

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

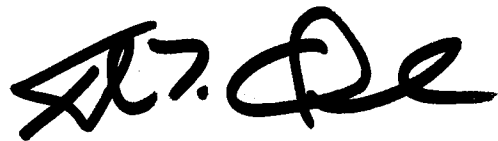


profits into valuable but illiquid business assets such as more employees, better facilities, and smarter technology. The imposition of estate taxes upon the death of the owner of a family business has sometimes resulted in the sale of the business due to a lack of liquidity, or has required the business 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



