Honolulu, Hawaii

MAR 01 , 2024

RE: H.B. No. 2652 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-Second State Legislature Regular Session of 2024 State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2652 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure to apply the marital deduction under section 2056 of the Internal Revenue Code to the passage of any interest in property to any immediate family member.

Your Committee received testimony in support of this measure from Stanford Carr Development. Your Committee received testimony in opposition to this measure from the Hawai'i Children's Action Network Speaks!; Save Medicaid Hawaii; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation; L&L Hawaiian Barbecue; Tax Foundation of Hawaii; Foodland Supermarket, Ltd.; Servco Pacific Inc.; Island Insurance; Loyalty Enterprises, Ltd.; Big Island Motors; Big Island Toyota; De Luz Chevrolet; Finance Enterprises, Ltd; Tradewind Group Foundation; FCH Enterprises, Inc.; ALTRES, Inc.; KTA Super Stores; and Business Strategies.

Your Committee finds that Hawaii has one of the highest estate taxes in the nation. Your Committee further finds that Hawaii's family businesses are critically important to the state economy, as they typically reinvest a significant portion of their

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profits into valuable but illiquid business assets such as more employees, better facilities, and smarter technology. The imposition of estate taxes upon the death of the owner of a family business has sometimes resulted in the sale of the business due to a lack of liquidity, or has required the business to divert capital to purchase life insurance, in order to pay estate taxes. This measure would expand application of the marital deduction to additional family members who may receive interest in property upon the passing of an owner, which would help family businesses retain ownership of their businesses, better compete against publicly held companies, and continue reinvesting in the local economy and workforce.

Your Committee has amended this measure by changing the effective date to July 1, 3000, to encourage further discussion.

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. 2652, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2652, H.D. 1, and be placed on the calendar for Third Reading.

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

KYLE T. YAMASHITA, Chair

State of Hawaii

Record of Votes of the Committee on Finance

Bill/Resolution No.: HVD 2452	Committee Referral:	Date O2	127/2024	·
☐ The committee is reconsidering its previous	ious decision on the measure.			
	unamended (as is) Pas hort form bill with HD to reco	ss, with amendments	, ,	
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. YAMASHITA, Kyle T. (C)				
2. KITAGAWA, Lisa (VC)				
3. AIU, Micah P.K.				
4. CHUN, Cory M.				
5. COCHRAN, Elle				V
6. GARRETT, Andrew Takuya		STATE OF THE STATE	NORTH I C. i. Sabtoness tomics of marks	
7. KAHALOA, Kirstin				
8. KILA, Darius K.	TO A	\		po orangement comments, by any
9. KOBAYASHI, Bertrand				
10. LAMOSAO, Rachele F.		<u> </u>		
11. MORIKAWA, Dee				
12. NISHIMOTO, Scott Y.				\$2000
13. POEPOE, Mahina	Employee 1		Filmaniski	
14. TAKENOUCHI, Jenna			Province of the Control of the Contr	
15. ALCOS III, David		HE CONTROL OF THE CON		
16. WARD, Gene				
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TOTAL (16)	10	5	0	1
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:	Grentstram	N		
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				