

STAND. COM. REP. NO. 3818

Honolulu, Hawaii

APR 05 2024

RE: H.B. No. 2653
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2653, H.D. 1, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to amend the estate and generation-skipping transfer tax law.

More specifically, this measure:

- (1) Conforms Hawaii estate tax laws to the operative provisions of the Internal Revenue Code to decrease the burden on taxpayers and increase efficiencies in the Department of Taxation's monitoring and auditing of estate tax returns; and
- (2) Establishes an estate tax deduction for the value of closely held business interests that will help ensure that locally-owned family businesses can continue to contribute to the state economy and assist families to retain the ownership interest in their family businesses.

Your Committee received written comments in support of this measure from ABC Stores; Ace Auto Glass; Akita Enterprises, Ltd.;



Aloha Beer; ALTRES; Avalon Group; Ben Franklin/Ace Hardware; Big Island Candies; Big Island Subaru; Big Island Toyota; Business Consulting Resources, Inc.; Business Strategies; Cataract and Retina Center of Hawaii; City Mill; Commercial Flooring; Commercial Roofing and Waterproofing Hawaii, Inc.; Continental Assets Management; C.S. Wo/Homeworld; Cushman and Wakefield Chaney Brooks; Easy Music Center; Finance Enterprises, Ltd.; Foodland Supermarket, Ltd.; Goodfellow Brothers; Grassroot Institute of Hawaii; Ground Transportation, Inc.; Hanai Appliance; Hawaii Automobile Dealers Association; Hawaii Forest and Trail; Hawaii National Bank; Hawaii Restaurant Association; Hawaii Self Storage; Hawaii Specialty Vehicles; Hawaii Transportation Association; Hee Hing Restaurant; Highway Inn; HONBLUE, Inc.; Honolulu Disposal Service; House of Finance; HPM Building Supply; Island Insurance Companies; Jade Dynasty Seafood Restaurant; JN Group; Johnny Finney, LLC; Kamaka Ukuleles; Kapaa Solar, LLC; Kauai Vehicle Service Center; KLF Repair Service; KTA Super Stores; Kualoa Ranch; L&L Hawaiian Barbeque; Liliha Bakery; Loyalty Enterprises; MacNaughton, Inc.; Malu Investments; Mana Up Hawaii; Martin and MacArthur; Matt's Transmission Repair; Maui Toyota; McCully Bicycle and Sporting Goods; Meadow Gold Dairies; MW Group; Oahu Veterinary Clinic; Pacific Administrators, Inc.; Petland; Plaza Assisted Living; ProService; Rannikks Auto Specialists; Sae Design Group; Servco Pacific, Inc.; Soderholm Bus and Mobility; Stanford Carr Development; Sun Noodle North America; Title Guaranty of Hawaii; Tony Group; Tori Richard, Ltd.; Truck Shop Maui; Ulupalakua Ranch; United Tire and Recapping Company; Watumull Properties Corp.; Y. Hata; Yummy Restaurant Group; Zippy's Restaurants; and five individuals.

Your Committee received written comments in opposition to this measure from the Center on Budget and Policy Priorities, Democratic Party of Hawaii, Hawaii Appleseed Center for Law and Economic Justice, Hawaii Children's Action Network Speaks!, Indivisible Hawaii Healthcare Team, Institute on Taxation and Economic Policy, Kauai Climate Action Coalition, League of Women Voters of Hawaii, Save Medicaid Hawaii, and numerous individuals.

Your Committee received written comments on this measure from the Department of Taxation.

Your Committee finds that Hawaii has one of the highest estate taxes in the nation, due to its high estate tax rate and



low exclusion amount. In contrast, the current federal exclusion amount applicable to gift and estate transfers is more than double the amount of the Hawaii estate tax exclusion amount. This difference has resulted in the need for complicated and technical estate planning and requires the Department of Taxation to expend funds and resources to independently monitor and examine the filings of estate tax returns.

Your Committee notes that the Department of Taxation has requested that the definition of "qualified family-owned business interest" used in the measure be amended to account for entities other than corporations, such as partnerships and limited liability companies.

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 H.B. No. 2653, H.D. 1, S.D. 1, and recommends that it pass Third Reading.

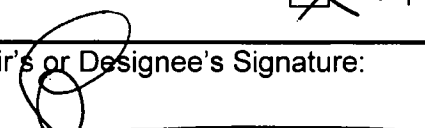
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2653 HDI SDI	CPN, WAM	4/15/2024		
<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 checked="" type="checkbox"/> Pass, unamended 2312	<input type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310	<input type="checkbox"/> Recommit 2313	
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn	X			
HASHIMOTO, Troy N.	X			
INOUE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.				X
KIM, Donna Mercado	X			
LEE, Chris	X			
SHIMABUKURO, Maile S.L.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt				X
TOTAL	11	0	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted		<input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes