

STAND. COM. REP. NO. **611**

Honolulu, Hawaii

**MAR 02 2017**

RE: S.B. No. 1006  
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. 1006 entitled:

"A BILL FOR AN ACT RELATING TO THE ESTATE AND GENERATION-  
SKIPPING TRANSFER TAXES,"

begs leave to report as follows:

The purpose and intent of this measure is to eliminate a loophole that allows a nonresident decedent to avoid estate and generation-skipping transfer taxes by using a single member limited liability company to hold title to real property located in the State.

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

Your Committee finds that when Hawaii real property is placed into a single member limited liability company and a nonresident decedent transfers ownership of the company to a beneficiary upon death, the Hawaii estate tax does not apply because the decedent did not directly own the real property. This measure closes that tax law loophole by specifying that, if Hawaii real property is held by a single member limited liability company that is solely owned by a nonresident decedent, that company will be disregarded for estate tax purposes and the tax will apply as if the nonresident decedent owned the property directly.




Your Committee notes that the Department of Taxation has indicated that the effect of this measure on state revenues has yet to be determined. Your Committee finds that these revenue impacts should be established before the Legislature takes final action on this measure.

Accordingly, your Committee has amended this measure by:

- (1) Changing the effective date to January 1, 2050, to facilitate further discussion on the measure; and
- (2) Making technical nonsubstantive amendments for the purposes of clarity and style.

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. 1006, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1006, S.D. 1, and be placed on the calendar for Third Reading.

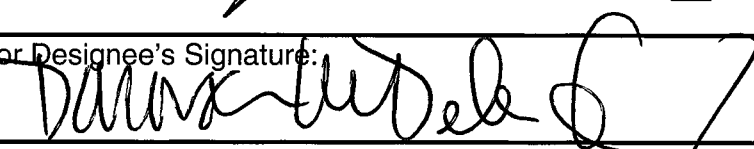
Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
\_\_\_\_\_  
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.:* <b>SB 1006</b>	Committee Referral: <b>WAM</b>	Date: <b>2/7/17</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)	/			
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene				/
INOUYE, Lorraine R.	/			
KAHELE, Kaiali'i	/			
RIVIERE, Gil	/			
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.	/			
WAKAI, Glenn				/
<b>TOTAL</b>	<b>9</b>			<b>0</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