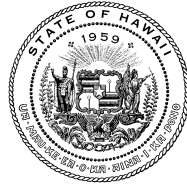


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DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Tuesday, February 7, 2017

Time: 9:30 A.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1002, Relating to Conformity to the Internal Revenue Code

The Department of Taxation (Department) strongly supports S.B. 1002, an Administration measure, and provides the following comments for your consideration. S.B. 1002 conforms Hawaii's income and estate and generation-skipping transfer taxes to the Internal Revenue Code (Code) as of December 31, 2016.

Sections 235-2.5(c) and 236E-4, Hawaii Revised Statutes (HRS), require the Department to submit legislation to each regular session of the legislature to adopt the Code as it exists on the December 31 preceding the regular session.

S.B. 1002 amends section 235-2.3(a), HRS, to conform the Hawaii income tax law to the operative Code sections of subtitle A, chapter 1, as amended as of December 31, 2016. Generally, subtitle A, chapter 1, refers to Code sections 1 through 1400T.

S.B. 1002 also amends section 236E-3, HRS, to conform the Hawaii estate and generation-skipping transfer tax law to the operative Code sections of subtitle B, as amended as of December 31, 2016. Generally, subtitle B refers to Code sections 2001 through 2801.

The United States Congress enacted the following tax measures during 2016, which the Department analyzed to determine if amendments to conformity were necessary:

1. "Trade Facilitation and Trade Enforcement Act of 2015," P.L. 114-125, enacted February 24, 2016;
2. "The Recovering Missing Children Act," P.L. 114-184, enacted June 30, 2016;
3. "United States Appreciation for Olympians and Paralympians Act of 2016," P.L. 114-239, enacted October 7, 2016;

4. "Combat-Injured Veterans Tax Fairness Act of 2016," P.L. 114-292, enacted December 16, 2016.

The Department analyzed each of the foregoing Acts and identified no necessary changes to Hawaii's income tax law.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, ESTATE, Conformity to Internal Revenue Code

BILL NUMBER: SB 1002; HB 1136 (Identical)

INTRODUCED BY: SB by Kouchi by request; HB by Souki by request

EXECUTIVE SUMMARY: Conforms the Hawaii income tax and estate and generation-skipping transfer taxes to federal changes adopted through December 31, 2016.

BRIEF SUMMARY: Amends HRS section 235-2.3(a) by changing the date references to make the Internal Revenue Code (IRC) applicable for state income tax purposes as it was amended on 12/31/16 for tax years beginning after 12/31/16. Amends HRS section 236E-3 by changing the date references to make the IRC applicable for state estate and generation-skipping tax purposes as it was amended on 12/31/16 for tax years beginning after 12/31/16.

EFFECTIVE DATE: The income tax provisions are effective to taxable years beginning after December 31, 2016; the estate and generation-skipping tax provisions apply to decedents dying or taxable transfers occurring after December 31, 2016.

STAFF COMMENTS: This is the annual conformity measure submitted by the department of taxation TAX-01 (17) in compliance with HRS section 235-2.5 which requires the department to annually submit a measure to maintain state income tax conformity with the federal Internal Revenue Code, and in compliance with HRS section 236E-4 which requires the department to annually submit a measure to maintain state estate and generation-skipping 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 Code during the past year and to adopt those changes that are appropriate for Hawaii law.

Digested 2/5/2017

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 3, 2017 3:48 PM
To: WAM Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB1002 on Feb 7, 2017 09:30AM*

SB1002

Submitted on: 2/3/2017

Testimony for WAM on Feb 7, 2017 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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