

STAND. COM. REP. NO. **2082**

Honolulu, Hawaii

, 2023

APR 06

RE: S.B. No. 1437
S.D. 1
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 1437, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PASS-THROUGH ENTITY TAXATION,"

begs leave to report as follows:

The purpose of this measure is to allow certain entities to elect to pay Hawaii income tax at the entity level through pass-through entities.

Your Committee received testimony in support of this measure from the Chamber of Commerce Hawaii, Ocean Tourism Coalition, General Contractors Association of Hawaii, Pas de Deux Hawaii, Kapolei Chamber of Commerce, Maui Chamber of Commerce, Craft 'Ohana, and one individual. Your Committee received comments on this measure from the Department of Taxation; Grassroot Institute of Hawaii; Pacific Rim Land, Inc.; and Tax Foundation of Hawaii.

Your Committee finds that the companion to this measure, H.B. 1362, H.D. 2 (Regular Session of 2023), a substantially similar measure, was previously passed by the House. Your Committee further finds that H.B. No. 1362, H.D. 2, is preferable to this measure as it:

2023-3088 SB1437 HD2 HSCR HMSO

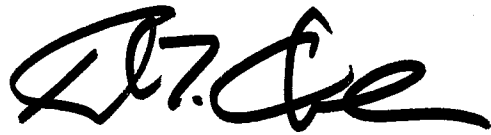


- (1) Clarifies that an election of a partnership or S corporation to be taxed as an electing pass-through entity in a tax year shall be irrevocable for that tax year and shall be binding on all partners, shareholders, and members of the electing pass-through entity; and
- (2) Specifies that distributive shares and guaranteed payments of members who are corporations are not included in determining the basis of the tax imposed on an electing pass-through entity.

Your Committee has amended this measure by deleting its contents and inserting the contents of H.B. No. 1362, H.D. 2.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1437, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1437, S.D. 1, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



KYLE T. YAMASHITA, Chair



