JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
P.O. BOX 259
HONOLULU, HAWAIʻI 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
H.B. No. 2653, H.D. 1, Relating to the Estate Tax.

BEFORE THE:
Senate Committee on Commerce and Consumer Protection

DATE:	Thursday, March 14, 2024
TIME:	9:30 a.m.
LOCATION:	State Capitol, Room 229

Chair Keohokalole, Vice-Chair Fukunaga, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 2653, H.D. 1 for your consideration.

Section 2 of H.B. 2653, H.D. 1 adds a new section to the Estate and Generation-Skipping Transfer Tax in chapter 236E, Hawaii Revised Statutes (HRS), to establish an estate tax deduction equal to the value of a qualified family-owned business interest held by the decedent or the decedent's heir at the time of the decedent's death, provided that the decedent or the decedent's heir materially participated in the operation of the trade or business to which the interest relates. If the estate tax due on an estate includes tax attributable to that qualified business interest, the estate shall be allowed a deduction from the gross estate of the decedent equal to the value "of the interest in a closely held business." "Interest in a closely held business" means the same as is defined in section 6166 of the Internal Revenue Code (IRC) and "material participation" means the same as is defined in section 2032A(e)(6) of the IRC; "qualified family-owned business interest" means any interest in a closely held business that meets three requirements:

(1) The decedent had a material participation in the trade or business for at least five of the eight years preceding the date of death;

(2) The value of the trade or business, including the value of the decedent's interest in the trade or business, shall be at least thirty-five per cent of the adjusted gross estate of the decedent; and

(3) At least fifty-one per cent of the voting stock of the corporation shall be owned by members of two or more families who are related by blood, marriage, or adoption.

Section 3 of the bill amends section 236E-6, HRS, relating to the exclusion allowed under state estate tax law, to conform to the federal exclusion amount.

The bill takes effect on July 1, 3000 and applies to decedents dying or taxable transfers occurring after December 31, 2023.

The Department notes that although the definition of "qualified family-owned business interest" requires that the decedent had material participation in the trade or business, subsection (a) seems to suggest that the interest and the material participation may have been done by the decedent <u>or a qualified heir</u> of the decedent. The Department recommends amending these provisions to avoid ambiguity.

Next, with respect to the proposed conformity change in section 3 of the measure, the Department notes that under current law, for tax year 2023, the State exclusion amount is $5,490,000 while the federal exclusion amount is $12,920,000. However, the increased federal exclusion is set to expire in 2025 with the sunset of the federal Tax Cuts and Jobs Act, at which time, barring any federal or state legislative changes, the federal exclusion will revert to the same amount as the State's current exclusion, plus adjustments for inflation. Even with the inflation adjustment, the disparity between these two numbers will be significantly reduced for tax year 2026 and onward.

Finally, based on the complexity of these proposed changes, the Department requests H.B. 2653, H.D. 1 be made applicable to decedents dying or taxable transfers occurring after December 31, 2024. This will help provide time to make the necessary form, instruction, and computer system updates while educating taxpayers about these significant changes.

Thank you for the opportunity to provide comments on this measure.

TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAI'I

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

MARCH 14, 2024

HB 2653, HD1, RELATING TO THE ESTATE TAX

POSITION: OPPOSITION

The Democratic Party of Hawai'i **opposes** HB 2653, HD 1, relating to the estate tax. Pursuant to the "Economic Justice and Labor" section of the official Democratic Party of Hawai'i platform, the party supports "policies that circulate currency through our economy, helping businesses to thrive, including tax policy that lessens the tax burden of low- and middle-income earners and increases the tax burden of high-income earners and the wealthy. We support government investments of tax revenue in community development, government anti-poverty programs, and the transition to a sustainable, green economy."

Passing this proposal would be utterly irresponsible at this time.

Last year, we witnessed the impact of the climate emergency on our shores. On August 8, 2023, wildfires swept across Maui and killed at least 100 people, making it one of the nation's deadliest natural disasters. The spread of the fires has been attributed to climate change conditions, such as unusually dry landscapes and the confluence of a strong high-pressure system to the north and Hurricane Dora to the south.

The wildfires destroyed over 2,200 structures, including numerous residential buildings, historic landmarks, and school facilities, including King Kamehameha III Elementary School. The wildfires destroyed over 2,200 structures, including numerous residential buildings, historic landmarks, and school facilities. In September 2023, a report from the United States Department of Commerce estimated the total economic damage of the wildfires to be roughly $5.5 billion. According to a report issued by the University of Hawaii Economic Research Organization on September 22, 2023, the unemployment rate on Maui was expected to soar above 11 percent by the end of 2023 and remain above 4 percent through 2026. A total of 10,448 new claims for unemployment in Maui County were filed in the four weeks following the wildfires, about 9,900 more than the preceding four weeks. Displaced families and workers who lost their jobs are still attempting to recover from the disaster, with a full recovery expected to take many years to achieve.

On March 11th of this year, the Council on Revenues released a forecast showing four percent projected growth for the ensuing fiscal year. Moreover, Gov. Josh Green recently requested an additional $362 million for the current fiscal year to pay for Maui wildfire recovery costs, such as temporary housing for displaced families. The estate tax–which was diluted during the Trump administration to allow more millionaires to concentrate their wealth without paying taxes–was originally instituted to prevent the intergenerational consolidation of wealth by those who are economically privileged. **<u>This bill would re-conform our estate tax to federal levels, making the amount of our exemption the largest among states that have an estate tax and causing Hawai'i to miss out on essential revenue when we most need it, which would otherwise by paid by those most financially able to contribute to the public good.</u>**

Now is the time to *raise* revenue, rather than expanding tax breaks for our state's richest residents.

Mahalo nui loa,

Kris Coffield
Co-Chair, Legislative Committee
(808) 679-7454
kriscoffield@gmail.com

Abby Simmons
Co-Chair, Legislative Committee
(808) 352-6818
abbyalana808@gmail.com

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ESTATE TAX; Exclusion Amount; Deduction; Family Businesses

BILL NUMBER: HB 2653 HD 1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Conforms Hawai‘i 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. 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 Hawai‘i economy and assist families to retain the ownership interest in their family businesses.

SYNOPSIS: Adds a new section to chapter 236E, HRS, allowing a deduction from the taxable estate for the value of the decedent’s qualified family-owned business interests provided that:

(1) Interest in a closely held business was owned by the decedent or a qualified heir of the decedent; and

(2) There was material participation by the decedent or the decedent's qualified heir in the operation of the trade or business to which the interest relates.

Defines “Interest in a closely held business” as the same as it is used in section 6166 of the Internal Revenue Code.

Defines “Material participation” as the same as it is used in section 2032A(e)(6) of the Internal Revenue Code.

Defines “Qualified family-owned business interest” as any interest in a closely held business that meets the following requirements:

(1) The decedent had a material participation in the trade or business for at least five of the eight years preceding the date of death;

(2) The value of the trade or business, including the value of the decedent's interest in the trade or business, shall be at least thirty-five per cent of the adjusted gross estate of the decedent; and

(3) At least fifty-one per cent of the voting stock of the corporation shall be owned by members of two or more families who are related by blood, marriage, or adoption.

Amends section 236E-6, HRS, to conform the applicable exclusion amount to the federal applicable exclusion amount.

EFFECTIVE DATE: July 1, 3000; and shall apply to decedents dying or taxable transfers occurring after December 31, 2023.

STAFF COMMENTS: The federal estate and gift tax system presently has a very high threshold before kicking in. In 2017, the threshold was $5.49 million, which meant that if unexcluded lifetime gifts plus the value of the taxable estate at a decedent's death did not total $5.49 million or more, there would be no federal estate tax. Excluded transfers, such as a transfer between husband and wife of any amount or gifts under a small threshold amount ($10,000 indexed for inflation), did not count against the $5.49 million at all. Between 2017 and the present, the Tax Cuts and Jobs Act increased the exclusion amount substantially, to $11.58 million for tax year 2020.

Hawaii law generally conforms to the mechanics of the federal estate tax system, except that Hawaii has no gift tax. In addition, perhaps because of revenue concerns, Hawaii law froze the exclusion amount at the 2017 level of $5.49 million. Thus, if a decedent dies with an estate worth $10 million, the estate would not pay federal estate tax because it is under the $11.58 million threshold, but the estate would pay Hawaii estate tax because it is over the $5.49 million Hawaii threshold.

This measure proposes to do two things; first, recouple the federal exclusion amount, which has since grown to $13.61 million; and second, allow a deduction from the taxable estate for a qualified family-owned business interest so it doesn't count for purposes of determining the size of the taxable estate. Both of the changes in tandem would allow a person with a very valuable qualified family-owned business interest to leave all of it plus $13.61 million to his or her heirs free of any Hawaii estate tax.

Finally, the definition of qualified family-owned business interest does not appear to require that the taxpayer be in the one or two families owning the majority of the trade or business. Thus, the deduction could be used by others. We wonder if this is what was intended.

Digested: 3/9/2024

Committee on Commerce and Consumer Protection
Chair Jarrett Keohokalole, Vice Chair Carol Fukunaga

Thursday March 14,2024 9:30 am Room 229 and videoconference
HB2653 HD1 RELATING TO THE ESTATE TAX

TESTIMONY
Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair Keohokalole, Vice Chair Fukunaga, and Committee Members:

The League of Women Voters of Hawaii opposes HB2653 HD1, which 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, and 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 Hawaii economy and assist families to retain the ownership interest in their family businesses.

The League of Women Voters of the United States believes that fiscal policy should provide for adequate and flexible funding of government programs through an equitable tax system that is progressive overall.

HB2653 HD1 is regressive and inequitable, privileging some taxpayers (those who have businesses) more than others, many or even most of whom are not so fortunate.

I call your attention to these testimonies on HB2653 received by the Committee on Finance:
From the Department of Taxation: " The Department notes that although the definition of "qualified family-owned business interest" requires that the decedent had material participation in the trade or business ("**§236E- Deductions subsection c (1))**, **subsection a (1)** provides that the interest and the material participation may have been done by the decedent or a qualified heir of the decedent. " (bolded text added.)

The League of Women Voters of Hawaii (LWVHI)recommends making the definition in subsection a) conform to the definition in c(1) for consistency with federal law and to limit the negative impact of HB2653 on state tax revenues.

From the Tax Foundation of Hawaii: "This measure proposes to do two things; first, recouple the federal exclusion amount, which has since grown to $13.61 million; and second, allow a deduction from the taxable estate for a qualified family-owned business interest so it doesn't count for purposes of determining the size of the taxable estate.

Both of the changes in tandem would allow a person with a very valuable qualified family-owned business interest, Mark Zuckerberg of Facebook for example, to leave all of it plus $13.61 million to his heirs free of any Hawaii estate tax.
Finally, the definition of qualified family-owned business interest does not appear to require that the taxpayer be in the one or two families owning the majority of the trade or business. Thus, the deduction could be used by others. We wonder if this is what was intended."

LWVHI recommends this Committee seriously consider the implications of this argument, which might well embarrass those who have supported it.

Hawaii Childrens Advocacy Network Speaks: "In 2018, you and your fellow lawmakers wisely decoupled Hawai'i's estate tax from the Trump Administration's tax giveaway to the wealthiest among us.5 This bill would re-conform our estate tax to the federal levels, making the amount of our exemption the largest among the states that have an estate tax.6
In other words, this bill will cause the state to lose badly-needed revenue from those who are the most able to afford it. This bill completely exempts from the tax estates worth between $5.5 and $13.6 million (from singles) and between $11 and $27.2 million (from couples), as well as greatly lowers the tax on estates worth more than those amounts. In addition, the estate tax is applied only to the amounts above the exemption. Currently, an estate worth $6 million pays only $50,000 in estate tax.
This bill truly is a tax break for the extremely rich. When the federal estate tax exemption was where Hawai'i's is now, only the top 2 in 1,000 estates were taxed. Since the Trump tax cuts … came into effect, which is where this bill would put Hawai'i, less than 1 in 1,000 estates have been taxed. That's the lowest share of estates subject to the estate tax on record, or more than ten times lower than the historical 1 to 2 percent share." (For references, see original testimony).

LWLVHI points out that although the current federal estate tax exclusion expires in 2025, there is no guarantee that a future federal administration will lower that amount. Hawaii faces a number of years of extraordinary high expenses. Taking the chance of lowering any tax revenue for many years does not seem wise.

Thank you for the opportunity to submit testimony.

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Dear Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee,

I am testifying on behalf of Hawai‘i Appleseed in **opposition** to HB 2653, which would raise the thresholds for the estate tax and allow the value of a family-owned business to be deducted from the total value of the estate. We find that this bill would disproportionately benefit the wealthy at the expense of necessary investments in working families.

HB 2653 specifically favors Hawai‘i's wealthiest taxpayers—those who stand to inherit multimillion dollar estates and businesses. It does not address the dire economic insecurity of low-income residents, who deserve targeted relief to keep them out of poverty.

Hawai‘i's estate tax threshold, the amount at which estates can be taxed, is already high at $5.49 million. This means that the estate tax is squarely focused on the wealthiest residents in Hawai‘i, not middle-income residents who may pass on homes in the $1 million to $2 million range at most—along with a small amount of other assets—to the inheritors of their estate. As such, HB 2653's would represent a tax break exclusively for the wealthy, and it is difficult to argue that the increased estate tax thresholds would confer any measurable benefits to the vast majority of households in Hawai‘i.

HB 2653 proposes raising the exemption amounts for estates to $13.6 million for singles and $27.2 million for couples by 2024. These thresholds are far beyond what the average household in Hawai‘i would ever be able to accumulate. This would only serve to help millionaires, allowing them to pass on more of their wealth to their children without paying taxes.

In addition, the lost estate tax revenue will negatively affect our working families, since it would require the legislature to divert resources that should be used for a number of important investments. Greater investments in areas such as affordable housing and tax credits for low-income residents would significantly improve the economic security of all working families in Hawai‘i, and we cannot afford to lose any potential funds for these priorities.

We urge Hawai‘i's legislators to reconsider HB 2653's provisions and ensure that tax relief is distributed equitably. Overall, we must prioritize the needs of working families by building a fairer tax system, and there is no evidence that lowering estate taxes on the wealthy would trickle down to working families in any meaningful way.

Mahalo for your consideration.

ABC STORES
766 Pohukaina Street
Honolulu, Hawaii 96813-5391
www.abcstores.com
Telephone: (808) 591-2550
Fax: (808) 591-2039
E-mail: mail@abcstores.com

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024

RE: HB 2653 HD1 Relating to the Estate Tax

Dear Chair Keohokalole and members of the committee

My name is Paul Kosasa, President and CEO of ABC Stores. **We support HB 2653 HD1.**

Our Company is family owned started by my grandparents. We are one of the few locally based, locally owned companies in Hawaii doing business nearly 100 years. Being in business this long has allowed us to give back to the local community through our Kosasa Foundation and our Jumpstart Scholarships to local youth.

However, estate taxes that target the transfer of ownership to our lineal descendants can undermine the millions of dollars of benefits that our Company gives back. Local family owned businesses are slowly disappearing. Please be a part of the solution to keep family businesses sustainable.

Thank you,

Paul Kosasa

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024
Conference room 229; 9:30 AM

RE: HB 2653 HD1 Relating to the Estate Tax – In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

My name is Jenai Wall and I am chair and chief executive officer of Foodland Supermarket Ltd., a company founded by my late parents Joanna and Maurice J. "Sully" Sullivan 75 years ago, in 1948. I also serve as chief executive officer of the other entities that comprise the Sullivan Family of Companies including Food Pantry, Ltd., Kalama Beach Corporation, and The Coffee Bean and Tea Leaf Hawaii. Together, our entities employ more than 4,000 employees across the state.

From the earliest days, my parents were committed to doing their part to support our community, and they instilled in us a belief that we have a responsibility to support the community that supports us. Even as competition has become fierce and operating our business is more challenging than ever, we have remained dedicated to giving back to Hawaii by supporting non-profits throughout our state. In fact, with the help of our customers we have raised nearly $40 million through Give Aloha, Foodland's annual community matching gifts program, which was started in 1999 in memory of my late father.

I am writing in strong support of HB 2653 HD1 for the reasons below:

- This bill will help ensure that local family-owned businesses will be able to continue to operate in Hawaii upon the death of a principal shareholder. We believe Hawaii would be a very different place without local businesses like ours who care deeply about – and invest in - this place we call home.

- Families like ours who own Hawaii businesses are committed to our employees, customers and the Hawaii community. Because we want our businesses to continue into the future, we reinvest most of our profits in the business to create jobs and improve the experience for those we serve. At Foodland, for example, we have reinvested in building innovative, new stores so that our customers have a great experience that is local and distinctly different from our larger, out-of state competitions. As such, we – like many other family businesses - do not have ready cash available, and thus paying an estate tax could be financially devastating to our business. I worry that my children – and other family heirs – will have no choice but to sell even though doing so is against their wishes and even though they know such a sale could impact our employees and customers.

- Competition here in Hawaii is already tough and estate taxes put family businesses at a disadvantage against competitors that are public companies. A public company doesn't have to pay estate taxes; only their shareholders do, and they can sell a portion of their holdings on the stock exchange. For family businesses, the shareholders and the company are the same, and the company has to provide the funds to its family shareholders to pay the tax — amounts that would likely otherwise have been invested in the business.

- As a matter of tax policy, many economists believe that the estate tax actually collects less revenues than if the business were not so taxed and instead reinvested those funds in growth. Such reinvestment would likely result in additional jobs and a greater amount of income and excise taxes over time. Only 12 states now have a state estate tax, and other states have repealed it.

- The small benefit of estate taxes (only $58 million raised in 2023) is outweighed by the substantial costs of hurting local businesses.

- Locally owned businesses are the backbone of a healthy economy and generate many jobs and understand local consumers. Locally owned businesses significantly invest time and money in local nonprofits, charities and more. Imagine what Hawaii might be like without local businesses. There might be fewer jobs and there likely would be less dollars reinvested in making our community a better place to live.

Thank you for the opportunity to submit testimony in support. I ask for your favorable consideration in passing this bill.

Sincerely,

Jenai S. Wall

Jenai S. Wall
Chair and Chief Executive Officer
Foodland Supermarket, Ltd.

March 11, 2024

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024
Conference room 229; 9:30 a.m.

RE: HB 2653 HD1 Relating to the Estate Tax – In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

As a local, family-owned restaurant business since 1966, we support HB 2653 because it ensures that Hawaii family-owned businesses can continue their operations in Hawaii upon the death of a principal shareholder.

In 1999, Francis Higa (one of two co-founders of Zippy's) passed away unexpectedly. But for existing federal and state laws which allowed the deferral of estate tax payments over 15 years, Zippy's could not have continued as a local family business as the business would have to be sold (likely to a mainland buyer) in order to pay the estate taxes.

Estate taxes put family businesses at a disadvantage against competitors that are public companies. A public company doesn't have to pay estate taxes; only their shareholders do and they can sell a portion on the stock exchange. For family businesses, the shareholders and the company are the same, and the company has to provide the funds to its family shareholders to pay the tax.

As a matter of tax policy, many economists believe that the estate tax actually collects less revenues than if the business were not so taxed and reinvested those funds in growth resulting in additional jobs and a greater amount of income and excise taxes over time. Only 12 states now have a state estate tax, and other states have repealed it.

The small benefit of estate taxes (only $58 million raised in 2023) is outweighed by the substantial costs of hurting local businesses. Locally owned businesses are the backbone of Hawaii's economy and generate many jobs and understand local consumers. Locally owned businesses significantly invest time and money to local nonprofits, charities and more.

Mahalo for your consideration,

Jason Higa
Chief Executive Officer
FCH Enterprises, Inc.

1765 SOUTH KING STREET l HONOLULU, HI 96826 l **P** 808.973.0880 l **F** 808.955.7053 l **ZIPPYS.COM**
A DIVISION OF FCH ENTERPRISES, INC.

March 11, 2024

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024
Conference Room 229

RE: HB 2653 HD 1 Relating to the Estate Tax
POSITION: Support

Aloha Chair Keohokalole, Vice-Chair Fukunaga and Members of the Committee:

My name is Toby Taniguchi and I have both the privilege and honor of serving as President of our 108 year-old family owned and operated grocery business here on Hawaii Island, "KTA Super Stores."

Thank you for this opportunity to express my support for HB 2653 HD 1 which will help to ensure locally-owned family businesses continue their operations upon the passing of a principal shareholder.

Again, thank you for this opportunity to submit my testimony.

Sincerely,

Toby B. Taniguchi

50 E. Puainako St. – Hilo, HI 96720 – 808-959-4575 – 808-959-8050 (fax)

WATUMULL Brothers, Ltd.

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024
Conference room 229; 9:30 a.m.

RE: HB 2653 HD1 Relating to the Estate Tax – In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

My name is JD Watumull and I am CEO of Watumull Brothers LTD. Watumull Brothers LTD was established in 1914 and currently employs over 75 people. My family has been in business for over 100 years.

I am writing in strong support of HB 2653 HD1. Not having to pay those significant taxes is money that can be reinvested into our businesses and our communities. We need to encourage family owned businesses to thrive and support Hawaii and not sell to mainland entities.

Thank you for the opportunity to submit testimony in support. I ask for your favorable consideration in passing this bill.

Sincerely,

JD Watumull

JD Watumull
CEO

307 Lewers Street, 6th Floor, Honolulu, Hawaii 96815 (808) 971-8800

SERVCO

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024
Conference room 229; 9:30 a.m.

RE: HB 2653 HD1 Relating to the Estate Tax – In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

My name is Mark Fukunaga, and I am the Executive Chairman (and former CEO) of Servco Pacific Inc. Servco was founded by my grandfather in 1919 and is now in its 105th year. We employ 1,084 employees in Hawaii, many of them having been with us for decades. Servco has been recognized as a Best Place to Work for the past 20 years and as one of the Best Managed Private Companies in the U.S. by Deloitte and the Wall Street Journal for the four years since that award's inception. We support local charities with about $1 million in donations annually and a lot of volunteer work. Through our paid internship program, we gave work experience to 29 interns last summer, many of whom are from Hawaii but studying away and want to return. Our charitable foundations currently support 44 Hawaii students with college scholarships.

I am in strong support of HB 2653 for the following reasons:

- First, Hawaii is one of only 12 states that have a state estate tax. Other states have repealed the tax.
- Second, estate taxes are a huge challenge for family businesses. We all reinvest the great majority of our profits into our businesses to create more jobs, improve facilities and remain competitive. We simply don't have large amounts of cash available to pay estate taxes. Families are either forced to sell all or parts of their businesses or divert capital from their businesses to buy large amounts of life insurance. Many family businesses simply can't afford to buy sufficient insurance.
- Third, public companies who compete with family businesses don't have to worry about estate taxes. Those taxes are imposed on their shareholders, who can then sell some of their shares on a stock exchange to pay the taxes. That option is not available to a family business, where the business and shareholders are effectively the same and the business must provide the funds to its family shareholders to pay the tax. Competing against global competitors is tough enough without this additional handicap.
- Fourth, as a matter of tax policy, many economists believe that the estate tax ends up collecting less revenue than if the tax were not imposed and that capital were reinvested in future growth. The increased income and excise taxes from that business,

along with the multiplier effect of taxes from employees, vendors and suppliers of that business, and so on, results in more revenue over time.

- Fifth, the estate tax only collected $58 million in 2023, which is about one-half of one percent of total state tax revenues. And the amount of estate taxes from family business owners is an even smaller fraction. That small benefit is outweighed by the substantial harm to family businesses and eventually the State's economy. The relief in this bill is strictly limited to those with stock in closely held businesses as defined by Section 6166 of the Federal Internal Revenue Code and would not be available for publicly traded stock or passive investments.
- Lastly, Hawaii-based businesses, which are mostly family businesses, are a critical part of our economy. We generate many jobs (including those for middle and upper management, and financial, digital and marketing specialists) and, being philosophically and emotionally invested in Hawaii for the long haul, we take good care of our employees and customers. After all, they are our neighbors and fellow community members. Because of our commitment to Hawaii, we also disproportionately support local nonprofits and community initiatives.

For Servco and the Fukunaga family, estate taxes are a major concern. We reinvest 90% of our profits into the business, and even with the 10% in dividends received by the Fukunaga family, most of that money is used to buy life insurance solely to pay for estate taxes. Servco also makes additional loans to family members to help them make those life insurance premium payments, which total millions of dollars annually and go to companies outside of Hawaii. That capital could have been so much better used in hiring more people and investing in Hawaii. Even at that, we believe that we cannot afford to buy all the life insurance that we will need in the future.

Like other families who own businesses, the Fukunaga family has always seen itself less as owners and more as custodians of a special legacy. We are proud of our history and want to continue serving Hawaii for another 105 years, and we are lucky that we have several very capable next generation family members who are leading Servco into the future. Unfortunately, estate taxes are a looming challenge and will deprive them of needed capital that would help Servco to remain competitive and continue serving our community.

Thank you for the opportunity to submit testimony in support. I ask for your favorable consideration in passing this bill.

Very truly yours,

Mark H. Fukunaga
Executive Chairman

Business Strategies
Helping Family Owned & Closely Held Businesses

March 11, 2024

Testimony on HB 2653 Relating to Estate Tax
Before the Senate Committee on Commerce and Consumer Protection

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee;

My name is Mike Miyahira. I have been assisting family owned businesses for more than two decades so I am intimately familiar with many of the issues and challenges that they face. I support HB 2653.

The proposed House Bill and its companion Senate Bill seek to conform Hawaii's estate tax law to federal estate tax law by allowing a deduction from the taxable estate for the value of a decedent's qualified family-owned business interests, subject to certain qualifications.

You have probably read the testimony offered by others of how estate tax lowers business investment and may harm job creation. Most other states have recognized this burden leaving Hawaii and eleven other states as the only ones with estate taxes. And, Hawaii and Washington State have the highest estate tax rates from what I was told; both topping out at 20% for certain estate values.

This bill proposes to provide tax relief for many family owned businesses by tying Hawaii's exemption value to the federal exemption value, which is set to about $7 million in 2026. Interestingly enough, Hawaii's exemption had been tied to the federal tax code up to 2018.

Estate taxes are a significant challenge for many family owned businesses. They all invest much of their earnings back into their businesses. That creates more jobs, enables them to enhance or expand their facilities, and enables them to purchase services from others.

The payment of estate taxes takes cash out of the business. It's unfortunate that some family owned business have had to sell off assets and sometimes the business itself, in order to generate enough cash to pay estate taxes when an owner dies. In other cases, some families have resorted to buying and paying expensive term life insurance policies to ensure that the owner's estate has sufficient liquidity in the event of the owner's death.

Our state's family owned businesses are the backbone of Hawaii's economy and our communities. They employ many people, pay taxes, and invest in their communities. They are part of the fabric that our state relies upon.

P.O. Box 5683 • Hilo, Hawaii 96720-8683 • Ph: (808) 987-8328
email: mike@bus-strategies.com | www.bus-strategies.com

Thank you for allowing me to present my testimony.

Aloha,

Mike Miyahira
Principal

P.O. Box 5683 • Hilo, Hawaii 96720-8683 • Ph: (808) 987-8328
email: mike@bus-strategies.com | www.bus-strategies.com

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024
Conference room 229; 9:30 a.m.

RE: HB 2653 HD1 Relating to the Estate Tax – In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

My name is Russell Lau and I am Chairman, President and CEO of Finance Enterprises, Ltd, the parent company of Finance Factors, Limited, Finance Insurance Company, Limited, and Waipono Investment Company along with numerous other entities under our family of companies umbrella. We have been in business in Hawaii for nearly 72 years having been founded by six local businessmen, one of which included the first Asian U.S. Senator, Hiram L. Fong, with the purpose of helping local Hawaii people to be able to purchase simple everyday needs of our community. Finance Factors began making small loans to residents for things like washing machines, refrigerators, vacuum cleaners and used cars, that they were unable to obtain from other financial institutions. We innovated from small loans, with the advent of credit cards, to pioneering second mortgages, home equity lines of credit that once again were not available from other institutions. We are still helping Hawaii residents by make their dreams come true of homeownership by being creative in financing their home purchases.

With about 150 employees not including our insurance agents, we provide valuable good paying jobs to help Hawaii's economy grow and keep our people in our state instead of them departing to the mainland.

I am writing in strong support of HB 2653 HD1.

I support this bill as family businesses in Hawaii are difficult to own and operate without the added burden of having to worry about the threat of estate planning issues. This added issue poses the necessity of having to liquidate of the company simply to pay these taxes.

Only private companies are faced with this funding dilemma, as public company shareholders simply have a ready market to sell whatever they need to fund their financial estate requirements.

Please remember the reason businesses increase in value is due to the founders reinvesting their earnings into the business in order for it to grow and prosper. We invested in our businesses instead of taking capital out, which allows our business to remain competitive in the already difficult and highly competitive Hawaii market.

Thank you for the opportunity to submit testimony in support. I ask for your favorable consideration in passing this bill.

Sincerely,

Chairman and CEO

STANFORD CARR DEVELOPMENT, LLC

March 11, 2024

The Honorable Jarrett Keohokalole, Chair
The Honorable Carol Fukunaga, Vice Chair
and Members of the Senate Committee on Commerce and Consumer Protection

Re: Testimony – HB2653, HD1, Relating to the Estate Tax
Hearing: March 14, 2024 at 9:30 AM
Conference Room 229

Dear Chair Keohokalole, Vice Chair Fukunaga, and Committee Members:

Stanford Carr Development (SCD) is writing to **support** HB 2653, HD1 which proposes to conform Hawaii estate tax law to provisions of the Internal Revenue Code and to create an estate tax deduction equal to the value of the closely held business interest.

To encourage family business investments many states do not impose state estate taxes. In contrast, Hawaii has one of the highest estate taxes in the nation due to the high estate tax rate coupled with the low exclusion amount.

We urge your support of this measure to ensure the fiscal strength and successful transition of family-owned and closely held entities to the next generation of leaders. From a state revenue perspective, the continued income and excise tax revenues of the entity will yield greater revenue over time when compared to the one-time estate tax.

Succession planning is critical for all businesses to remain successful and relevant to the marketplace. It also requires your support to sustain the legacy of our local family-owned businesses. As a local small business owner since 1990, I urge you to support this measure and revise the effective date to include taxable transfers occurring after December 31, 2023.

Thank you for the opportunity to offer comments.

Respectfully,

Stanford S. Carr

GRASSROOT
INSTITUTE OF HAWAII

1050 Bishop St. #508
Honolulu, HI 96813
808-864-1776
info@grassrootinstitute.org

Removing barriers to Hawaii's prosperity

March 14, 2024 9:30 a.m.
Hawaii State Capitol
Conference Room 229 and Videoconference

To: Senate Committee on Commerce and Consumer Protection
Sen. Jarrett Keohokalole, Chair
Sen. Carol Fukunaga, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY SUPPORTING HB2653 HD1 — RELATING TO TAXATION

Aloha Chair Keohokalole, Vice-Chair Fukunaga and Committee Members,

The Grassroot Institute of Hawaii would like to offer its **support** for HB2653 HD1, which would conform Hawaii's estate tax law to federal estate tax law and create an estate tax benefit for certain family-owned businesses.

Research has shown that the estate tax lowers business investment and harms job creation.[1] And to put this bill into context, only 12 states even have estate taxes, and among those, Hawaii is tied with Washington state for having the highest estate tax rates — with both topping out at 20% for certain estate values.[2]

Making matters worse, Hawaii's estate tax threshold is also relatively low — $5.49 million per individual versus $13.61 million at the federal level. And once the threshold is exceeded, Hawaii's rates kick in at anywhere from 10% to 20%, depending on the value of the estate, as the table below shows.[3]

[1] Pavel A. Yakovlev and Antony Davies, "How does the estate tax affect the number of firms?" Journal of Entrepreneurship and Public Policy, April 14, 2014; and Donald Bruce and John Deskins, "Can state tax policies be used to promote entrepreneurial activity?" Small Business Economics, Feb. 19, 2010.
[2] Andrey Yushkov, "Does Your State Have an Estate or Inheritance Tax?" Tax Foundation, Oct. 10, 2023.
[3] "Hawaii Estate Tax Explained," Valur Library, accessed Feb. 11, 2024.

Estate value	Marginal rate
$5,490,000 – $6,490,000	10%
$6,490,000 – $7,490,000	11%
$7,490,000 – $8,490,000	12%
$8,490,000 – $9,490,000	13%
$9,490,000 – $10,490,000	14%
$10,490,000 – $15,490,000	15.70%
Over $15,490,000	20%

This bill seeks to give tax relief to certain family-owned businesses by tying Hawaii's exemption value to the federal exemption value, which is set to decrease to about $7 million beginning in 2026.[4]

This is not a new idea: Until 2018, Hawaii's exemption had been tied to the federal tax code.

Increasing the value of Hawaii's "zero bracket" exemption would help local businesses stay afloat in Hawaii's often unfriendly business environment.

As the bill notes, "The imposition of estate taxes upon the death of the owner of a family business has sometimes resulted in the sale of that business, as that is the only way sufficient cash can be raised to pay those taxes. In other cases, family businesses have sold key assets or operating divisions to raise cash for those taxes."

As the bill also notes, aligning Hawaii's estate tax with the federal tax would reduce the administrative burden on the state Department of Taxation, since currently the department must "independently monitor and examine the filings of estate tax returns."

In other words, adopting this bill would be a win-win for both local businesses and the state government.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[4] "Federal Estate and Gift Tax Exemption Will Sunset After 2025: How to Prepare Now," Cherry Bekaert, June 15, 2023.

March 12, 2024

The Honorable Jarrett Keohokalole, Chair
The Honorable Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection
Hawaii State Capitol
Honolulu, Hawaii 96813

Subject: HB 2653 HD1 Relating to the Estate Tax – In Support
March 14, 2024
Conference Room 229; 9:30am

Dear Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

My name is Barron Guss, President and CEO and second-generation owner of ALTRES, Inc. a three-generation, family-owned Hawaii business. For 55 years ALTRES has been providing services and jobs to our island community. Today, our in-house staff totals more than 350 people and last year we provided jobs, payroll, benefits and insurance to more than 42,000 Hawaii residents.

I am writing in strong support of HB2653 HD1.

As you know, small business is the engine of society and family business is the cornerstone of Hawaii's economy. These local businesses make up the majority of the state's employers and, together, they provide jobs, benefits and the tax base from which we all live and thrive.

We all know the story of the exodus from Hawaii by our children and longtime residents who are relocating to the mainland to seek a better lifestyle for their families. Like many testifying here today, we are the fortunate ones who were able to lure our next generation of Hawaii's leaders back home to continue the legacy of service and commitment to our community. I, for one, am happy to have my three children working in our business and look forward to passing it on to them as my father did before me.

Unfortunately, the chance of this happening within the framework of Hawaii's current estate tax law makes this extremely unlikely. Under the current law, when a principal passes or a transfer is to take place, a financial evaluation is performed and, if the business is to continue, estate taxes must be paid on the value of the business. The casual observer may say, "Everyone is subject to tax" or "Such is life." This is not a realistic view of the situation.

Privately held businesses may be of high value, but their operating model is not usually one where there is a surplus of cash on hand to pay taxes, as our value is based on goodwill and the ability to earn future income.

For example, in a service business like ALTRES, there are no partial or hard assets to liquidate. We can't just sell our customer list from A through G and keep H through Z and continue to operate. Or, in the case of the neighborhood grocery store, are they to sell off 30% of the inventory and make the store 30% smaller to pay 30% of its value in taxes and then hope to survive? This scenario forces these small businesses to make hard choices. Should they sell to a mainland competitor, encumber the business with debt, or possibly close rather than put themselves at financial risk?

In any of these scenarios, it's the community that will suffer with the loss of locally owned businesses, jobs and services. Ultimately, this will result in a change in landscape and a Hawaii that we will no longer recognize.

As the legislature focuses on ways to expand to a more circular economy, it is important to recognize the role of locally owned businesses. If our landscape changes to mostly businesses from outside the state, you will see jobs leaving, financial resources eroding, and tax revenue declining. Equally concerning is the fact that family-owned businesses play a vital role in the support of Hawaii's non-profits. What becomes of them?

As outlined in HB2653 HD1, harmonizing Hawaii's tax law with the IRS code and exempting the value of a family business from an owner's taxable estate is the first step in ensuring that family-owned businesses in Hawaii continue their vital role in the socio-economic landscape of our state.

Thank you in advance for your continued efforts to bring thoughtful legislation to the people of Hawaii.

Respectfully,

Barron L. Guss
President and CEO

HB-2653-HD-1
Submitted on: 3/12/2024 1:44:10 PM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Tyler Tokioka	Testifying for island insurance	Support	Written Testimony Only

Comments:

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

Committee on Commerce and Consumer Protection

Thursday, March 14, 2024

Conference Room 229; 9:30am

RE: HB 2653 HD1 Relating to the Estate Tax - In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

My name is Tyler Tokioka and I am the Chairman of Island Insurance. We have been in business for over 80+ years with over 150+ employees.

I am writing in strong support of HB 2653 HD1.

Imagine life in Hawaii without Foodland's poke, Zippy's chili, CocoPuffs at Liliha Bakery, cars at Tony Honda, auto and home insurance from Island Insurance, home improvement supplies from City Mill and financial assistance from Finance Factors or Hawaii National Bank. All of these and more are from Hawaii's familiy businesses. We are part of what makes Hawaii Hawaii. And, unfortunately we are an increasingly smaller part of Hawaii as family biusinesses disappear.

All of us are supporting legislation that would provide relief to Hawaii's family businesses from the Hawaii estate tax. This is not a money grab by lazy rich people. This is about helping Hawaii's hard-working family businesses to continue, so that they can create more jobs, reinvest in Hawaii and support the community.

The Hawaii estate tax raises only a very small amount in revenues. All Hawaii estate taxes haveraised less than one-half of one percent of total State tax revenues. And of that, an even smaller fraction came from stock of Hawaii's family businesses. That is tiny compared to the damage wrought on am individual family business.

Thank you for the opportunity to submit testimony in support. I ask for your favorable consideration in passing this bill.

Sincerely,

Tyler Tokioka

Chairman

Island Insurance

HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President	Melodie Aduja	Jan Lubin	Stephen O'Harrow	P.O. Box 23404
Alan Burdick, Vice President	Juliet Begley	Shannon Matson	Maria Glodilet Rallojay	Honolulu, HI
Dave Nagajji, Treasurer	Stephanie Fitzpatrick	Jenny Nomura	Bill South	96823
Doug Pyle, Secretary	Robert Kinslow			

March 13, 2024

TO: Chair Keohokalole and Members of the CPN Committee

RE: HB 2653 HD1 Relating to the Estate Tax

Opposition for hearing on March 14

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We oppose this bill as it would exempt businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes.

Thank you for your consideration.

Sincerely,

John Bickel
President

HAPA
HAWAI'I ALLIANCE for PROGRESSIVE ACTION

LATE

House Committee on Consumer Protection & Commerce

Hawai'i Alliance for Progressive Action (HAPA) **Opposes**: HB2653 HD1)

Thursday, March 14, 2024 9:30 a.m. Conference Room 229

Aloha Chair Keohokalole, Vice Chair Fukunaga and Honorable Committee Members,

HAPA is testifying to express **strong opposition to HB2653 HD1**, which seeks to exempt businesses from the estate tax. This bill, if passed, would significantly exacerbate wealth inequality by allowing multi-million dollar businesses to be passed on without any estate tax, effectively doubling the size of estates that can be transferred tax-free.

At present, the estate tax serves as a crucial mechanism for ensuring that wealth is distributed more equitably across society. By exempting businesses from this tax, HB2653 HD1 would widen the gap between the affluent and the rest of the population, concentrating wealth in the hands of a select few.

It is important to note that the estate tax only applies to amounts above a certain exemption threshold. Even with the current threshold, which allows for significant wealth to be transferred tax-free, the tax generates essential revenue for public services and helps to mitigate the concentration of wealth among the wealthiest individuals.

If HB2653 HD1 were to pass, it would not only be the most generous estate tax exemption among states with such taxes but also set a dangerous precedent for further erosion of tax policies designed to promote economic fairness.

Therefore, we urge you to defer this bill and consider the long-term implications it would have on our society. We must prioritize policies that promote economic equity and ensure that the wealthiest individuals contribute their fair share to support the common good.

Sincerely,

Anne Frederick
Executive Director

The Hawai'i Alliance for Progressive Action (HAPA) is a public non-profit organization under Section 501(c)(3) of the Internal Revenue Code. HAPA's mission is to catalyze community empowerment and systemic change towards valuing 'aina (environment) and people ahead of corporate profit.

To: Senate Committee on Commerce and Consumer Protection
Re: **HB 2653 HD1 – Relating to the Estate Tax**
Hawai'i State Capitol & Via Videoconference
March 14, 2024, 9:30 AM

LATE

Dear Chair Keohokalole, Vice Chair Fukunaga, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **OPPOSITION to HB 2653 HD1**. This bill conforms Hawai'i estate tax laws to the operative provisions of the Internal Revenue Code and establishes an estate tax deduction for the value of closely held business interests.

The "estate tax is the taxation of property held by an individual at the time of their death and is one of the oldest and most common forms of taxation."[1] It is intended to **slow down the concentration of wealth at the top**, by taxing multimillion dollar estates when they are passed on to their heirs.

This bill is a tax break for the extremely rich. **Especially in a tight state budget season, Hawai'i cannot afford to give tax breaks to the top 0.2 percent.**

The estate tax has already been greatly weakened. In 2001, the amount of an estate that could be passed on tax-free was $675,000 for a single person and $1.35 million for a married couple,[2] and now it is almost $5.5 million per single / $11 million per couple.[3] **This bill would let even more millions be passed down tax-free**, up to $13.6 million per single and $27.2 million per couple, with automatic inflation adjustments raising the exemption amount every year.[4] Please see the chart below:

Year	Amount to be passed on tax-free	
	Per single person	Per married couple
2001	$675,000	$1.35 million
2002	$1 million	$2 million
2004	$1.5 million	$3 million
2006	$2 million	$4 million
2009	$3.5 million	$7 million
2011	$5 million	$10 million
2012	$5.12 million	$10.24 million
2013	$5.25 million	$10.5 million
2014	$5.34 million	$10. 68 million
2015	$5.43 million	$10.86 million
2016	$5.45 million	$10.9 million
2017	$5.49 million	$10.98 million
HB2653	**$13.61 million**	**$27.22 million**

[1] https://www.law.cornell.edu/wex/estate_tax
[2] https://en.wikipedia.org/wiki/Estate_tax_in_the_United_States
[3] https://files.hawaii.gov/tax/forms/2023/m6ins.pdf
[4] https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax

PO Box 23198 • Honolulu, HI 96823 • 808-531-5502
speaks.hawaii-can.org • info@hcanspeaks.org

In 2018, you and your fellow lawmakers wisely decoupled Hawaiʻi's estate tax from the Trump Administration's tax giveaway to the wealthiest among us.[5] This bill would undo that and re-conform our estate tax exemption to the federal levels, **making the amount of our exemption the largest among the states that have an estate tax**.[6]

In addition, **the estate tax is applied only to the amounts *above* the exemption level**. Currently, an estate of a couple that passes down $12 million pays only $100,000 in estate tax, or an effective tax rate of less than one percent (0.83 percent). This bill would make it so that $12 million estate would pay no estate tax. Instead, the estate tax would start at $27.22 million for couples, so an estate of a couple worth $28 million would pay $78,000 in estate tax, or an effective tax rate of less than one-third of one percent (0.28 percent).

When the federal estate tax exemption was where Hawaiʻi's is now, only **the top 2 in 1,000 estates** were taxed. Since the Trump tax cuts for the rich came into effect, which is where this bill would put Hawaiʻi, **less than 1 in 1,000 estates** have been taxed.[7] That's the lowest share of estates subject to the estate tax on record, or more than ten times lower than the historical 1 to 2 percent share.[8]

In addition, **this bill would also entirely exempt family-owned businesses from the estate tax**. This exemption **does not exist at the federal level**, and I have not been able to find a similar exemption among any of the states that have an estate tax.

Currently, very few small businesses are subject to the estate tax. When the federal estate tax exemption was where Hawaiʻi's is now, **only 80 small farms or businesses in the entire nation** were subject to the estate tax in a year.[9]

Mahalo for the opportunity to provide this testimony. We respectfully request that you defer this bill, as it will cause the state to lose badly-needed revenue from those who are the most able to afford it.

Thank you,

Nicole Woo
Director of Research and Economic Policy

[5] https://www.capitol.hawaii.gov/sessions/session2018/bills/GM1127_.PDF
[6] https://taxfoundation.org/data/all/state/state-estate-tax-inheritance-tax-2023/
[7] https://www.irs.gov/statistics/soi-tax-stats-historical-table-17
[8] https://www.cnbc.com/2021/09/29/heres-how-many-people-pay-the-estate-tax-.html
[9] https://www.cbpp.org/only-80-small-farms-or-businesses-face-estate-tax

TG

TITLE GUARANTY
HAWAII

LATE

March 12, 2024

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

RE: HB 2653 HD1 Relating to the Estate Tax – In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

We write in strong support of HB 2653. This bill is in favor of aligning Hawaii estate tax laws with the Internal Revenue Code and removing an estate tax at death for closely held businesses. These measures aim to decrease the burden on taxpayers, increase efficiencies in monitoring and auditing estate tax returns, and support locally owned family businesses.

Title Guaranty of Hawai'i is the oldest and largest title company in the state. We have been owned and operated by a kama'aina family since 1896 and we are proud to employ over 250 residents who work in our branches across the state. Being a longtime employer of so many people in Hawai'i – and one so deeply tied to local housing – we know how important it is for people to be able to stay in their communities.

Removing an estate tax at death specifically for closely held businesses can be beneficial for both business owners and the local economy. This deduction helps to ensure that family-owned businesses are not burdened with excessive taxes upon the transfer of ownership due to inheritance or death. By retaining ownership interest in their family businesses, families can continue to contribute to the local economy by providing jobs, supporting local suppliers, and investing in community development.

Thank you for the opportunity to provide testimony in support of HB 2653.

Sincerely,

Michael A. Pietsch
Chief Executive Officer
Title Guaranty of Hawai'I

Mike B. Pietsch
President and Chief Operating Officer
Title Guaranty of Hawai'I

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024
Conference room 229; 9:30 a.m.

RE: HB 2653 HD1 Relating to the Estate Tax – In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

Imagine life in Hawaii without Foodland's poke, Zippy's chili, hurricane supplies at City Mill, tourist necessities at ABC Stores, CocoPuffs at Liliha Bakery, cars at Tony Honda, auto and home insurance from Island Insurance, weddings at Kualoa Ranch, plate lunches at L&L, aloha shirts from Tori Richard, financial help at Finance Factors or Hawaii National Bank. All of these and more are from Hawaii's family businesses. We are a part of what makes Hawaii Hawaii. And, unfortunately, we are an increasingly smaller part of Hawaii as family businesses disappear.

We represent 32 of Hawaii's family businesses. We have collectively been in business for several hundreds of years and over multiple generations. Together, we have created about 12,000 jobs throughout the State and several of us have been recognized as among Hawaii's Best Places to Work. We offer full career paths to our employees, which include rising to management and leadership positions. We always show up for charitable fundraisers and contribute a great deal of time and expertise to nonprofit organizations and community activities. We treat our customers and employees as family because they are our neighbors and friends.

All of us are supporting legislation that would provide relief to Hawaii's family businesses from the Hawaii estate tax. This is not a money grab by lazy rich people. This is about helping Hawaii's hard-working family businesses to continue, so that they can create more jobs, reinvest in Hawaii and support the community.

We all believe in paying our fair share in taxes. We willingly pay what we should in income, excise and property taxes. Our issue is with how the estate tax works, which we believe is particularly devastating and unfair to family businesses and results in less State tax revenues than if other methods of taxation were used.

Why is it devastating? Every business and, for that matter, every charitable and governmental organization must reinvest in its future growth. Things wear out and must be replaced, of course, but more importantly, our customers want and deserve better products and services. Any business that doesn't reinvest most of its profits will fail. Competition is fierce, and not keeping up means losing. All of us reinvest the great bulk of our profits back into the business to hire more people, to provide better facilities, to invest in technology, and to make better products and services. As family business owners who are trying to keep our businesses viable and whose identities are based in them, we are used to working long hours and making sacrifices for our businesses.

The estate tax is imposed when someone dies. It's not only unpredictable but it is also severe (up to 20% of the value of the business). Because we are reinvesting our funds to compete against very tough competition, we simply don't have that kind of cash lying around. Family businesses really have two choices: sell parts or all of the business or buying lots of life insurance. Buying life insurance is very expensive and certainly not "an investment", as the returns must be very safe and therefore low. Family businesses often cannot afford to buy the needed amount of life insurance. For those which can, premium payments for life insurance essentially amount to prepaying the estate tax—except that money goes outside of Hawaii when it could instead be creating more jobs here.

Why is the Hawaii estate tax unfair? Public companies (those listed on a stock exchange) don't pay estate taxes and don't worry about them. Their shareholders do, but they can readily sell their stock on the exchange. Hawaii family businesses are private companies. Unlike public companies, the shareholders and the family business are one. Shareholders are not able to sell their shares easily, so the family businesses must provide loans to them or sell off parts or all the business to provide the funds to pay the tax. Every one of us faces competition from much bigger and stronger public companies. That is hard enough, but the Hawaii estate tax handicaps us further. We are competing with one hand tied behind our backs. We all lament that parts of Hawaii are no different from a Los Angeles suburb with strip malls filled with national chains, and this is one of the reasons.

You might ask, why don't family businesses go public? There are many reasons, but a big one is that remaining private allows us to control our destiny. We care less about quarterly profits and more about our service to our customers and employees and our role in Hawaii. Indeed, we are absolutely committed to Hawaii. The closure of the downtown Walmart in Honolulu and abrupt withdrawal of Outback Steakhouses from Hawaii are symptomatic of how public companies operate. It is not right or wrong, but it is the reality of being owned by global institutional investors who are looking at the short-term bottom line.

Why doesn't the estate tax collect as much tax revenues for the State as other methods of taxation? The Hawaii estate tax sucks a lot of funds from family businesses. Without it, family businesses would not have to sell parts or all of their businesses, or divert a lot of money to pay life insurance premiums. We would use those funds to stay in business and create more jobs, expand our facilities and improve our products and services. With those additional employees, the State would generate more income, excise and property taxes from them. And, the vendors and suppliers of our growing family businesses, and their employees, would benefit, and pay more in taxes. And, in turn, their vendors and suppliers and employees would grow and pay more in taxes, and so on. Bluntly, the estate tax is not a smart tax. As the national Tax Foundation has stated in analyzing the estate tax, "The estate tax is one of the least effective means of raising revenue…The positive total federal revenue from these long-term changes would outweigh the modest amount of revenue lost from eliminating the tax." Why short-circuit or even destroy a thriving family business to raise one-time funds? Why not allow family businesses to continue and yield even more taxes into the future?

We should also point out that the Hawaii estate tax raises only a very small amount in revenues. All Hawaii estate taxes have raised less than one-half of one percent of total State tax revenues. And of that, an even smaller fraction came from the stock of Hawaii's family businesses. That is tiny compared to the damage wrought on an individual family business.

Moreover, we all can cite instances of our family members moving out of Hawaii to avoid this tax. Not only are their Hawaii estate tax revenues lost, but also their income, excise and property taxes. Economists Jon Bakija and Joel Slemrod calculated that if the typical retiree who would otherwise be subject to state estate taxes moves out of state five years prior to death, the state's revenue losses could be as much as 1.73 times as large as the tax revenues that might have been collected from that person's estate.

For all these reasons, it is not surprising that most states have repealed their estate taxes. At one time, all 50 states had an estate tax. In 2006, 24 states had a state estate tax, and in 2012, that number had fallen to 17 states. Today, only 12 states (including Hawaii) have estate taxes, and one of those is phasing it out. Why don't we join the great majority of states to end this devastating, unfair and ineffective tax? Help us continue to serve the community in all the ways that we have done and hope to do into the future.

With aloha:

Steven Ai, City Mill

Christine Camp, Avalon Group

Clarice and Roland Casamina, House of Finance

Stanford Carr, Stanford Carr Development

Wayne and Jackie DeLuz, Big Island Subaru and Big Island Toyota

Josh Feldman, Tori Richard

Elisia and Eddie Flores, L&L Hawaiian Barbeque

Michael Fujimoto, HPM Building Supply

Mark, Peter and Emily Fukunaga, Servco Pacific

Ken Gilbert, Business Consulting Resources

Ben Godsey, ProService

Barron and Raquel Guss, Altres

Russell Hata, Y. Hata

Jason Higa, Zippy's

Clyde and Landon Kaneshiro, Honolulu Disposal Service

Peter Kim, Liliha Bakery and Yummy Restaurant Group

Paul Kosasa, ABC Stores

Russell, Connie and Jennifer Lau, Finance Factors

Cathy, Warren and Bryan Luke, Loyalty Enterprises and Hawaii National Bank

Ian MacNaughton, MacNaughton

Stan Masamitsu, Tony Group

Stephen Metter, MW Group/Hawaii Self Storage/Plaza Assisted Living

Michael Miyahira, Business Strategies

Patricia Moad, Continental Assets Management

John Morgan, Kualoa Ranch

Brad Nicolai, JN Group

Michael and Mike Pietsch, Title Guaranty

Steven and Candace Sombrero, Chaney Brooks and Aloha Beer

Toby Taniguchi, KTA Super Stores

Tyler and Dana Tokioka and Colbert Matsumoto, Island Insurance Companies

Jenai, Roger and Alana Wall, Foodland

J.D. Watumull, Watumull Properties Corp.

Robert and Michael Wo, Jr., C.S. Wo/Homeworld

KIM COCO IWAMOTO

Sen. Jarrett Keohokalole, Chair
Sen. Carol Fukunaga, Vice-Chair
Committee on Commerce & Consumer Protection

Thursday, March 14, 2024
9:30 AM in Room 229

RE: **HD2653** HD1 Estate Tax Breaks for Wealthy Heirs - **OPPOSE**

Chair Keohokalole, Vice Chair Fukunaga and Members of the Committee,

I testify in strong opposition to HB2653 HD1, which provides huge tax cuts to Hawaii's wealthiest heirs simply because their ancestors were successful business owner-operators.

Let's be clear, **every successful business owner invests in life insurance policies with payouts calculated to cover the precise amounts of taxes that attach to their estates – so their passing does not impact the operation of their family businesses**. This bill will not "save" a family from bankruptcy; it would just put more spending money into their designer handbags.

Everyone knows that most family companies struggle in the transition between the 2nd and 3rd generations regardless of the tax structure of the state they are incorporated in. Some companies get around this by selling the family company to its employees in an Employee Stock Option Purchase (ESOP). Some families feel such loyalty to their workers that they even help the employees with financing the ESOP.

There is no denying that Hawaii has a regressive tax system: our lowest income households pay a larger percent of their income and savings in taxes than the wealthiest households pay - even with the current estate tax. HB2653 would make our tax scheme even more regressive, at a time when half the households in Hawaii are living paycheck-to-paycheck. Many of the supporters of this bill already know this because they helped to fund the ALICE studies with their tax-deductible donations.

"Let them eat cake!" Giving Hawaii's wealthiest heirs bigger tax cuts and wider tax loopholes is incredibly tone deaf especially when the legislature is threatening to cut the public education budget because of lower tax revenue projections. With Democrats like this, who needs Republicans?

Hearing proponents of this bill use trickle-down economic theory (aka "Reaganomics") to justify reducing their taxes is embarrassing. They tout "investing in their employees" and "donating to foundations" with their tax savings – but had their families done more of that, there would be much less taxes to be paid under the current estate tax laws and no need for HB2653.

HB-2653-HD-1
Submitted on: 3/8/2024 5:10:16 PM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Scott Kidd	Individual	Support	Written Testimony Only

Comments:

I support this measure

HB-2653-HD-1
Submitted on: 3/10/2024 5:43:00 PM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Younghee Overly	Individual	Oppose	Written Testimony Only

Comments:

Legislators have told us that we need to cut budget across all state departments. Decreasing revenue by cutting tax doesn't make sense.

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Thursday, March 14, 2024
Conference room 229; 9:30 a.m.

RE: HB 2653 HD1 Relating to the Estate Tax – In Support

Aloha Chair Keohokalole, Vice Chair Fukunaga and members of the committee:

My name is Elisia Flores and I am the CEO of L&L Hawaiian Barbecue. L&L started as a dairy in 1952 by an immigrant family, looking to create opportunities for the next generation. The organization changed as it grew, passing to different families, until my dad, Eddie Flores, Jr., purchased the business in 1976. He was also an immigrant, and bought L&L for his mom, wishing to help her start her American Dream. L&L grew from the original store in Liliha, to a leading, world-wide restaurant franchise. We currently have 228 L&L locations, including 69 on the Hawaii Islands. We have 23 employees in our corporate office, and in Hawaii, our franchisees employ over 700 workers. In 2014, I returned home to work in the family business, and in 2019, took over as CEO.

I am writing in strong support of HB 2653 HD1. When I moved home to work at L&L, I didn't know what my passion for the job would be. It took about a year for me to realize that my purpose wasn't to open more restaurants or serve more plate lunch. My purpose was to help others make their American Dreams come true. Every franchisee we work with opens an L&L to create a better life for themselves, a legacy for their family, and a way to contribute to their community. I strongly support HB 2653 HD1 because I know how invested my family business is to the fabric and future of Hawaii. Since the original founding in 1952 to this day, L&L has been dedicated to serving the people of Hawaii. As our company has grown, so too has our contributions to the State. As an example, I am most proud of my dad's leadership in creating the Filipino Community Center.

HB 2653 HD1 helps protect and ensure that my family can continue operations in Hawaii long after the passing of our founders. It levels the playing field for family businesses who have to operate against companies that do not have to have estate taxes taken out of owners, and subsequently the business, overtime. For me personally, HB 2653 HD1 helps make sure I can focus all my efforts on continuing to help families achieve their American Dream in Hawaii and beyond, supporting local entrepreneurship and ownership in our State.

Thank you for the opportunity to submit testimony in support. I ask for your favorable consideration in passing this bill.

Sincerely, Elisia Flores

HB-2653-HD-1
Submitted on: 3/13/2024 8:05:48 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Oppose	Written Testimony Only

Comments:

I am testifying in **strong opposition** to HB2653 HD1. This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes. Please defer this bill.

HB-2653-HD-1
Submitted on: 3/13/2024 8:11:00 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Marilyn Mick	Individual	Oppose	Written Testimony Only

Comments:

Aloha,

I am testifying in **opposition** to HB2653 HD1. This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes.

Please defer this bill.

Mahalo, Marilyn Mick, Honolulu

HB-2653-HD-1
Submitted on: 3/13/2024 7:07:41 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT

MAHALO!

HB-2653-HD-1
Submitted on: 3/13/2024 8:27:00 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Keoni Shizuma	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and members of the committee,

I stand in opposition to HB2653. This is not a time we should be putting profits or people.

With the devastation of the Lahaina wildfires, and the resulting large financial burden on the State of Hawaii (last I recall it was estimated $500-600 million that the State is responsible for through 2025, additional funds will be required post 2025, per a Senate informational briefing), the State of Hawaii cannot afford to decrease the amount of funds it collects from the estate tax, even though, as some supporters of this bill has mentioned, it only brought in $58 million in 2023. Aside from the financial burden that the recovery of Lahaina will take, our roads are still falling apart, our infrastructure needs improvement, and our teachers, nurses, and government employees need better pay. Now is not the time for a financial break that will decrease the State's revenues.

Also, I noticed in previously submitted testimony that many of the businesses supporting this bill are family owned businesses, they are very large family owned businesses, which have a near monopoly on the markets in which they engage in. They have become very large and strong with the current estate taxing laws, and they will remain strong and large even if this bill is not passed and changes are not made.

We shouldn't be focused on supporting and ensuring those with money are comfortable, we should be focusing on lifting those without money and ensuring they have what they need. We should have bills that increase the Estate tax and lowers the qualifying amount so that more Estates are taxed at a higher amount. We should be using these funds to address our budget shortfalls and budgetary needs.

Mahalo nui for your time and consideration, please defer this bill.

Keoni Shizuma

HB-2653-HD-1
Submitted on: 3/13/2024 8:28:53 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nanea Lo	Individual	Oppose	Written Testimony Only

Comments:

Hello,

I am testifying in opposition to HB2653 HD1. This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes. Please defer this bill.

me ke aloha ʻāina,

Nanea Lo, Mōʻiliʻili, Oʻahu

HB-2653-HD-1
Submitted on: 3/13/2024 8:31:50 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
cheryl burghardt	Individual	Oppose	Written Testimony Only

Comments:

I STRONGLY OPPOSE HB 2653 HD1 and ask that this bill be deferred.

This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes.

The key to the opposition to this bill ? We don‘t need anything else that exacerbates the inequality of wealth on these islands. It is already extreme.

Again, I OPPOSE and ask you to defer.

HB-2653-HD-1
Submitted on: 3/13/2024 9:03:13 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nate Hix	Individual	Oppose	Written Testimony Only

Comments:

There are many unmet needs in Hawaiʻi. We cannot both fail to provide essential services to our local residents and also increase tax breaks for the wealthy. Please vote no on this bill.

HB-2653-HD-1
Submitted on: 3/13/2024 9:15:25 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Greg and Pat Farstrup	Individual	Oppose	Written Testimony Only

Comments:

We are testifying in **opposition** to HB2653 HD1.

This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

Please vote no on this bill.

Kū i ka pono!

HB-2653-HD-1
Submitted on: 3/13/2024 9:21:06 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
brandi corpuz	Individual	Oppose	Written Testimony Only

Comments:

Aloha,

My name is Brandi Corpuz and I am from Kula Kai Maui. I oppose HB2653 for many reasons. We need tax breaks for our local struggling families before we give millionaires more tax breaks. Our people are struggling to keep their homes and rentals especially on Maui. Our state needs the $27.2 million dollars that just 1 couple would pay in estate taxes.

Please stop this madness and oppose HB2653. Pretty soon we will have no people left on these islands if only the mega rich can survive. These taxes that you are exempting could be used to rebuild Lahaina, for infrastructure, for environmental impacts and the list goes on.

Please remember that we are all watching you very closely and how you vote on this will be public record forever. Vote for protection of our people not for the rich.

Sincerely, Brandi Corpuz

LATE

HB-2653-HD-1
Submitted on: 3/13/2024 10:11:57 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Shay Chan Hodges	Individual	Oppose	Written Testimony Only

Comments:

I am testifying in **opposition** to HB2653 HD1. This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes. Please defer this bill.

LATE

HB-2653-HD-1
Submitted on: 3/13/2024 12:15:18 PM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jessie L Gonsalves	Individual	Oppose	Written Testimony Only

Comments: I am testifying in opposition to HB2653 HD1. This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality. The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes. Please defer this bill.

LATE

HB-2653-HD-1
Submitted on: 3/13/2024 2:52:18 PM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Isis Usborne	Individual	Oppose	Written Testimony Only

Comments:

Aloha Committee Members,

I am testifying in **opposition** to HB2653 HD1. This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes. Please defer this bill.

Mahalo,

- Isis Usborne, 96815

LATE

HB-2653-HD-1
Submitted on: 3/13/2024 4:40:59 PM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Shannon Rudolph	Individual	Oppose	Written Testimony Only

Comments:

OPPOSE

LATE LATE

HB-2653-HD-1
Submitted on: 3/14/2024 3:01:33 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Christy MacPherson	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chair Keohokalole, Vice Chair Fukunaga, and members of the Senate Committee on Commerce and Consumer Protection,

I STRONGLY OPPOSE HB2653 HD1. Not only does this bill promote privilege and generational wealth, but it also allows for our wealthy to avoid having to pay their fair share of taxes.

HB2653 HD1 is not what Hawaiʻi needs right now. What we do need are income streams to pay for necessary things like housing that is affordable and food for our low-income residents.

Mahalo for your consideration.

LATE LATE

HB-2653-HD-1
Submitted on: 3/14/2024 6:40:02 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Christopher Kaiakapu	Individual	Oppose	Written Testimony Only

Comments:

Aloha,

As a Kanaka Maoli who cares deeply about the housing crisis facing our people, I am testifying in **opposition** to HB2653 HD1. This bill exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on without any estate tax. This would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) by re-linking us to the federal level, exacerbating wealth inequality.

The estate tax applies only to amounts above the exemption, so currently if a couple passes on an estate worth $12 million, the tax is only $100,000. The new, higher exemption amount would be the highest among the states that have estate taxes. These types of estates exacerbate the housing prices that are displacing our people and deserve to be taxed at the highest rates possible. Please defer this bill.

Mahalo,

Chris Ka'iakapu

LATE LATE

KIM COCO IWAMOTO

Sen. Jarrett Keohokalole, Chair
Sen. Carol Fukunaga, Vice-Chair
Committee on Commerce & Consumer Protection

Thursday, March 14, 2024
9:30 AM in Room 229
Post-Hearing Rebuttal

RE: **HD2653** HD1 Estate Tax Breaks for Wealthy Heirs - **OPPOSE**

Chair Keohokalole, Vice Chair Fukunaga and Members of the Committee,

Thank you for the opportunity to follow up my “whistle-blower” testimony with a rebuttal to the responses provided by proponents of this bill to the committee’s questions.

Tax incentives provided to business owners when they sell their family companies to their employees (ESOP) are appropriate because it furthers good public policy: it is a distribution of wealth from very few individuals to potentially thousands of workers. Employees of an ESOP company can retire with hundreds of thousands of dollars in payout from earned stock and increased valuation of the company they helped grow.

The 32 family-owned companies who support this bill relied on workers educated by the State of Hawaii with public funds; these business owners profited off their educated labor and accumulated wealth. State taxpayers also built the roads and other infrastructure needed to transport the goods that these family businesses sold, profited from and from which wealth was accumulated.

Just a reminder: income tax is paid **by workers** on the wages THEY earned, general excise tax is paid **by customers** from the wages THEY earned. While a portion of state revenues are paid by taxes on corporate profits, there are already too many loopholes to minimize those taxes.

So while some multi-generational family owned businesses think of themselves as the “safety net” for the community; infact, the community has provided the foundation upon which these wealthy heirs have accumulated their wealth over generations.

Federal tax rates on the wealthiest families continue to decline; in 2023, the IRS raised the estate-tax exclusion to $13M. So the wealthy supporter of this bill are already paying less in taxes. Meanwhile, the feds continue to short change Hawaii with its DOE and COFA “impact aid” reimbursements. Hawaii lawmakers should capture the federal tax giveaways directly from those who took advantaged of the federal tax windfalls; so technically, the wealthiest families would not be paying more in taxes, just remitting those taxes directly to Hawaii.

P.O. Box 22316, Honolulu, HI 96823

LATE LATE

HB-2653-HD-1
Submitted on: 3/14/2024 9:47:39 AM
Testimony for CPN on 3/14/2024 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Bruce Mirken	Individual	Oppose	Written Testimony Only

Comments:

HB2653 HD1 is a terrible bill, and the exact opposite of Hawaii should be doing. It exempts businesses from the estate tax, allowing multi-million dollar businesses to be passed on with noy estate tax. It would more than double the size of estates that can be passed tax-free (up to $13.6 million per person / $27.2 million per couple) making our state's already terrible wealth inequality even worse. How can anyone think this is a good idea????

The new, higher exemption amount would be the highest among the states that have estate taxes. Meanwhile, thousands of our neighbors barely make ends meet and struggle to keep a roof over their heads. This is insanity. Please defer this bill and instead look at ways to correct our tax system so that it reduces wealth inequality rather than enhances it.