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To: The Honorable Donovan M. Dela Cruz, Chair  
and Members of the Senate Committee on Ways and Means

Date: Monday, February 11, 2019  
Time: 10:00 A.M.  
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

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

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

SB 1361 adds an additional tax bracket, thereby increasing the Hawaii estate tax where the Hawaii net taxable estate exceeds \$10,000,000. The measure is effective upon approval and applies to decedents dying or taxable transfers occurring after December 31, 2018

The Department notes that the current effective date causes a retroactive application of the law. The Department suggests that it be made effective for decedents dying or taxable transfers occurring after December 31, 2019, which will also allow sufficient time for the Department to make the necessary form, and instructions, and computer system changes.

Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: ESTATE TAX

BILL NUMBER: SB 1361

INTRODUCED BY: DELA CRUZ

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: Applies to decedents dying or taxable transfers occurring after December 31, 2018.

STAFF COMMENTS: A tax hike is proposed. The concept being considered here was introduced in another bill (SB 2484 (18)) that was considered last session.

The rationale for the tax hike, as stated in the 2018 bill's preamble, is, "The legislature finds that the federal government has significantly raised the threshold for the federal estate tax.... The legislature further finds that these changes to the federal estate tax provide the State with an opportunity to benefit Hawaii residents. By amending Hawaii's estate tax thresholds and rates, the State can capture some of the money that certain residents will no longer be required to pay to the federal government and redirect that money to the State."

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

Digested 2/6/2019



AMERICANS FOR DEMOCRATIC ACTION

OFFICERS		DIRECTORS		MAILING ADDRESS
John Bickel, President		Melodie Aduja	Ken Farm	P.O. Box 23404
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Dylan Armstrong, Secretary		Gloria Borland	Jenny Nomura	

Feb. 7 , 2018

TO: Honorable Chair Dela Cruz & WAM Committee Members

RE: SB 1361 RELATING TO THE ESTATE TAXES

Support for hearing on Feb. 11

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 as it would raise estate taxes for Hawaii net taxable estates valued at over \$10,000,000. 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



David Mulinix  
Sebastian Mosur  
Donald Erway  
Andrea N Brower  
Randy Gonce  
Greg and Pat Farstrup

To: Senate Committee on Ways & Means

Date: Monday, Feb. 11, 10AM  
Place: Conference Room 211

Re: Supporting SB 1361 -- Relating to Estate Taxes

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Dear Senate Committee on Ways and Means:

I support SB 1361, which increases estate taxes for Hawaii net taxable estates valued at over \$10 million.

The federal Tax Cuts and Jobs Act has 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 wealthiest taxpayers in our state are getting a tremendous tax break at the federal level, and they can easily afford to pay more at the state level.

I understand that the state -- and especially your Committee -- are facing tremendous budget pressures, and this bill captures needed additional revenues from those who can most afford it.

Mahalo for letting me provide testimony in support of SB 1361.



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COMMITTEE ON WAYS AND MEANS

MONDAY, 2/11/19, 10 am, Room 211  
SB1361, RELATING TO ESTATE TAXES

**TESTIMONY**

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

Chair DELA CRUZ, Vice-Chair KEITH-AGARAN and Committee Members

The League of Women Voters of Hawaii **strongly supports SB1361** 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 – Relating to Estate Taxes  
Senate Committee on Ways and Means  
Monday, February 11, 2019, at 10:00 AM in conference room 211

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Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to testify in **SUPPORT** of **SB 1361**, 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 that is proposed in SB 1361 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.*

**LATE**

**SB-1361**

Submitted on: 2/10/2019 12:39:23 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Laura Gray	Individual	Support	No

Comments: