

STAND. COM. REP. NO.

2457

Honolulu, Hawaii

FEB 14 2014

RE: S.B. No. 2890
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2890 entitled:

"A BILL FOR AN ACT RELATING TO APPLICATION OF THE INTERNAL REVENUE CODE TO HAWAII INCOME TAX LAW,"

begs leave to report as follows:

The purpose and intent of this measure is to clarify that references to the term "estate taxes" in the Internal Revenue Code (IRC), when used to make certain provisions of the IRC operative for the purposes of applying state income tax, refer to both the estate and generation-skipping tax imposed by chapter 236E, Hawaii Revised Statutes (HRS), and the estate and transfer tax imposed by chapter 236D, HRS.

The Department of Taxation submitted testimony in support of the measure. The Tax Foundation of Hawaii submitted comments on the measure.

Your Committee finds that under current state law that makes the IRC operative for the purposes of applying state income tax, the law specifies the terms in the IRC that are to be substituted with terms used in state law. As currently written, section 235-3, HRS, only allows for the estate and transfer tax imposed by chapter 236D, HRS, to be substituted for the term "estate taxes" in the IRC when using the IRC provisions to apply the state version of estate taxes. However, the Legislature established the generation-skipping transfer tax under chapter 236E, HRS, during the Regular Session of 2012. Your Committee finds that this

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measure clarifies that references to estate taxes when applying IRC provisions relating to estate taxes shall include both the estate and transfer tax under chapter 236D, HRS, and the generation-skipping transfer tax under chapter 236E, HRS.

Your Committee has amended this measure by:

- (1) Applying the measure retroactively to January 26, 2012, when chapter 236E, HRS, became applicable; and
- (2) Making technical nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2890, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2890, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,




DAVID Y. IGE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2890	WAM	2-5-14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.				✓
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.				✓
SLOM, Sam	✓			
	11	0	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes