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

Date: Thursday, March 27, 2014
Time: 2:00 p.m.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2890, S.D. 1, Relating to Application of the Internal Revenue Code
to Hawaii Income Tax Law

The Department of Taxation strongly **supports** S.B. 2890, an Administration measure, and provides the following explanation of the proposed amendment.

Section 235-3(b)(3), Hawaii Revised Statutes (HRS) currently defines the term "estate taxes" to mean only Chapter 236D, HRS. This definition must be updated to include Chapter 236E, HRS, which was adopted through the passage of Act 220, Session Laws of Hawaii 2012. The purpose of S.B. 2890 is to make this technical correction to clarify that the term "estate taxes" as used in 235-3 (b)(3), HRS, means either Chapter 236D or Chapter 236E, HRS, as applicable, based on the date of the decedent's death. The measure is effective upon approval. Senate Draft 1 makes the measure effective retroactively to the date Chapter 236E, HRS was adopted.

Thank you for the opportunity to provide comments.

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SUBJECT: INCOME, Clarify definition of estate taxes

BILL NUMBER: SB 2890, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 235-3(b)(3) to provide that the term “estate taxes” shall include a reference to HRS section 236E, as applicable.

EFFECTIVE DATE: Retroactively to January 26, 2012

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-05 (14). This measure clarifies the references under Hawaii’s income tax law to Hawaii’s estate tax law by also including references to HRS chapter 236E established by Act 220, SLH 2012. The proposed retroactive effective date is the date on which Act 220, SLH 2012, became effective.

Digested 3/24/14