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To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Thursday, February 8, 2018
Time: 2:00 P.M.
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 2394, Proposed H.D. 1, Relating to the Conformity to the Internal Revenue Code

The Department of Taxation (Department) strongly supports H.B. 2394, Proposed H.D. 1, an Administration measure, and offers the following comments for the Committee's consideration.

H.B. 2394, Proposed H.D. 1, conforms Hawaii's income and estate and generation-skipping transfer taxes to the Internal Revenue Code (IRC) as of December 31, 2017. Hawaii Revised Statutes (HRS) sections 235-2.5(c) and 236E-4, requires 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.

H.B. 2394, Proposed H.D. 1, amends HRS section 235-2.3(a), to conform the Hawaii income tax law to the operative IRC sections of subtitle A, chapter 1, as amended as of December 31, 2017. Generally, subtitle A, chapter 1, refers to IRC sections 1-1400U-3. H.B. 2394, Proposed H.D. 1, also amends HRS section 236E-3, to conform the Hawaii estate and generation-skipping transfer tax law to the operative IRC sections of subtitle B, as amended as of December 31, 2017. Generally, subtitle B refers to IRC sections 2001 through 2801.

In addition, H.B. 2394, Proposed H.D. 1, amends Hawaii income tax law to account for two major changes in federal tax law, the new partnership audit rules and the Tax Cuts and Jobs Act, both discussed below.

New Partnership Audit Regime

The "Bipartisan Budget Act of 2015", P.L. 114-74, enacted November 2, 2015, replaced the partnership audit rules enacted in 1982 as part of the Tax Equity and Fiscal Responsibility Act (TEFRA). The new partnership audit rules fully replace the TEFRA rules.

The new partnership audit rules became fully effective for federal tax purposes on January 1, 2018. The new regime's major policy change is that partnerships must be audited and assessed at the partnership level and are responsible for payment of any additional tax due at the partnership level. The new regime includes an opt-out provision for partnerships with 100 or fewer partners.

The Department recommends conforming to the substance of the new partnership audit rules while maintaining the Department's own timing and administrative provisions. This maintains the current policy of conforming to the substantive provisions of TEFRA, but not conforming to the timing or administrative provisions of TEFRA. The Department's specific recommendations are reflected in H.B. 2394, Proposed H.D. 1.

Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act, P.L. 115-97, enacted December 22, 2017 (the Act), made major changes to individual and corporate income taxes and to the estate tax. The Department has studied the Act extensively and has developed detailed recommendations that are reflected in the proposed draft bill.

Due to the immense amount of content contained in the Act, the Department is including an overview of its recommendations and a greatly simplified explanation of selected provisions of the Act in this testimony. The Department's recommendations are reflected in Proposed H.D. 1.

In general, the Department recommends conforming closely to the IRC to ease the administration of the income tax and estate tax as much as possible. However, in this case, the Department is recommending non-conformity in several important areas.

First, the Department recommends maintaining the current allowance of individual itemized deductions, including the mortgage interest deduction and the state and local tax deduction. This will ensure that Hawaii individual taxpayers do not face a Hawaii income tax increase due to the operation of the federal changes. These provisions are addressed throughout Section 3 of Proposed H.D. 1 at HRS section 235-2.4.

Second, the Department recommends not conforming to the 20% deduction for income from pass-through entities under new IRC section 199A. The Department believes this provision is inappropriate for Hawaii income tax purposes because Hawaii has made no change to its corporate tax rate. This provision was enacted to maintain the current differential in effective tax rates between C-corporations and pass-through entities. Hawaii has made no change to its corporate tax rates, so there is no change in the relative tax rates to address with such a deduction. This provision is addressed in Section 2 of Proposed H.D. 1 at HRS section 235-2.3(b)(17).

Third, the Department recommends not conforming to bonus depreciation under IRC section 168(k). Since 2003, when this provision was introduced, Hawaii has not conformed to federal bonus depreciation under IRC section 168(k). Under prior law, federal bonus depreciation was equal to 50% of the cost of qualified property. Under the Act, federal bonus depreciation is expanded to 100% of the cost of qualified property. The proposed draft of the bill addresses this provision. However, because Hawaii does not conform to IRC section 168(k) currently, no statutory change is necessary to continue to not conform.

Fourth, the Department recommends conforming to the same corporate tax provisions that Hawaii currently conforms to. Two noteworthy provisions that were changed are the business interest deduction in IRC section 163(j) and the net operating loss (NOL) deduction in IRC section 172. The two provisions are discussed briefly below. The proposed draft of H.B. 2394 addresses these provisions. Currently, Hawaii conforms to these provisions, so no statutory change is necessary to continue conforming.

The business interest deduction (IRC section 163(j)) is limited to the sum of the business's interest income, 30% of its adjusted taxable income, and any floor financing interest of the business. Any disallowed interest deduction may be carried forward indefinitely. The interest deduction limitations do not apply to taxpayers whose average annual gross receipts for the prior three years do not exceed \$25 million.

The Act limits NOL deductions to 80% of taxable income. The Act also disallows any carryback of NOLs, except for certain farms, and allows indefinite carryforward of NOLs. The NOL limits do not apply to property and casualty insurance companies.

The following are selected provisions of the Act and their effect. The list below includes most of the provisions that Hawaii currently conforms to and omits many of those provisions Hawaii does not conform to.

Individual provisions	
Subject	Effect
Mortgage interest deduction	Limits the mortgage interest deduction to interest on loans of \$750,000.
State and Local Tax Deduction	Limits the SALT deduction to \$10,000.
Miscellaneous itemized deductions	Disallows all miscellaneous itemized deductions subject to the 2% AGI floor.
Personal casualty losses deduction	Allows a personal casualty loss deduction only for federally declared disasters.
Congressional living expense deduction	Repeals the \$3,000 deduction for living expenses for members of Congress.
Charitable contributions	Increases the limit on charitable deductions to 60% of AGI.
Right to purchase athletic seats	No deduction for contributions made to reserve the right to purchase athletic tickets.
Limitation on wagering losses deduction	Includes other related expenses in wagering losses for purposes of the deduction.
Medical expense deduction	Reduces the floor on medical expense deductions to 7.5% of AGI.
Alimony payments	Repeals the deduction for alimony paid and repeals the inclusion in income for alimony received.
Moving expense deduction	Disallows moving expense deduction.
529 plan distributions	Allows 529 plan distributions to be used for primary or secondary school tuition.
Discharge of student loan debt	Excludes income from discharge of student loan indebtedness.
ABLE accounts	Allows contributions to ABLE accounts to exceed \$14,000 if the donee is the beneficiary of the account.
Rollovers from qualified tuition	Allows rollovers from qualified tuition accounts to ABLE accounts.

programs to ABLE accounts	
Employee achievement awards	Includes employee achievement awards in income if they are in cash or cash equivalents.
Exclusion of military pay in Sinai	Deems the Sinai Peninsula a combat zone for income tax purposes.
Moving expense reimbursements	Includes moving expense reimbursements in income.

Corporate and Business	
Subject	Effect
Local lobbying expenses	Repeals the exception that allowed a deduction for local lobbying expenses.
Contributions to capital	Excludes any contribution in aid of construction or any other contribution as a customer of potential customer and any contribution by a governmental entity or civic group.
Rollover of publicly traded securities gain into SSBICs	Disallows rollover of gains on public traded securities to a specialized small business investment corporation.
Temporary 100% expensing for certain business assets	Allows 100% expensing for certain capital assets.
Depreciation limitation for automobiles	Increases the depreciation limitations for passenger automobiles.
Recovery period for farming property	Repeals the requirement for farm property use the 150% declining balance method and allows a 5-year recovery period for farm machinery.
Depreciation periods amended	Adjusts the recovery periods for various categories of property
Business expense deduction	Limits the interest expense deduction to the total of the business's interest income, 30% of its adjusted taxable income, and floor plan financing interest.
Section 179 expensing	Increases the amounts taxpayers are allowed to expense and increases the phase-out threshold.
NOL deduction	Limits the NOL deduction to 80% of taxable income and changes the carryforward and carryback rules.
Like-kind exchanges	Limits like-kind exchanges to real property.
Entertainment expenses	Disallows the deduction for entertainment expenses.
Deduction for FDIC premiums	Limits the amount of FDIC premiums that can be deducted for certain large institutions.
Self-created property not capital asset	Treats self-created property such as a patent or invention as an ordinary asset rather than a capital asset.
Amortization of R&D expenses	Allows certain R&D expenses to be amortized over a 5 year period.
Transfer of value rule	Excludes life-insurance proceeds from a reportable policy sale from income.
Clarification of basis for life insurance	Requires basis in life insurance contracts to be adjusted for mortality, expense, or other reasonable charges incurred.
Sexual harassment settlements	Denies deduction for any settlement related to sexual harassment or sexual abuse that are subject to a nondisclosure agreement.
Alaska native corporations	Excludes certain income received by an Alaska Native Corporation.
Deductibility of fines and penalties	Allows some fines and penalties, such as restitution, to be deducted.
Qualified Opportunity Zones	Provides capital gains tax deferral for qualified opportunity zones.

Pass-through entities	
Subject	Effect
Pass-through tax treatment	Allows a 20% deduction from income received from a pass-through entity, with limitations.
S corporation conversions	Distributions from a terminated S corporation will be treated from its accumulated adjustment account and from earnings and profits
Electing small business trusts	Makes a nonresident alien a permissible beneficiary of an ESBT
Charitable deductions for ESBTs	Individual rules apply to charitable deductions for ESBTs
Substantial built-in loss	Definition expanded to include a hypothetical disposition of all assets if the transferee would be allocated a net loss of more than \$250,000.
Basis limitation on partnership loss	Applies the basis limitation on the deductibility of partner losses to a partner's distributive share of charitable contributions and foreign taxes.
Limitations on losses for non-corporate taxpayers	Disallows an excess business loss for a taxpayer other than a C corporation.
Look-through gain on sale of partnership interest	Expands gain or loss that is treated as effectively connected with a U.S. trade or business.
Technical termination of partnership	Repeals the technical termination rule for partnerships.
Carried interest	Applies a 3-year holding period for certain long-term capital gain with respect to applicable partnership interests.

Compensation and Benefits	
Subject	Effect
Bicycle commuting reimbursement	Suspends the exclusion for bicycle commuting reimbursements.
Recharacterization of IRA contributions	Recharacterization does not apply to a conversion contribution to a Roth IRA.
Rollover of plan loan assets	Extends the amount of time for contributing a plan loan into an IRA to avoid treatment as a taxable distribution.
Excessive employee remuneration	Repeals the commission and performance based compensation exception to the \$1 million limit on deductibility of compensation.
Qualified equity grants	Tax benefits to employees of start-ups related to stock options.
Length of service awards	Increases the aggregate amount of awards for volunteers to \$6,000.

Tax-exempt Organizations and Estate Tax	
Subject	Effect
Unrelated business taxable income	Requires inclusion of certain fringe benefits for which a deduction is not allowed in unrelated business taxable income.
Estate and gift tax	Increases the unified credit to \$10 million.
Generation-skipping transfer trust	Increases the exemption to \$10 million.

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: HB 2394, Proposed HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Conforms the Hawaii income tax and estate and generation-skipping transfer taxes to federal changes adopted through December 31, 2017. Decouples from the federal Tax Cuts and Jobs Act in several key areas.

SYNOPSIS: The draft conforms Hawaii law to the substantive provisions of the partnership audit rules enacted in the Bipartisan Budget Act of 2015, Pub. L. No. 114-74, while maintaining Hawaii-specific timing and administrative provisions.

The draft conforms Hawaii law to the Tax Cuts and Jobs Act, Pub. L. No. 115-97, except for several key areas.

Individual Itemized Deductions: The draft does not conform to the federal disallowance of itemized deductions, including the mortgage interest deduction and the state and local tax deduction.

Deduction for Passthrough Business Income: The draft does not conform to the 20% deduction for income from passthrough entities under new IRC section 199A.

Bonus Depreciation: The draft does not change Hawaii's decoupling from federal bonus depreciation rules under IRC section 168(k).

EFFECTIVE DATE: Upon approval, income tax changes shall apply to taxable years beginning after December 31, 2017 and estate and generation-skipping transfer tax changes shall apply to decedents dying or taxable transfers occurring after December 31, 2017.

STAFF COMMENTS: This is the annual conformity measure submitted by the department of taxation TAX-01 (18) 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.

Most states, including ours, conform to federal tax law. That means we generally adopt the federal law provisions that tell us what is income and what we can deduct, so that most of us don't have to figure out our taxable income many different ways. In fact, our most frequently filed income tax form, the Hawaii N-11, starts off with amounts reported on the federal return, and then adds and subtracts a few things to get Hawaii taxable income.

Every year, our legislature is required to consider a bill to make our state income tax law conform to the federal changes made in the previous year. This is the bill.

In a nutshell, the Tax Cuts and Jobs Act did two major things regarding taxation of individuals: it dropped the tax rate for most people, but it limited or wiped out many deductions, making the tax base higher. The tax you need to pay to the federal government is figured by multiplying the two, and the net effect is that people generally can take home more money.

When our state legislature conforms to federal tax changes, we typically adopt the federal provisions regarding what's taxed and what's deductible, but typically do not change the tax rates. If our lawmakers stick to that script this year, they will be hurting taxpayers, who will pay tax on a larger tax base but with the same rate as before.

You might remember that the Tax Reform Act of 1986 also dropped rates and broadened the tax base to accomplish tax reform. Our legislators reacted by enacting Act 239 of 1987, which dropped our tax rates to offer relief from the base broadening.

At the time, our Conference Committee made the following observations, many of which are pertinent to the Tax Cuts and Jobs Act of 2017:

Tax Reform Act of 1986

The Federal Tax Reform Act of 1986 is said to be one of the most important pieces of tax legislation enacted by Congress during the past ten years. Certainly, the Act is massive and extensive. For some, the Act is tax simplification in that taxpayers are dropped from the tax rolls due to increased personal exemptions and standard deductions. For others, the Act complicates income taxes.

Some of the major changes to the Income Tax Law contained in the Tax Reform Act of 1986 and adopted in this bill are the repeal of the zero-bracket amounts and the substitution of standard deduction amounts. These amounts in the state income tax law have been increased to maintain a one-third relationship between the federal amounts and the state amounts. This one-third relationship is based on the federal amounts as they will exist in 1988.

....

For the first time since 1965, state income tax brackets and rates are substantially amended. The number of income tax brackets are reduced from the present 12 to 8. The top income tax rate is reduced from 11 per cent to 10 per cent. This reduction in rates is reflected in all brackets. The lower tax rates and reduced number of brackets will help to alleviate bracket creep due to increased income and inflation. Coupled with the food tax credit discussed later, the new rates and brackets will maintain progressivity while providing relief from the income base broadening effects of the Tax Reform Act. In all, about 88 per cent of all single filers, 79 per cent of all joint returns, and 90 per cent of all head of household filers will have a net savings in income taxes.

Conf. Comm. Rep. No. 108 (1987) (on SB 320).

Individual Itemized Deductions: The proposed draft would add to tax return complexity by requiring taxpayers to claim itemized deductions, and of course keep detailed records supporting those deductions, only for Hawaii purposes. Instead, this Committee should consider the same strategy Hawaii adopted in 1987 in response to the Tax Reform Act: let the taxable base be broadened, but reduce rates to an appropriate revenue neutral level. Such a move might even help Hawaii give up the dubious distinction it now holds for having the second highest maximum individual income tax rate in the country.

Deduction for Passthrough Business Income: The draft does not conform to the 20% deduction for income from passthrough entities. The Department has stated that this provision was enacted at the federal level to maintain the current differential in effective tax rates between C-corporations and pass-through entities. The Department reasons that Hawaii has made no change to its corporate tax rates, so there is no change in the relative tax rates to address with such a deduction. The fact, however, is that the Hawaii tax code already has a significant disparity between individual rates, which go up to 11%, and corporate rates, which cap out at 6.4%. Our disparity is worse than that under the federal code. To address this unfairness, it is entirely appropriate for section 199A, IRC, to be incorporated into Hawaii income tax law.

Digested 2/6/2018



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Comments on HB 2394 – Relating to Conformity to the Internal Revenue Code
House Committee on Finance
Scheduled for hearing Thursday, February 8, 2018, 2:00 PM, in Conference Room 308

Dear Chair Luke, Vice Chair Cullen, and members of the Committee:

Thank you for the opportunity to submit COMMENTS on **HB 2394**, which would conform Hawaii income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of December 31, 2017. Our comments are focused on Section 5 of the bill, specifically how it would conform the determination of taxable estates to federal tax law after the passage of the federal Tax Cuts and Jobs Act (TCJA).

Even before the TCJA was passed, Delaware and Hawai'i had the highest estate tax exemption thresholds among the states that have estate taxes, due to their and our conforming to the federal level. We should follow the example of the other states and decouple our estate tax exemption amount from the federal law.

If we fail to decouple, the TCJA's doubling of the already-high 2017 exemption amount (see table on next page) would cause Hawai'i to lose significant amounts of revenue. It would mean that the state would lose estate tax revenue on inheritance amounts between \$5.5 and \$11 million for singles (and between \$11 and \$22 million for couples).

With Hawai'i – especially this Committee – facing tremendous budget pressures, can we really afford to give up this revenue, due to a change in federal law that none of our elected Congressional representatives voted for?

Regardless of whether or not Hawai'i continues to conform to the federal law, wealthy taxpayers will no longer be required to pay between 18 and 40 percent of their estate values between \$5.5 million and \$11 million for singles (and between \$11 million and \$22 million for couples) in federal tax. That is tremendous tax break for literally the richest among us. Do they need another tax break from the state of Hawai'i?

We appreciate your consideration of this testimony.

Federal Estate Tax

Year	Exclusion Amount	Max/Top tax rate
2001	\$675,000	55%
2002	\$1 million	50%
2003	\$1 million	49%
2004	\$1.5 million	48%
2005	\$1.5 million	47%
2006	\$2 million	46%
2007	\$2 million	45%
2008	\$2 million	45%
2009	\$3.5 million	45%
2010	Repealed	
2011	\$5 million	35%
2012	\$5.12 million	35%
2013	\$5.25 million ^[29]	40%
2014	\$5.34 million ^[30]	40%
2015	\$5.43 million ^[31]	40%
2016	\$5.45 million ^[6]	40%
2017	\$5.49 million	40%
2018	\$11.2 million	40%

The Hawai'i Appleseed Center for Law and Economic Justice is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.

HB-2394

Submitted on: 2/6/2018 4:31:48 PM

Testimony for FIN on 2/8/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Bickel		Oppose	No

Comments:

I oppose the provision of this bill that would double the exemption to the estate tax. Given what is happening at the federal level to billionaires like the Trump family billions of dollars in estate tax breaks, we should be doubling the tax not the exemption. Don't make wealth inequality worse.

HOUSE COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair
Rep. Ty Cullen, Vice Chair

From: Bart Dame
Date: Thursday, February 8, 2018
Time: 2 p.m.
Place: Conference room 308

HB2394, RELATING TO CONFORMITY TO THE INTERNAL REVENUE CODE

OPPOSE

My name is Bart Dame and I am testifying as an individual in OPPOSITION to HB2394.

In particular, I am opposing Section 5 of the bill, which would amend Hawaii's tax code to conform with the DRAMATIC changes to the estate tax pushed through Congress in December by the Trump Administration and the GOP majorities in Congress.

While I understand the convenience, to filers, tax professionals and the Department of Taxation, when the state and federal tax codes are identical, the Legislature does have the authority to decide when changes in the federal tax code are in conflict with the interests and values of the people of Hawaii. I suggest this is such an occasion.

If adopted, this bill would double the size of estates before they are subject to an estate tax. According to the Tax Policy Center, under the previous federal estate tax threshold of \$5.49 million, only 5,460 estates of people dying in 2017 had to pay any taxes. Under the new changes, which will DOUBLE the size of an estate before it will be taxed, "fewer than 1800 estates," nationwide, would have to pay any federal estate tax.

I can understand how such a change would personal benefit the Trump family, the Koch Brothers, the Mercers and other politically active billionaires and multi-millionaires at the national level. And, undoubtedly, would benefit a small number of wealthy Hawaii residents. But the vast majority of Hawaii's residents will be HARMED by this change, as we will lose considerable tax revenue.

As the Republicans in Washington DC slash taxes on the very rich and corporations, that is undoubtedly going to result in federal spending on social programs which benefit working and middle class families, both through federal programs and payments to the states. Rather than following the federal changes, I suggest the states need to consider ways of capturing some of the wealth being given back to high income filers and corporations at the state level.

I doubt the Hawaii state legislature, left to itself, would propose such a radical change to our tax code. I do not believe the convenience of conformity to the federal tax code is worth the millions of revenue which will be lost to the state if we automatically and without an open, public, discussion, adopt the radical changes pushed through Congress. If you pass out this bill as a vehicle for the broader task of ensuring conformity on other aspects of the tax code, I urge you to not include the estate tax provisions.

I have attached to my testimony a January 2018 article from CNN Money, which explains the impact of

the new changes to the federal estate tax. The title of the article is a good summary of its content: “New Estate Tax Law Gives an Enormous Gift to Rich Families.” Just because the Republican-controlled Congress was able to push this through at the federal level, does that mean Hawaii’s legislators should follow suit?

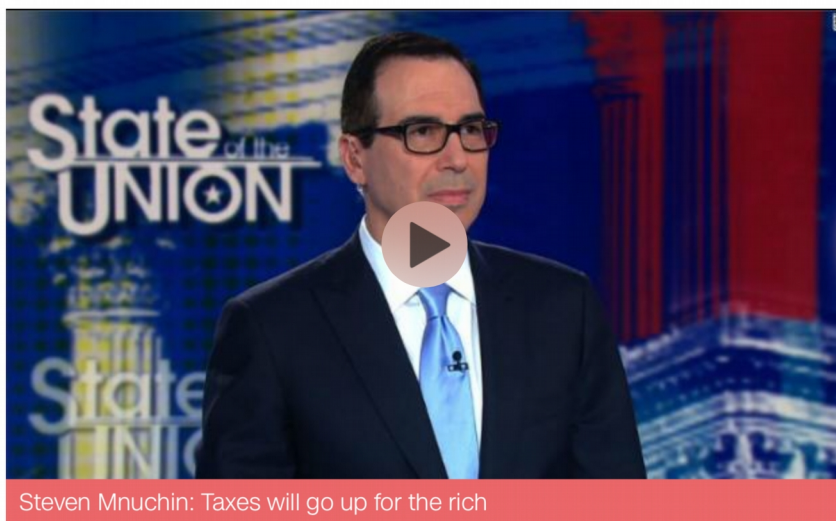
Thank you for the opportunity to testify.

New estate tax law gives an enormous gift to rich families

by Jeanne Sahadi @CNNMoney

January 9, 2018: 1:14 PM ET

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It's always good to inherit money, whatever the tax consequences. But for the lucky few, it will be especially lucrative and tax free over the next eight years.

That's because the [new federal tax law](#) doubles the amount of money that's automatically exempt from the federal estate tax -- to roughly \$11 million of an estate for someone who was unmarried, or \$22 million if they were married.

The provision remains in effect through the end of 2025, unless Congress extends it.

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As it is, it's not like many estates have been hit with the federal estate tax over the past several years.

Even if the old exemption levels remained in place -- at \$5.5 million per person (\$11 million if married) -- fewer than 11,500 estates would have to file an estate tax return, and of those only 5,500 or so would end up owing any tax at all, according to estimates from the Tax Policy Center.

Those numbers drop sharply under the new law. Less than 4,000 estates will have to file every year, and 1,800 or fewer will end up owing any money, the TPC estimates.

Mortgage & Savings

Mortgage	Personal Loans	Credit Cards
Loan Type	Rate	APR
30-yr fixed	3.63%	3.71%
15-yr fixed	2.88%	3.04%
5/1 ARM	2.5%	3.7%
Loan Amount	APR	Payment
\$225,000 (5/1 ARM)	3.7%	\$889/mo
\$350,000 (5/1 ARM)	3.72%	\$1,499/mo

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More from CNNMoney

Facebook's top exec in Europe has incurable cancer

LATE

HB-2394

Submitted on: 2/7/2018 3:33:58 PM

Testimony for FIN on 2/8/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Greg and Pat Farstrup		Oppose	No

Comments:

Trickle down doesn't work!

This bill increases income inequality and works AGAINST Hawaii's middle and lower income families and homeless people.

Please vote NO on this bill.

Schools Our
Keiki Deserve

808-351-0980
808-627-0193

1488 Glen Ave.
Wahiawā

**HB 2394 - RELATING TO CONFORMITY TO THE
INTERNAL REVENUE CODE**

Dear Chair Luke and Members of the Committee:

LATE

I write in strong opposition to HB 2394. Our richest taxpayers will now save, under new federal law, between 18% and 40% in federal tax on estates between \$5.5 million and \$11 million.

HB 2394 asks Hawaii to match federal exemption levels, effectively doubling the benefit for the wealthy at the expense of the public. We are not required to match the federal exemption levels. In fact, Hawai'i and Delaware already have the highest exemption levels among the states that have estate taxes because they match the federal amount.

The new federal tax law doubles the amount of inheritances that are exempt from the estate tax from an already sky-high \$5.5 to \$11 million. Even if we do not match the federal exemption levels, our richest taxpayers will save between 18% and 40% in federal tax on estates between \$5.5 million and \$11 million. The wealthy few in Hawaii can now afford to pay more at the state level. And they should.

Let's spend our policy-making energy trying to figure out how to serve working families in Hawaii - and pursuing the common good.

Sincerely,

Dr. Amy Perruso
Executive Director

LATE

HB-2394

Submitted on: 2/7/2018 6:34:24 PM

Testimony for FIN on 2/8/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marion McHenry		Oppose	No

Comments:

We do not need to lower taxes on the wealthiest in Hawaii.

LATE

HB-2394

Submitted on: 2/8/2018 1:47:16 AM

Testimony for FIN on 2/8/2018 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kat Culina		Oppose	No

Comments: