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**STATE OF HAWAII  
DEPARTMENT OF TAXATION**

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

Date: Friday, March 15, 2019  
Time: 2:00 P.M.  
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: S.B. 1361 S.D. 1, Relating to Estate Taxes

The Department of Taxation (Department) provides the following comments regarding S.B. 1361, S.D. 1, for your consideration.

S.B. 1361, S.D. 1, adds an additional tax bracket, thereby increasing the Hawaii estate tax where the Hawaii net taxable estate exceeds \$10,000,000. The Senate Committee on Ways and Means adopted the Department's suggestion to make the measure effective for decedents dying after December 31, 2019 to prevent a retroactive application of the increase and to provide time for the Department to make the necessary form and computer changes, and to educate the public about the change. As such, the Department will be able to implement this measure as it is currently written.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ESTATE, Tax Hike for Large Estates

BILL NUMBER: SB 1361, SD-1

INTRODUCED BY: Senate Committee on Ways & Means

EXECUTIVE SUMMARY: Increases estate taxes for Hawaii net taxable estates valued at over \$10,000,000.

SYNOPSIS: Amends section 236E-8, HRS, to add a seventh bracket to the estate and generation-skipping tax with a rate of 20% for any Hawaii net taxable estate that exceeds \$10 million.

EFFECTIVE DATE: Upon approval, applies to decedents dying or taxable transfers occurring after December 31, 2019.

STAFF COMMENTS: A tax hike is proposed. The rationale for it is explained in the following passage in the Senate Ways and Means Committee report:

Your Committee finds that this measure will allow the State to capture some of the funds that certain residents will no longer be required to pay to the federal government due to the federal Tax Cuts and Jobs Act, which doubled the amount of an inheritance that is exempt from the federal estate tax, and to utilize those funds for addressing critically important state responsibilities.

Stand. Com. Rep. No. 689 (2019).

What a rationale! Jack up the tax rates and blame it on President Trump.

Digested 3/12/2019



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COMMITTEE ON FINANCE

FRIDAY, 3/15/19, 2 PM, Room 308  
SB1361 SD1, RELATING TO ESTATE TAXES

**TESTIMONY**

Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair LUKE, Vice-Chair CULLEN, and Committee Members:

The League of Women Voters of Hawaii **strongly supports SB1361 SD1** that increases the Estate Tax on net taxable estates worth \$10,000,000 or more.

Last year's federal Tax Cuts and Jobs Act doubled the amount of an inheritance that is exempt from the federal estate tax, from \$5.5 million to \$11 million. That means that the inheritors of the wealthiest estates in Hawaii are getting a tremendous tax break at the federal level.

Not only can these inheritors afford to pay more at the state level, but the increased tax revenue is badly needed for several critically important state responsibilities, e.g. addressing sea-level rise impacts on coastal infrastructure and private property, funding obligations due to state employee retirement and health benefits, providing safe housing for our unhoused population, etc.

Please support SB1361.

Thank you for the opportunity to submit testimony.



# HAWAII APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice  
Supporting SB 1361 SD1 – Relating to Estate Taxes  
House Committee on Finance  
Friday, March 15, 2019, at 2:00 PM in conference room 308

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

Thank you for the opportunity to provide testimony in **SUPPORT** of **SB 1361 SD1**, which would increase estate taxes for Hawai'i net taxable estates valued at over \$10,000,000.

Mahalo for acting last session to decouple Hawai'i from the federal estate tax exemption levels, which doubled from \$5.5 million to \$11.2 million. By doing so, Hawai'i's exemption is now held at \$5.5 million.

That means that the 20 percent rate as proposed in SB 1361 SD1 would apply only to gross inherited amounts over \$15.5 million. In fact, Hawai'i still has the second-highest estate exemption amount among the states that have estate taxes. The exemption amount was only \$675,000 in 2001, or more than eight times less than the amount today (see federal chart below).

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 <sup>[29]</sup>	40%
2014	\$5.34 million <sup>[30]</sup>	40%
2015	\$5.43 million <sup>[31]</sup>	40%
2016	\$5.45 million <sup>[6]</sup>	40%
2017	\$5.49 million	40%
2018	\$11.2 million	40%

Even with the decoupling from the federal exemption level, Hawai‘i’s wealthy taxpayers are no longer be required to pay between 18 and 40 percent of their estate values between \$5.5 million and \$11.2 million for singles (and between \$11 million and \$22 million for couples) in federal tax. This is a tremendous tax break for literally the richest among us.

Since these taxpayers will be saving huge amounts at the federal level, they can easily afford to pay more at the state level. Currently Hawai‘i’s top estate tax rate is 15.7 percent. Washington state’s maximum estate tax rate is 20 percent and it exempts only the first \$2.2 million of an estate. Your committee could also reasonably consider dropping our state’s exemption level lower, since it has increased so sharply over the past two decades.

We appreciate your consideration of this testimony.

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*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.*



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P.O. Box 23404  
Honolulu  
Hawaii'i 96823

March 14 , 2019

TO: Honorable Chair Luke & FIN Committee Members

RE: SB 1361 SD1 RELATING TO THE ESTATE TAXES

Support for hearing on March 15

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

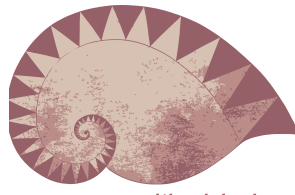
We support SB 1361 SD1 as it would raise estate taxes for Hawaii net taxable estates valued at over \$10 million. A recent headline in the Washington Post reads, "The richest 1 percent now owns more of the country's wealth than at any time in the past 50 years." At the same time the federal government in lowering taxes on the super wealthy. This is one way to recoup that revenue and use it for worthy state causes.

Thank you for your favorable consideration.

Sincerely,

John Bickel President





Pono Hawai'i Initiative

Josh Frost - President • Kau'i Pratt-Aquino - Secretary • Patrick Shea - Treasurer  
Kristin Hamada • Nelson Ho • Summer Starr

Friday, March 15, 2019

Senate Bill 1361 SD  
Testifying in Strong Support, with Amendment

Aloha, Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance,

The Pono Hawai'i Initiative (PHI) **strongly supports SB1361 SD1 Relating to Estate Taxes**, which increases estate taxes for Hawaii net taxable estates valued at over \$10,000,000.

Hawai'i's wealthiest taxpayers are no longer required to pay between 18 and 40 percent of their estate values between \$5.5 million and \$11.2 million for singles (and between \$11 million and \$22 million for couples) in federal tax. This is a tremendous tax break for literally the richest among us.

With the wealth gap widening every year, there is no denying those with large eight-figure estates can afford to pay a higher estate tax. Currently Hawai'i's top estate tax rate is 15.7 percent. Washington state's maximum estate tax rate is 20 percent and it exempts only the first \$2.2 million of an estate.

Pono Hawai'i Initiative would also ask the committee to consider dropping Hawai'i's exemption level lower, since it has increased so sharply over the past two decades.

For all these reasons, we urge you to move this bill forward,

Mahalo for the opportunity to testify,  
Gary Hooser  
Executive Director  
Pono Hawai'i Initiative

**SB-1361-SD-1**

Submitted on: 3/13/2019 3:47:55 PM

Testimony for FIN on 3/15/2019 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jared Watumull	Individual	Oppose	No

Comments:

I storngly oppose SB1361 as it is double taxation and creates an undue hardship on small business owners and farmers and their ability to pass their business to their heirs. Hawaii should repeal the estate tax all together.