

STAND. COM. REP. NO. 473

Honolulu, Hawaii

FEB 19 2021

RE: S.B. No. 614
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Labor, Culture and the Arts, to which was referred S.B. No. 614 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to alleviate the financial strain on households in Hawaii that are struggling from the disruptions caused by the coronavirus disease 2019 (COVID-19) pandemic. Specifically, this measure:

- (1) Exempts from state income tax, unemployment compensation received by an individual during the period of March 1, 2020, through December 31, 2020; and
- (2) Requires the Department of Taxation to retroactively refund state income tax deducted and withheld from individuals for unemployment compensation during the period of March 1, 2020, through December 31, 2020.

Your Committee received testimony in support of this measure from the Hawaii Iron Workers' Stabilization Fund, Hawai'i Lodging and Tourism Association, Hawai'i Workers Center, I.A.T.S.E. Local 665, International Longshore and Warehouse Union Local 142, and fifty-six individuals. Your Committee received testimony in opposition to this measure from two individuals. Your Committee



received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and one individual.

Your Committee finds that in addition to unemployment compensation paid under chapter 383, Hawaii Revised Statutes, the pandemic unemployment assistance (PUA) received by individuals pursuant to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act should be exempt from state income tax. Your Committee also finds that since the 2020 tax year has already closed, taxpayers who have had state income tax deducted and withheld from their unemployment compensation will be required to file a return in order to receive a refund of any exempted amounts. Likewise, taxpayers who may have already filed their returns before this measure takes effect would be subsequently required to file an amended return to receive their refund. Therefore, taxpayers should be allowed to credit the state income tax that was deducted and withheld from their unemployment compensation and PUA against their overall state tax liability instead of having the amount refunded.

Your Committee, while acknowledging the need to alleviate the financial strain incurred by many households in Hawaii caused by the COVID-19 pandemic, finds that this measure merits further discussion, as it will have a significant impact on the State's tax revenue. According to the Department of Taxation, this measure in its current form will decrease the State's tax revenue by \$145 million. If PUA were also exempted from state income tax, the State will lose an additional \$46 million, a total of \$191 million in tax revenue.

Accordingly, your Committee has amended this measure by:

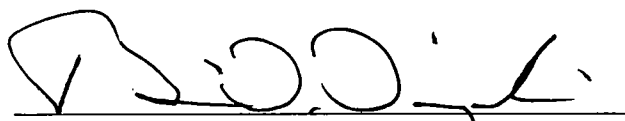
- (1) Exempting from state income tax, PUA as well as unemployment compensation received by an individual during the period of March 1, 2020, through December 31, 2020;
- (2) Allowing taxpayers to credit the state income tax that was deducted and withheld from their unemployment compensation or PUA against their overall state tax liability;



- (3) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Labor, Culture and the Arts that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 614, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 614, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Labor, Culture and
the Arts,



BRIAN T. TANIGUCHI, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Labor, Culture and the Arts
LCA

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SB 614</i>	<i>LCA, WAM</i>	<i>2/05/2021</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TANIGUCHI, Brian T. (C)	✓			
IHARA, Jr., Les (VC)	✓			
CHANG, Stanley	✓			
KEOHOKALOLE, Jarrett	✓			
FEVELLA, Kurt		✓ <i>WJ</i>		
TOTAL	<i>4</i>	<i>1</i>	<i>0</i>	<i>0</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>[Signature]</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes