

STAND. COM. REP. NO.

780

Honolulu, Hawaii

FEB 18

, 2021

RE: H.B. No. 445
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 445 entitled:

"A BILL FOR AN ACT RELATING TO INCREASING THE ESTATE TAX,"

begs leave to report as follows:

The purpose of this measure is to lower the exclusion amount of the estate tax to \$1,000,000.

Your Committee received testimony in support of this measure from Faith Action for Community Equity, Our Revolution Hawaii, Americans for Democratic Action, Planned Parenthood Votes Northwest and Hawaii, Hawaii State Teachers Association, Young Progressives Demanding Action, Hawaii Appleseed Center for Law & Economic Justice, Democratic Party of Hawai'i Education Caucus, Imua Alliance, Hawai'i Health & Harm Reduction Center, Hawai'i Budget & Policy Center, Hawai'i Children's Action Network, and eight individuals. Your Committee received testimony in opposition to this measure from the Hawaii Automobile Dealers Association and eight individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the estate tax is based on the property owned by a decedent, and includes realty, bank deposits, life insurance, stock, and all other assets. The estate tax rate

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begins at ten percent of the net taxable estate and may rise up to twenty percent. If the estate does not have liquid assets to pay the estate tax, the estate may require the beneficiaries to sell the assets, including real property, in order to satisfy the tax.

Your Committee further finds that while the federal estate tax exclusion is set to \$11,580,000 as a result of the federal Tax Cuts and Jobs Act, the State froze the exclusion under state law at \$5,490,000. As such, your Committee finds and is concerned that many persons from middle-class families who are excluded under the existing law will be subject to the estate tax if the exclusion under state law is lowered to \$1,000,000, as proposed in this measure.

Your Committee has amended this measure by:

- (1) Changing the exclusion amount of the estate tax to an unspecified amount; and
- (2) Changing the effective date to January 1, 2050, to encourage further discussion.

Your Committee notes that the Department of Taxation submitted testimony on this measure expressing concerns that the measure retroactively subjects some estates to the lower exclusion amount. As this amended measure proceeds through the legislative process, your Committee requests that consideration be given to the Department of Taxation's concern and suggestion that this amended measure be applicable to decedents dying or taxable transfers occurring after December 31, 2021.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 445, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 445, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



AARON LING JOHANSON, Chair



