

STAND. COM. REP. NO. **2511**

Honolulu, Hawaii

FEB 16 2024

RE: S.B. No. 3289  
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 S.B. No. 3289 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the state estate tax law.

More specifically, the measure amends the definition of "Hawaii taxable estate" to provide that the marital deduction under section 2056 of the Internal Revenue Code shall apply to the passage of any interest in property to any immediate family member.

Your Committee received testimony in support of this measure from ABC Stores; ALTRES; Big Island Motors; Finance Enterprises, Ltd.; Island Insurance Companies; KTA Super Stores; Loyalty Enterprises, Ltd; Servco Pacific Inc.; Tori Richard, Ltd.; Y. Hata & Co., Ltd.; Zippy's Restaurants; and four individuals.

Your Committee received testimony in opposition to this measure from one individual.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.




Your Committee finds that this measure amends the state estate tax law by making the marital deduction under section 2056 of the Internal Revenue Code, which is currently only available to surviving spouses, applicable to a transfer to any immediate family member. Your Committee also finds that, for purposes of consistency, a corresponding amendment to the state generation-skipping transfer tax law is necessary.

Your Committee has amended this measure by:

- (1) Making a corresponding amendment to the state generation-skipping transfer tax law to provide that a transfer to any immediate family member shall not be considered a distribution to a skip person, as defined in section 2613 of the Internal Revenue Code; and
- (2) Making a technical nonsubstantive amendment for the purposes of clarity and consistency.

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. 3289, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3289, S.D. 1, and be placed on the calendar for Third Reading.

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

  
DONOVAN M. DELA CRUZ, Chair



