

Honolulu, Hawaii  
APR 04, 2018

RE: S.B. No. 2821  
S.D. 1  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2821, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure 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. Specifically, this measure conforms certain Hawaii income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of December 31, 2017.

The Americans for Democratic Action Hawaii and a concerned individual opposed this measure. The Department of Taxation, Tax Foundation of Hawaii, IMUAlliance, and Hawaii Appleseed Center for Law and Economic Justice provided comments on this measure

Your Committee has amended this measure by:

- (1) Clarifying conformance to the Internal Revenue Code as amended by the Bipartisan Budget Act of 2018, which was enacted on February 9, 2018;



- (2) Clarifying when an executor may elect to defer or pay in installments the Hawaii transfer tax;
- (3) Specifying that the following provisions of the Internal Revenue Code as amended are not operative for state income tax purposes:
  - (A) Section 162(f), with respect to the deduction of restitution and compliance to laws payments;
  - (B) Section 529, with respect to qualified tuition programs; and
  - (C) Section 529A, with respect to qualified ABLE programs;
- (4) Authorizing the Director of Taxation to audit and assess penalties related to Hawaii estate tax or the estate tax and generation-skipping transfer tax returns; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2821, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2821, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,

  
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SYLVIA LUKE, Chair



