

# TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, ESTATE, Conformity to Internal Revenue Code

BILL NUMBER: SB 1267; HB 1041 (Identical)

INTRODUCED BY: SB by KOUCHI by request; HB by SAIKI by request

EXECUTIVE SUMMARY: Conforms the Hawaii income tax and estate and generation-skipping transfer taxes to federal changes adopted through December 31, 2018. This bill at a minimum must be amended to take account of the amendments made by Act 69, SLH 2019.

SYNOPSIS: 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 12/31/18 for tax years beginning after 12/31/18. 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 12/31/18 for tax years beginning after 12/31/18.

Amends HRS section 235-2.3(b) by deleting paragraph (51) relating to opportunity zones, and amending HRS section 235-2.45 by adding a new subsection (k) relating to opportunity zones. In other words, the bill proposes to conform to federal treatment of opportunity zones, as long as they are designated by the governor of this state.

Amends HRS section 235-2.4(ee) by specifying that IRC section 512(a)(7) is not operative in Hawaii.

EFFECTIVE DATE: The income tax provisions are effective to taxable years beginning after December 31, 2018; the estate and generation-skipping tax provisions apply to decedents dying or taxable transfers occurring after December 31, 2018.

STAFF COMMENTS: This was the annual conformity measure submitted by the department of taxation TAX-01 (19) 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.

This bill is carried over from the 2019 session and does not yet reflect the amendments made by Act 69, SLH 2019. Thus, the current bill is not in proper form and needs to be amended either to undo the changes made by Act 69 or clarify that any proposed changes are to be made to the current version of chapter 235, HRS.

Digested 3/14/2020