

Honolulu, Hawaii

FEB 17 2017

RE: S.B. No. 1002
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1002 entitled:

"A BILL FOR AN ACT RELATING TO CONFORMITY TO THE INTERNAL REVENUE CODE,"

begs leave to report as follows:

The purpose and intent of this measure is to conform Hawaii's income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended, as of December 31, 2016.

Your Committee received testimony in support of this measure from the Department of Taxation and one individual.

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

Your Committee finds that this annual conformity measure is submitted by the Department of Taxation in compliance with section 235-2.5, Hawaii Revised Statutes, which requires the department to annually submit a measure to maintain state income tax conformity with the federal Internal Revenue Code. This measure is also intended to comply with section 236E-4, Hawaii Revised Statutes, which requires the department to annually submit a measure to maintain state estate and generation-skipping transfer tax conformity with the federal Internal Revenue Code. The purpose of conformity is to update the state tax laws with those changes made



to the federal Internal Revenue Code during the past year and to adopt those changes that are appropriate for Hawaii law.

Your Committee believes that, given the Department of Taxation's testimony that the revenue impact of this measure is indeterminate, more information on the possible revenue impact is needed before taking final action on this measure.


Accordingly, your Committee has amended this measure by:

- (1) Changing the effective date to January 1, 2050;
- (2) Providing that the portions of the measure relating to the income tax law apply to taxable years beginning after December 31, 2049; and
- (3) Providing that the portions of the measure relating to the estate and generation-skipping transfer tax apply to decedents dying or taxable transfers occurring after December 31, 2049,

to facilitate further discussion on the measure.

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. 1002, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1002, 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,

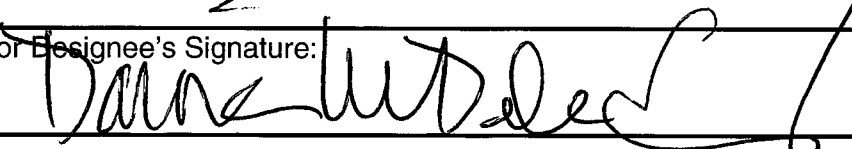


JILL N. TOKUDA, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 1002	Committee Referral: WAM	Date: 2/9/17		
<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)	/			
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			/
HARIMOTO, Breene				/
INOUYE, Lorraine R.	/			
KAHELE, Kaiali'i	/			
RIVIERE, Gil	/			
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.	/			
WAKAI, Glenn				/
TOTAL	9			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes