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To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, February 06, 2013

Time: 9:00 a.m.

Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 1203 Proposed 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, 2013. The amendments also make clear Hawaii is conforming to the Internal Revenue Code as amended by the Taxpayer Relief Act of 2012.

On January 2, 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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SUBJECT: ESTATE AND GENERATION-SKIPPING TRANSFER TAX, Conformity to the federal Internal Revenue Code

BILL NUMBER: SB 1203, Proposed 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 2/4/13

**Testimony to the Senate Committee on Ways and Means
Wednesday, February 6, 2013 at 9:00 A.M.
Conference Room 211, State Capitol**

**RE: SENATE BILL 1203 RELATING TO CONFORMITY OF THE HAWAII
ESTATE AND GENERATION-SKIPPING TRANSFER TAX LAW TO
THE INTERNAL REVENUE CODE**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 1203 Relating to Conformity of the Hawaii Estate and Generation-Skipping Transfer Tax Law to the Internal Revenue Code.

The Chamber is the largest business organization in Hawaii, representing over 1000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports this bill because it supports local small businesses and will comply with federal tax code which makes it easier for the taxpayer in filing taxes. It will also help the Department of Taxation in administering Hawaii's tax laws.

Thank you for the opportunity to testify.