Taxpayer Relief Act of 2012 (P.L. 112-240), enacted on January 2, 2013.

Amends HRS sections 236E-3 and 236E-4 by changing the date references to make the Internal Revenue Code (IRC) applicable for state estate and generation-skipping transfer tax purposes as it was amended as of January 2, 2013.

**EFFECTIVE DATE:** Upon approval

**STAFF COMMENTS:** This measure is proposed to update and conform Hawaii's estate and generation-skipping transfer tax to the Internal Revenue Code (IRC) amendments made by the American Taxpayer Relief Act of 2012 (P.L. 112-240), enacted on January 2, 2013. Although state law usually refers to the federal Code as it was amended on the last day of the previous year, because of the last minute passage of American Taxpayer Relief Act of 2012, the legislation was not signed into law until January 2, 2013. To insure that there is no misunderstanding, the update of the state's estate tax law with its references to the federal Code recognizes the Code as it was amended by the American Taxpayer Relief Act of 2012 when it was signed on January 2, 2013.

Digested 3/12/13