Honolulu, Hawaii

FEB 1 8 2022

RE: S.B. No. 3075
        S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B.
No. 3075, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO FRANCHISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to ensure that
$2,000,000 is deposited annually into the Department of Commerce
and Consumer Affairs' compliance resolution fund, which is
currently funded by franchise tax revenues.

Specifically, this measure requires that, in years where
franchise tax revenues are insufficient, the difference shall be
made up by a deposit of income tax revenues.

Your Committee received written comments in support of this
measure from the Department of Commerce and Consumer Affairs,
Division of Financial Institutions; Department of Taxation; and
Hawaii Bankers Association.

Your Committee received written comments on this measure from
the Tax Foundation of Hawaii.

Your Committee finds that Article III, section 14, of the
Hawaii State Constitution provides that "[e]ach law shall embrace
but one subject, which shall be expressed in its title." A title
must include a distinct reference to the subject matter to which

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it relates and also cover only one subject. Thus, the scope of the title cannot be narrower than the scope of the subject matter of the bill. Your Committee notes that the title of this measure is "A Bill for an Act Relating to Franchise Tax." In the context of this measure, the term "franchise tax" refers to the franchise tax imposed on banks and other financial corporations pursuant to Chapter 241, Hawaii Revised Statutes. Your Committee also finds that the intent of this measure is to address a shortfall in the $2,000,000 earmarked from the franchise tax collections to be deposited into the compliance resolution fund. Accordingly, the measure requires the deposit of income tax revenues, collected pursuant to Chapter 235, Hawaii Revised Statutes, into the compliance resolution fund to make up the shortfall. Your Committee notes concerns that, by amending the income tax law, the contents of this measure may exceed the scope of its title.

Your Committee has amended this measure by:

(1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure;

(2) Clarifying the taxable years to which the provisions of the measure that amend the income tax law shall apply; and

(3) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3075, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3075, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Ways and Means,

DONOVAN M. DELA CRUZ, Chair

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
SB3075,SD1	CPN, WAM	2/15/22

☐ The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

☐ Pass, unamended
2312
☒ Pass, with amendments
2311
☐ Hold
2310
☐ Recommit
2313

Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MISALUCHA, Bennette E.	X			
MORIWAKI, Sharon Y.	X			
SHIMABUKURO, Maile S.L.				X
TANIGUCHI, Brian T.				X
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	9			2

Recommendation:

☒ Adopted   ☐ Not Adopted

Chair's or Designee's Signature:

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*Only <u>one</u> measure per Record of Votes