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
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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

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

BEFORE THE:
House Committee on Finance

DATE: Tuesday, February 27, 2024
TIME: 10:00 a.m.
LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

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

Section 2 of H.B. 2653 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 is effective upon approval 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 or a qualified heir 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 that the effective date be delayed and H.B. 2653 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.

HB-2653
Submitted on: 2/24/2024 12:16:08 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Tyler Tokioka	Island Insurance Companies	Support	Written Testimony Only

Comments:

Representative Kyle Yamashita, Chair

Representative Lisa Kitagawa, Vice Chair

Tuesday, February 27, 2024

Conference room 308; 10a.m.

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

Aloha Chair Yamashita, Vic Chair Kitagawa and members of the committee:

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

I am writing in support of HB 2653.

This bill helps to ensure that local family-owned businesses can continue their operations in Hawaii upon the death of a principal shareholder.

Families who own businesses are committed to their employees, customers and the Hawaii community, and reinvest mst of their profits in the business to create jobs and improve facilities and services. They do not have ready cash available and paying an estate tax can be financially devasting. Family heirs often have no other option but to sell.

Estate taxes put fasmily businesses at a disadvantage against competitors that are public companies. 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.

Locally owned businesses are the backbone of a healthy economy and generate many jobs and understand local customers. Locally owned businesses significantly invest time and money to local nonprofits, charities and more.

Finally, local family-owned businesses such as ours continue to live by and look to spread the values of our founders that have made our businesses and our community so special. Values that we feel are starting to get lost as more and more of our locally owned family businesses are disappearing.

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

Sincerely,

Tyler Tokioka

Chairmman

Island Insurance

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

February 27, 2024
Conference room 308; 10:00am

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

Aloha Chair Yamashita, Vice Chair Kitagawa 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. 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 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 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 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

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: SB 3345, HB 2653

INTRODUCED BY: SB by KOUCHI; HB by SAIKI, YAMASHITA

EXECUTIVE SUMMARY: Conforms Hawaiʻi 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 Hawaiʻi 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: Upon approval 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, 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.

Digested: 2/8/2024

Foodland
Food, Family, Friends & Aloha

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

February 27, 2024
Conference room 308; 10 AM

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

Aloha Chair Yamashita, Vice Chair Kitagawa 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 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.

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

Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

Tuesday, February 27, 2024

RE: HB 2653 Relating to the Estate Tax

Dear Chair Yamashita and members of the committee

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

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

SERVCO

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

February 27, 2024
Conference room 308; 10:00 a.m.

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

Aloha Chair Yamashita, Vice Chair Kitagawa 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.
- 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.

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

STANFORD CARR DEVELOPMENT, LLC

February 26, 2024

The Honorable Kyle T. Yamashita, Chair
The Honorable Lisa Kitagawa, Vice Chair
and Members of the House Committee on Finance

Re: Testimony – HB2653, Relating to the Estate Tax
Hearing: February 27, 2024 at 10:00 AM
Conference Room 308

Dear Chair Yamashita, Vice Chair Kitagawa, and Committee Members:

Stanford Carr Development (SCD) is writing to **support** HB 2653 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.

Thank you for the opportunity to offer comments.

Respectfully,

Stanford S. Carr

ALAKEA CORPORATE TOWER • 1100 ALAKEA STREET, 27TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 537-5220 • FACSIMILE: (808) 537-1801 • WEBSITE: www.stanfordcarr.com

LOYALTY ENTERPRISES, LTD.
45 North King Street, Suite 600
Honolulu, HI 98617
808-543-0511

February 26, 2024

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

Tuesday, February 27, 2024
Conference Room 308; 10:00 a.m.

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

Aloha Chair Yamashita, Vice Chair Kitagawa and members of the Committee:

Thank you for this opportunity to submit our testimony in support of this bill.

My name is Catherine Luke and I am president of Loyalty Enterprises, Ltd., a Hawaii company incorporated in 1958. We are a third generation kamaaina property management company and commercial real estate company. We have all local employees and work very closely with many local family businesses.

We are in strong support of HB 2653.

We believe HB 2653 will decrease the burden of state death taxes on the value of closely held business interests, which will help locally-owned family businesses to continue to contribute to Hawaii's economy. Families who own Hawaii businesses are committed to their employees, customers and the Hawaii community, and reinvest most of their profits in the business to create jobs and improve facilities and services. They do not have ready cash available and paying an estate tax can be financially devasting. Family heirs often have no other option but to sell. 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 to local nonprofits, charities and more.

We thank you for the opportunity to submit testimony in support. We respectfully ask for your favorable consideration in passing this bill.

Very truly yours,

LOYALTY ENTERPRISES, LTD.
Catherine Luke, Its President

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

Tuesday, February 27, 2024
Conference room 308; 10:00am

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

Aloha Chair Yamashita, Vice Chair Kitagawa 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.

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

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

Tuesday, February 23, 2024
Conference room 308; 10 am

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

Aloha Chair Yamashita, Vice Chair Kitagawa and members of the committee:

My name is Wayne K De Luz, President and Director of Big Island Motors, Big Island Toyota and De Luz Chevrolet serving the Big Island for over 60 years.

We currently have the privilege of employing over 170 employees at 5 locations throughout the Big Island.

I am writing in strong support of HB 2653. Our families have experienced 2 generations of paying this tax and has led us to depleting very valuable resources and shrinking our work forces as we sold other business to meet the obligation.

We appreciate the chance to submit testimony and humbly ask for your support in passing this bill including this amendment.

Mahalo,

Wayne K. De Luz

GRASSROOT
INSTITUTE OF HAWAII

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

Removing barriers to Hawaii's prosperity

Feb 27, 2024, 10 a.m.
Hawaii State Capitol
Conference Room 308 and Videoconference

To: House Committee on Finance
Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice-Chair

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

RE: TESTIMONY SUPPORTING HB2653 — RELATING TO TAXATION

Aloha Chair Yamashita, Vice-Chair Kitagawa and Committee Members,

The Grassroot Institute of Hawaii would like to offer its support for HB2653, 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 Washignton 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.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2653
Submitted on: 2/26/2024 11:21:26 AM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Dana Tokioka	Individual	Support	Written Testimony Only

Comments:

Representative Kyle Yamashita, Chair

Representative Lisa Kitagawa, Vice Chair

Committee on Finance

February 27, 2024

Conference room 308; 10:00 a.m.

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

Aloha Chair Yamashita, Vice Chair Kitagawa and members of the committee:

My name is Dana Tokioka and I am a Vice President at Atlas Insurance Agency and President of the Tradewind Group Foundation. The Tradewind Group consists of multiple local companies such as Island Insurance, Atlas Insurance Agency and Pacxa. These companies, combined, have been in business in Hawaii for over 100 years and currently employ over 250 employees.

I am writing in strong support of HB 2653. It is important that local family businesses are not burdened by the state's estate tax. Many family-owned businesses spend too much time and money devising ways to pay the tax and maintain ownership rather than using those same resources to grow their local companies and hire more people.

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

Sincerely,

Dana Tokioka

ZIPPY'S

February 26, 2024

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
Committee on Finance

Tuesday, February 27, 2024
Conference room 308; 10:00 a.m.

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

Aloha Chair Yamashita, Vice Chair Kitagawa 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.

ALTRES®

February 26, 2024

The Honorable Kyle T. Yamashita, Chair
The Honorable Lisa Kitagawa, Vice Chair
Committee on Finance
Hawaii State Capitol
Honolulu, Hawaii 96813

Subject: HB 2653 Relating to the Estate Tax – In Support
February 27, 2024
Conference Room 308; 10am

Dear Chair Yamashita, Vice Chair Kitagawa 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.

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, 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

KTA
SUPER STORES

February 26, 2024

Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice-Chair
Committee on Finance

Tuesday, February 27, 2024
Conference Room 308

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

Aloha Chair Yamashita, Vice-Chair Kitagawa 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 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)

To: House Committee on Finance
Re: **HB 2653 – Relating to the Estate Tax**
Hawaiʻi State Capitol & Via Videoconference
February 27, 2024, 10:00 AM

Dear Chair Yamashita, Vice Chair Kitagawa, and Committee Members,

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in **OPPOSITION to HB 2653**. This bill conforms Hawaiʻi 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.

The estate tax has already been greatly weakened over the past couple of decades. 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 of wealthy estates to be passed on tax-free, up to $13.6 million per single and $27.2 million per couple in 2024, with automatic inflation adjustments raising the exemption amount every year.[4]

Year	Excluded from Estate Tax	
	Single Person	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

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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 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 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]

Similarly, when the 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]

Especially in a tight state budget season, Hawaiʻi cannot afford to give tax breaks to the top 0.2 percent. Mahalo for the opportunity to provide this testimony. We respectfully request that you defer this bill.

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

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Business Strategies
Helping Family Owned & Closely Held Businesses

February 23, 2024

Testimony on HB 2653 Relating to Estate Tax
Before the House Committee on Finance

Chair Yamashita and Vice Chair Kitagawa, 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.

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 recognize this burden leaving Hawaii and eleven other states, 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 certain 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.

Thank you for allowing me to present my testimony.

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

Business Strategies
Helping Family Owned & Closely Held Businesses

Aloha,

Mike Miyahira
Principal

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HB-2653
Submitted on: 2/25/2024 10:12:52 AM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Beppie Shapiro	Individual	Oppose	Written Testimony Only

Comments:

I oppose the part of this bill (and its preamble) which relate to reducing the estate tax for businesses passed on to family members of the deceased owner(s). This provision is a regressive addition to the societal burden of intergenerational wealth, which prevents the return of a part of wealth to the common benefit of the population.

I support the part which conforms Hawaii Estate Tax law to the IRS law.

Thank you for consideration of this testimony.

HB-2653
Submitted on: 2/26/2024 2:06:39 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

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

Comments:

I am testifying in opposition to HB2653. 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 *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2653
Submitted on: 2/26/2024 2:38:21 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Krystal Baba	Individual	Oppose	Written Testimony Only

Comments:

I am testifying in opposition to HB2653. 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 *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2653
Submitted on: 2/26/2024 2:53:48 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Doris Matsunaga	Save Medicaid Hawaii	Oppose	Written Testimony Only

Comments:

Save Medicaid Hawaii is in opposition to HB2652. This bill extends the estate tax marital deduction to other family members. The estate tax is meant to prevent the accumulation of huge amounts of wealth by families by taxing the transfer of multi-million dollar estates (at least $5.5 million per person / $11 million for couples) to younger generations.

Currently estates can be passed to spouses tax-free. This bill would extend that tax-free status to other family members, including children, essentially rendering the estate tax ineffective. Please defer this bill.

HB-2653
Submitted on: 2/26/2024 3:10:32 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

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

Comments: I am testifying in opposition to HB2653.

HB-2653
Submitted on: 2/26/2024 3:18:13 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Diliaur Tellei	Individual	Oppose	Written Testimony Only

Comments:

I am testifying in opposition to HB2653. 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 *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2653
Submitted on: 2/26/2024 3:32:17 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

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

Comments:

I am testifying in opposition to HB2653. 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
Submitted on: 2/26/2024 3:42:30 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Dan Gardner	Individual	Oppose	Written Testimony Only

Comments:

I oppose HB 2653. Curretnly Business Estate Tax exemptions are already high enough. Please defer this legislation.

Dan Gardner

Honolulu, HI

daniel.dano.gardner@gmail.com

HB-2653
Submitted on: 2/26/2024 5:20:28 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Pua Auyong-White	Individual	Oppose	Written Testimony Only

Comments:

I am testifying in opposition to HB2653. 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 *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2653
Submitted on: 2/26/2024 5:57:43 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jessica dos Santos	Individual	Oppose	Written Testimony Only

Comments:

Dear Legislators,

I am testifying in opposition to HB2653. 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.

Sincerely,

Jessica dos Santos

HB-2653
Submitted on: 2/26/2024 5:59:30 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
John Fitzpatrick	Individual	Oppose	Written Testimony Only

Comments:

Aloha,

I am testifying in opposition to HB2653. 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,

Fitz

HB-2653
Submitted on: 2/26/2024 6:23:38 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kathy Shimata	Individual	Oppose	Written Testimony Only

Comments:

I am testifying in opposition to HB2653. 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,

Kathy Shimata

96822

HB-2653
Submitted on: 2/26/2024 7:00:13 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kim Coco Iwamoto	Individual	Oppose	Written Testimony Only

Comments:

I testify in strong opposition to HB2653, which decreases taxes for individuals who inherited wealth through a family owned business by providing them greater exemptions to the estate tax.

Why are Democratic leaders pushing for this flawed, Republican math equation, often referred to as called "REAGONomics" or "trickle down economics"?! Are the introducers of this bill trying to groom freshman Democrats on the Finance Committee to believe that this is what the Democratic Party stands for? Ironically, many of the individuals who want this tax reduction are often Republicans who make campaign contributions to Democratic politicians - sort of like an investment with returns in the form of tax savings.

The estate tax applies only to amounts above the exempted amount, so currently if a couple passes on an estate worth $12M, the tax is only $100K. **Most business owners who operate family businesses invest in life insurance to cover the amount of the estate or inheritance tax so their passing does not impact the operation of the family business**. So this this tax break will just be extra cash for these heirs.

HB2653 more than doubles the size of estates that can be passed tax-free (up to $13.6M per person / $27.2M per couple) by relinking Hawaii to the federal level. The new higher amount would be the highest exemption amount among the states that have estate or inheretance taxes, including states controlled completely by Republicans. Our Democratic leaders want to out Republican the Republicans!

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 can even help the employees with financing the ESOP.

This tax break for the rich is even more insulting as the legislature considers cutting our public education budget to make up for lower tax revenue projections. The introducers of this bill would rather give individuals with inherited wealth greater tax savings, instead of having the wealthiest residents simply pay their fair share of taxes and fund a quality public school system.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-2653
Submitted on: 2/26/2024 9:02:31 PM
Testimony for FIN on 2/27/2024 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
John Bickel	Individual	Oppose	Written Testimony Only

Comments:

This tax reform is regressive.