

STAND. COM. REP. NO.

2731

Honolulu, Hawaii

MAR 04 2016

RE: S.B. No. 2454  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2454 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to change the state income tax rates for taxable years beginning after December 31, 2015.

Your Committee received testimony in opposition to this measure from one individual.

Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that Act 60, Session Laws of Hawaii 2009, temporarily established additional tax brackets and higher income tax rates for high income earners as part of a balanced package of revenue enhancements and expenditure reductions that was necessary to maintain state government operations during the Great Recession. Act 60 was consistent with progressive tax policy. These tax rates sunsetted on December 31, 2015.

Your Committee has used this measure to make the state income tax law more progressive. Your Committee has reinstated the higher income tax rates on high-income taxpayers, but lowered the rates on the lowest income taxpayers.

SB2454 SD1 SSCR LRB 16-1654-2.doc



Your Committee has selected this method to provide tax relief for those in the State at the lowest end of the income scale, who deserve tax relief. Your Committee has considered, over the Regular Session of 2015 and this Regular Session, various alternatives to provide tax relief to the less fortunate. While all alternatives had merit, your Committee has approved this measure because of its administrative efficiency and relative simplicity.

Your Committee has designed this measure to be near revenue neutral. According to the Department of Taxation, which has assisted your Committee greatly, the revenue gain from the reinstated rates on high income earners will generate approximately \$48,000,000 annually. The revenue loss from the reduced rates for low income earners will result in a loss of approximately \$49,700,000.

According to data from the Department of Taxation, this measure will result in lower taxes for the following:

- (1) 15.9 per cent of total resident single filers;
- (2) 8.8 per cent of total resident joint filers; and
- (3) 13.0 per cent of total resident head of household filers.

The reinstated Act 60 tax rates on high income earners will result in higher taxes for the following:

- (1) 1.0 per cent of total resident single filers;
- (2) 2.0 per cent of total resident joint filers; and
- (3) 0.4 per cent of total resident head of household filers.

Your Committee recognizes that this measure will produce tax increases at the higher income thresholds. However, your Committee believes that this consequence is an equitable trade-off for providing tax relief to people with the lowest income.

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. 2454, as amended herein, and recommends that it pass Second



Reading in the form attached hereto as S.B. No. 2454, 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,



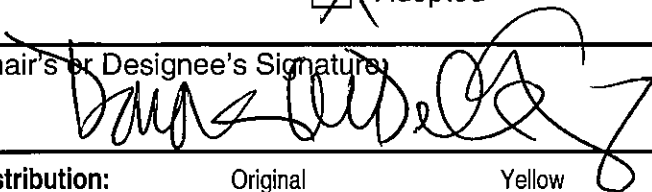
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JILL N. TOKUDA, Chair



The Senate  
 Twenty-Eighth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB 2454</b>	Committee Referral: <b>WAM</b>	Date: <b>8/29/16</b>		
<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
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene				/
INOUE, Lorraine R.	/			
RIVIERE, Gil			/	
TANIGUCHI, Brian T.	/			
WAKAI, Glenn	/			
SLOM, Sam			/	
<b>TOTAL</b>	<b>8</b>		<b>2</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes