

STAND. COM. REP. NO. 1180

Honolulu, Hawaii

MAR 03 , 2023

RE: H.B. No. 1362
H.D. 2

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

Sir:

Your Committee on Finance, to which was referred H.B. No. 1362, H.D. 1, entitled:

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

begs leave to report as follows:

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

Your Committee received testimony in support of this measure from Pas de Deux Hawaii, General Contractors Association of Hawaii, Activities & Attractions Association of Hawaii, Maui Paradise Properties, Maui Chamber of Commerce, and three individuals. Your Committee received comments on this measure from the Department of Taxation; Maui Brewing Co.; Pacific Rim Land, Inc.; Tax Foundation of Hawaii; and Grassroot Institute of Hawaii.

Your Committee has amended this measure by:

- (1) Clarifying that an election of a partnership or S corporation to be taxed as an electing pass-through entity in a tax year shall be irrevocable for that tax year and shall be binding on all partners, shareholders, and members of the electing pass-through entity;

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- (2) Specifying that distributive shares and guaranteed payments of members who are corporations are not included in determining the tax imposed on an electing pass-through entity under this measure; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1362, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1362, H.D. 2.

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



KYLE T. YAMASHITA, Chair



