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:
S.B. No. 3289, S.D. 1, Relating to Taxation.

BEFORE THE:
House Committee on Finance

DATE:	Wednesday, April 3, 2024
TIME:	2:15 p.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 S.B. 3289, S.D. 1, for your consideration.

S.B. 3289, S.D. 1, amends chapter 236E, Hawaii Revised Statutes (HRS), governing the Estate and Generation-Skipping Transfer Tax, by expanding the marital deduction under section 2056 of the Internal Revenue Code (IRC), which applies to the passing of any property interest to the decedent's surviving spouse, to also include property passed to an "immediate family member." The term "immediate family member" is defined as including a spouse, child, sibling, parent, grandparent, grandchild, stepparent, stepchild, stepsibling or equivalent adoptive relationship.

The bill also exempts transfers to a grandchild from the generation-skipping transfer tax by amending section 236E-17(b), HRS, to specify that a transfer to any "immediate family member" shall not be considered a distribution to a skip person, as defined under section 2613 of the IRC.

The bill takes effect upon approval and applies to decedents dying or taxable transfers occurring after December 31, 2023.

The Department requests the effective date of this bill be amended to apply to decedents dying or taxable transfers occurring after December 31, 2024. This will provide time to make the necessary form, instruction, and computer system changes, and educate taxpayers about the new law.

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

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

Wednesday, April 3, 2024: Agenda #2
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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 230 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 in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

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 SB 3289 SD1 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.

I want to ensure that my family can continue operations in Hawaii long after the passing of our founders and for the generations after me. 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, I want to be able to focus all my efforts on growing my company, 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 consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Elisia Flores

KTA SUPER STORES

April 1, 2024

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

Re: Support of SB 3289 SD1

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

My name is Toby Taniguchi and I have 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."

While I support SB 3289 SD1, my preference leans towards HB 2653 SD1 due to its targeted approach in safeguarding locally-owned family businesses. Personally, I believe that supporting initiatives like HB 2653 SD1, which provide relief from the Hawaii estate tax, is crucial for ensuring the longevity of locally-owned family businesses following the passing of a principal shareholder.

I am grateful for the opportunity to provide my testimony in support of these measures and respectfully urge for your consideration in passing this bill with the incorporation of the provisions outlined in HB 2653 SD1. Thank you for your attention to this matter.

Sincerely,

Toby B. Taniguchi
President

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

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Paul Kosasa, President and CEO of ABC Stores.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

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 for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Paul Kosasa

Foodland
Food, Family, Friends & Aloha

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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 in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax, and one is phasing it out.

I support SB 3289 with amendments inserting the contents of HB 2653 SD1 for the reasons below:

- This bill will help ensure that local family-owned businesses like ours 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. As mentioned above, only 12 states now have a state estate tax, and one of those is phasing it out. Other states have repealed the state estate tax.

- 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 with the requested amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Jenai S. Wall

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

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

Wednesday, April 3, 2024; Agenda #2
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

We, at Cataract & Vision Center of Hawaii, support the passage of SB 3289 SD1 with amendments and the insertion of the contents of HB 2653 SD1.

Hawaii has for too long suffered from the reputation of taxing its citizens more than other states. Imposing a state estate tax is especially onerous when the cost of a home exceeds $1,000,000. Small businesses not only play an important role in Hawaii's economy, but contribute philanthropically to the State more than large, national corporations and our State would be the less if we didn't support their survival.

Although this is not the final step to joining those the majority of states which have abolished state estate taxes, it is definitely a move in the right direction.

I urge you, therefore, to support the passage of this bill as described above.

Mahalo.

Worldster Lee, MD

STANFORD CARR DEVELOPMENT, LLC

April 2, 2024

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

Re: Testimony – SB 3289, SD1 Relating to Taxation
Hearing: April 3, 2024 at 2:15 PM
Conference Room 308

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

Stanford Carr Development (SCD) is writing to **support** SB 3289, SD1 which proposes to amend the definition of Hawaiʻi taxable estate to provide that the marital deduction under section 2056 of the Internal Revenue Code shall apply to the passage of any interest in property to any immediate family member; and amend the state generation-skipping transfer tax law to provide that a transfer to any immediate family member shall not be considered a distribution to a skip person, as defined in section 2613 of the Internal Revenue Code.

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

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

April 2, 2024

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

Wednesday, April 3, 2024; **Agenda #2**
Conference Room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation; In Support, Request Amendments

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

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 support SB 3289 SD1 but prefer HB 2653 SD1, because it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder, and thus enable us to continue to contribute to Hawaii's economy. Only 12 states have an estate tax and one is phasing it out.

We thank you for this opportunity to submit testimony in support. We respectfully ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Very truly yours,

LOYALTY ENTERPRISES, LTD.

Catherine Luke, Its President

SB-3289-SD-1
Submitted on: 4/2/2024 9:26:46 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments:

Representative Kyle Yamashita, Chair

Representative Lisa Kitagawa, Vice Chair

Committee on Finance

Wedenesday, April 3, 2024; Agenda #2

Conference room 308; 2:15pm

RE: SB 3289 SD1 Relating to Taxation - In support, Request Amendments

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

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

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaiʻi Estate tax, it will help ensure continuation of our business upon the death os a principal shareholder. Only 12 states have an estate tax and one is phasing out.

We have created jobs throught the State and several of us have been recognized as among Hawaiʻi'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 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 indentities are based in them, we are used to working long hours and making sacrifices for our businesses.

Help us continue to serve the community in all the ways that we have done and hope to do into the future.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Tyler Tokioka

Chairman

Island Insurance Compamies

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Steven Ai and I am the CEO of City Mill Company, Ltd.

City Mill was founded by my grandfather in 1899. Over the past 125 years, we have helped Hawaii to repair, maintain, and build homes for Hawaii residents. Additionally, we currently employ about 250 people and over the years, we estimate that we have had over 10,000 employees helping us to get to our 125th milestone.

I am in **support of SB 3289 SD1 but prefer HB 2653 SD1**, as it is more narrowly focused on the estate tax deduction on the value of the interest in our business. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

I have personally seen the effects of estate tax when my grandfather and father passed away. The complexity and ultimate payment of estate taxes created a hardship on our family and threatened the continuity of our business.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, replacing with the contents of HB 2653 SD1.

Sincerely,

Steven C. Ai
CEO/Chairman

City Mill Company, Ltd. 660 North Nimitz Highway Honolulu, HI 96817 (808) 533-3811

600 Puuloa Road | Honolulu, Hi 96819 | 808.831.2600

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Brad Nicolai and I am President/CEO of JN Group. We are a family operated automotive, motor cycle, and retail apparel brand, representing 30 manufacturers from around the world. Founded by my father, Joe Nicolai in 1961, we've employed and served Hawai'i kama'aina for over 63 years, employing nearly 300 locals and supporting their families.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

As the second generation, I'm looking to carry on the family business with my children and our employees' next generation for decades to come. Keeping local businesses interwoven into our communities is important in creating local opportunities for next generation. Local companies invest in Hawai'i with our time, energy, and resources. Through local non-profits, education, community engagement, and for our environment. Our vested interest matters; we live, work, and play here.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Brad Nicolai
President/CEO

SB-3289-SD-1
Submitted on: 4/2/2024 10:15:27 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
James H.Q. Lee	Individual	Support	Written Testimony Only

Comments:

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is James H.Q. Lee and I am an attorney and small business owner. I am the CEO of the KB Lee Corporation, parent company of the Hee Hing Corporation. As a practicing attorney, estate planning makes up 75% of my practice.

I am in support of SB 3289 SD, I prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally owned family businesses. The Hawaii estate tax legislation needs to be overhauled. It punishes small businesses and prevents small businesses from reinvesting into their businesses and leads to the closure of small businesses.

I ask that the Legislature 1) exempt the value of closely held business interests from the Hawaii estate tax and 2) conform the Hawaii estate tax exemption amount with the exemption amount under the Internal Revenue Code. Currently, under the Internal Revenue Code, an estate of $13.61M per individual is exempt from Federal estate taxes. Under Hawaii Revised Statutes section 236E-8, an estate of $5.49M per individual is exempt from the Hawaii estate tax. Prior to 2017, the Hawaii estate tax exemption amount has always conformed with the Federal estate tax exemption. While the Federal estate tax exempt amount has increased annually from 2017 to 2024, the Hawaii state tax exemption remained at $5.49M.

As a practicing attorney, a number of my clients are old kamaaina family businesses. The current Hawaii estate tax structure has forced some of my business clients to close their operations after the principal owner of the business passed away. Their families were faced with the burden of paying for the Hawaii estate tax. As you know, many Hawaii businesses operate on thin margins to stay in business. They did not see any future in maintaining their business operations in light of the fact that they had to assume an additional burden of paying off a loan which they had to incur to pay off the Hawaii estate tax. They decided that it was better to close their businesses rather than borrows to payoff the tax rather than take on the burden of an additional loan.

In Hawaii, many of the estates of long time Kamaaina families with small businesses easily exceed $8M. A family which owns a house in Kaimuki, a rental unit in Makiki and a business generating $1M to $2M a year, easily has total assets which fair market value exceeds $8M. To pay for the Hawaii estate tax, they have to forgo making needed improvements to their businesses or making investment into their businesses which is needed so that they can remain competitive and grow.

It is especially true of the restaurant business. A restaurant, in order to remain competitive and to operate efficiently, needs to remodel at least every five years and get new equipment every seven years. For a one hundred seat restaurant, the renovation and new equipment cost can easily exceed $500,000. This is the amount which needs to be reinvested into the business every five to seven years. If the land upon which the restaurant sits on is in the estate of the restaurant owner, the fair market value of the restaurant enterprise will easily exceed $5M.

In addition to the operating business, with the family residence, the restaurant owner's estate can easily exceed $8M given today's prices. Given the Hawaii estate tax marginal rate of 10% to 20%, the estate tax payable would be at least $500,000. Upon the restaurant owner's passing, the owner's family would be faced with the difficult decision of whether to continue on without reinvesting in the business with remodeling or new equipment or use the funds to pay the Hawaii estate tax or just close the restaurant and liquidate the assets in order to pay the tax.

Most of my clients who are or will be affected negatively by the Hawaii estate tax are kamaaina families who started their business in the sixties and seventies. They are now in their eighties and nineties and the time is approaching where the next generation are making the decision as to whether or not to take over the business. The fact that they have to shoulder the burden of paying the estate tax is a reason for them not to continue the family business.

In light of the fact that only 12 states in the United States have an estate tax, given the fact that many of the closely held businesses are closing or leaving the state, it would be prudent for the Hawaii legislature to eliminate the Hawaii estate tax. The one way to legitimately escape the Hawaii estate tax is for the business owner to leave Hawaii and become a resident of a state which does not have an estate tax. Such states include California, Nevada and Texas. It is certainly unfair and undesirable for lifelong Hawaii kamaaina residents who are now in their late eighties and early nineties to have to leave Hawaii just to escape the negative consequences of the Hawaii estate tax.

I hope that your committee give serious consideration to eliminating the Hawaii estate tax. It brings a very small amount of tax to our state and does more to hurt the kamaaina residents than to help the state with tax revenue.

If the Legislature does not want to eliminate the Hawaii estate tax, then the Legislature should conform the Hawaii estate tax exemption amount with the Federal estate tax exemption amount and set the threshold at $13.61M or higher. This is the least that can be done to protect our hardworking small business owners.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments from the contents of HB 2356.

Pacific Administrators, Inc.

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Alton H. Komori, locally born, raised and educated President/CEO and sole owner of Pacific Administrators, Inc., a closely held company, which opened its doors for business in January 2001 and has continuously served the people throughout the state for 23 years and counting, and currently employs over 50 full time employees.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

Pacific Administrators has been recognized as one of the Best Places to Work in Hawaii for fifteen of the past seventeen years and your kokua to support and pass this legislation will provide estate tax relief for my immediate family members (and/or key employees) who may take my place as owner(s) in the future, and help to support the longevity of the company and our efforts to continually enhance the lives of our many employees and hundreds we service daily.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Alto H. Ko

Alton H. Komori, President/CEO

1440 Kapiolani Blvd., Suite 800 • Honolulu, HI 96814 • Phone: (808) 441-8600 • Claims: (808) 441-8700 • Fax: (808) 441-8750 • Toll Free: (888) 520-8078

April 2, 2024

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

Subject: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments
April 3, 2024
Conference Room 308; 2:15pm

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 in support of SB 3289 SD1 but prefer HB 2653 SD1 as it focuses support on preserving locally-owned family businesses.

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 HB 2653 SD1, 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. I urge you to pass SB 3289 SD1 with amendments to insert HB 2653 SD1.

Respectfully,

Barron L. Guss
President and CEO

WATUMULL Brothers, Ltd.

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is JD Watumull and I am President 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. Our family has multiple local businesses on the islands.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

I believe we all want to leave a legacy for our children and grandchildren through the hard work we put into our family businesses, not a financial burden. The Hawaii estate tax would make it harder for our legacy to continue, to take care of our work Ohana who help make us who we are, to be one of the local businesses that continues to thrive for many more years to come.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Jaidev Watumull
President

SUN NOODLE®

CALIFORNIA
1505 West Mahalo Place
Rancho Dominguez, CA 9022
T: 310.764.0100
F: 310.764.0150

HAWAII (HQ)
1933 Colburn Street
Honolulu, HI 96819
T: 808.841.5808
F: 808.842.7622

NEW JERSEY
40 Kero Road
Carlstadt, NJ 07072
T: 201.530.1100
F: 201.530.1101

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Hidehito Uki, and I am the Founder/CEO of Sun Noodle. We have been in business now for 43 years and employ over 250 employees in our organization. Every day, we manufacture and distribute our products from our facility in Kalihi to restaurants and grocery stores throughout the Hawaiian Islands. With the positive support from the community of Hawaii, we have been able to expand our Sun Noodle presence by growing our operations to California, New Jersey, and the Netherlands to serve our products to chefs, restaurant operators, and households in 20 countries today.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax, and one is phasing it out. As my daughter, Hisae, and son, Kenshiro, begin to lead our organization for the future, preserving our family business is of utmost importance to me and my family. Being family-owned and operated will allow my kids to control their destiny in how they envision the next generation of Sun Noodle to evolve and grow. Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Hidehito Uki

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Lawrence S. Heim, and I am President & CEO of HONBLUE, Inc. Our company employs more than 90 people here on Oahu and Maui. HONBLUE was founded in 1967 by my father Lawrence A. Heim. We are currently the largest commercial printing company in Hawaii providing a variety of print services to the local community.

I am in support of SB 3289 SD1 **but prefer HB 2653 SD1**, as it is more narrowly focused to help preserve locally owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax, and one is phasing it out.

Estate taxes, often levied on the transfer of assets after death, can indeed present challenges for family-owned businesses. Unlike public companies, which are owned by numerous shareholders who can liquidate shares to pay taxes, family businesses may not have the same liquidity. This can potentially lead to a situation where family businesses must sell off assets or portions of the business to cover estate tax liabilities, which can affect the continuity and operational capacity of the business. It is important for policymakers to consider the implications of estate taxes on small and family-owned businesses to ensure a level playing field in the market.
Thank you for the opportunity to submit **testimony in support.** I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Lawrence S. Heim
President, HONBLUE INC.

GRASSROOT
INSTITUTE OF HAWAII

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

Removing barriers to Hawaii's prosperity

April 3, 2024 2:15 p.m.
Hawaii State Capitol
Conference Room 308 and Videoconference

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

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

RE: TESTIMONY SUPPORTING SB3289 SD1 — RELATING TO TAXATION

Aloha Chair Yamashita, Vice-Chair Kitagawa and other members of the Committee,

The Grassroot Institute of Hawaii would like to offer its **support** for SB3289 SD1, which would provide an estate tax exemption for estates transferred to immediate family members.

This measure would support Hawaii residents and family-owned businesses. Right now, an individually held restaurant is subject to the estate tax upon the death of the owner unless transferred to the owner's spouse.

The bill would expand that exemption so that the estate tax would not be applicable if the restaurant is transferred to an immediate family member such as a parent, child, grandchild or sibling.

Research has shown that the estate tax can lower business investment and harm 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]

[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.

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]

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%

Because land values are so high in Hawaii, many businesses fortunate enough to own their own building could easily be close to the $5.49 million threshold by simply existing — regardless of whether they are turning a profit or have large cash reserves.

By providing an estate tax exemption for immediate family members, this measure would reduce the high cost of doing business and living in Hawaii and help ensure that the local businesses can remain in the hands of the families who started them.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[3] "Hawaii Estate Tax Explained," Valur Library, accessed Feb. 11, 2024.

AKITA ENTERPRISES, LTD.
2960 Aukele St.
Lihue HI 96766-1462

Phone: 808-245-5344

April 2, 2024

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

Wednesday, April 3, 2024; Agenda #2
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Wendy Akita and I am President of Akita Enterprises, Ltd. which has been in business since 1946 on Kauai. We are a transportation contractor currently operating on Kauai and the Big Island, primarily providing school bus transportation for the public schools. We have also transported the USPS mail on Kauai for over 50 years. Before Covid, we employed 140 employees statewide on Kauai and the Kau district on the Big Island. We currently employee 80 employees on Kauai and the Big Island.

I am in support of SB 3289 SD1 but prefer HB 2653, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

Small family businesses are an essential economic driver for our state and we need to support them, not hamper them and reduce their numbers.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, replacing with the contents of HB 2653.

Sincerely,

Wendy Akita

Wendy Akita, President
Akita Enterprises, Ltd.

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Guy Akasaki and I am the founder and CEO of Commercial Roofing & Waterproofing Hawaii, Inc. We have been in business for 31 years and employ 110 employees across the Islands of Oahu, Maui, Kauai and the Big Island.

I also own and operate two other related companies, Honolulu Roofing & Waterproofing and Greenpath Technologies. Honolulu Roofing is a Union roofing company has been in business for 22 years, and we employ 27 employees to cover specialty, government and hospitality projects island-wide. Greenpath Technologies is our electrical contracting company with a focus on renewable energy. Greenpath has been in business for 17 years and we employ 20 employees on Oahu.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

Within the last 15 years, two of my daughters have joined the business and have been learning the ebb and flow and intricacies of family business. I have one more daughter who resides on the mainland and is not certain of her pathway yet. My wife and I would like to see our children continue in the business beyond ourselves, and continue to support our employees and families that they represent for decades to come through our Companies. My wife and I are the principal shareholders and we can see relief from the Hawaii estate tax would enable more of the company profits to be reinvested into the business, to support growth and continue to be a presence in Hawaii.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Guy Akasaki
Founder & CEO, Commercial Roofing & Waterproofing Hawaii, Inc.
CEO, Honolulu Roofing & Waterproofing, Co.
Chairman, Greenpath Technologies

ZIPPY'S

April 3, 2024; Agenda #2
2:15 p.m.
Room 308

COMMITTEE ON FINANCE
Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

On behalf of FCH Enterprises, Inc. and our best-known brand name, Zippy's Restaurants, I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

Family businesses, like Zippy's Restaurants, are more than just businesses, they preserve our local culture. For generations, Zippy's has served up Hawaii history on a plate. Many other local businesses do the same. We pay our fair share in taxes. Family businesses willingly pay what we should in income, excise and property taxes. However, the issue is with how the estate tax works, which is particularly devastating and unfair to family businesses and results in less State tax revenues than if other methods of taxation were used. Moreover, large, public companies do not need to pay this tax, disadvantaging the smaller, local companies.

I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Mahalo for your consideration,

Jason Higa
Chief Executive Officer
FCH Enterprises, Inc.

1765 SOUTH KING | HONOLULU, HI 96826 | **P** 808.973.0880 | **F** 808.955.7043 | **ZIPPYS.COM**
A DIVISION OF FCH ENTERPRISES, INC.

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Scott Obara and I am the Owner/President of United Tire and Recapping in Honolulu and Maui.
United Tire and Recapping was established in 1935. Being a third generation business owner, I take much pride in the specialty and essential business that my family started. United Tire and Recapping plays a vital role providing services and product in Hawaii's transportation and building/construction industries. Today, I employ 28 employees of who also contributes to our local economy.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

It is a constant struggle striving to continue and maintain small business in Hawaii. It is necessary to invest in my business by way of real estate, new equipment, inventory/product and employees to grow with changing times. With the support and passing of HB 2653 SD1, it is my hope that United Tire and Recapping will be able to survive and continue beyond my presence for the good and promising growth that I foresee of Hawaii's future.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Scott Obara - Owner/President
United Tire and Recapping

DATE: April 3, 2024
TIME: 2:15 pm
PLACE: VIA VIDEOCONFERENCE and Conference Room 308
BILL: SB 3289, SD1, Relating to Taxation

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

On behalf of the Hawai'i Automobile Dealers Association (HADA), we are writing to **support** SB 3289, SD1, relating to taxation.

HADA's membership includes small and locally-owned businesses, many of which are operated by the family members of their founders. These business leaders are the fabric of life in Hawaii, directly employing thousands of workers, indirectly employing tens of thousands, and providing vehicle transportation to consumers across the islands. We believe that a narrowly tailored measure will help preserve the ability of locally-owned family businesses to continue to operate as we now know it.

Like others you will hear from today, we are in support of SB 3289 SD1, but prefer the language in HB 2653, SD1, as it is more narrowly focused to help preserve locally-owned family businesses. Relief from the Hawaii estate tax will help ensure continuation of our business upon the death of a principal shareholder. Our understanding is that only twelve states have an estate tax and one is phasing it out.

HADA seeks to engage with legislators on issues of importance relevant to motor vehicles, our state's clean energy future, and safety.

We thank you for the opportunity to testify.

The Hawai'i Automobile Dealers Association is the voice of more than 60 new car dealerships across the islands, accounting for over 4,000 direct jobs, $6 billion total sales and more than $250 million in general excise taxes paid.

1099 Alakea Street, Suite 2530, Honolulu, Hawaii 96813 | (808) 447-1840

SERVCO

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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 are away at college and want to return. Our charitable foundations now support 44 Hawaii students with college scholarships.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. My reasons are as follows:

- First, Hawaii is one of only 12 states that have a state estate tax, and 38 states have repealed the tax and one more is phasing it out.
- 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. Life insurance can help, but only partially as it is very expensive. 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. In Servco's case, if we did not have to pay the State estate tax, we would build another mid-sized dealership with that capital. We calculated what that new dealership would generate in total State excise, income, import and property taxes, and State income taxes from additional employees. The payback period to the State on the foregone estate tax would be **under 3 years**. The total amount of those ongoing State taxes over the next 20 years would be over **14 times** the foregone State estate tax.

- Fifth, over the past 5 years, the State estate tax only collected an average of $42 million annually, which is less than 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. 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. Even at that, we cannot afford to buy all the life insurance that we will need in the future. So, Servco will have to make substantial loans to or buy back stock from the Fukunaga family to pay those taxes. 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 consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Very truly yours,

Mark H. Fukunaga
Executive Chairman

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Denise Soderholm and I am the President of Soderholm Bus and Mobility.

We have been in business since 1989 in Hawaii with 13 total employees operating within the entire State of Hawaii and throughout the Pacific islands.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states in the US have an estate tax and one is phasing it out.

We are a family-owned and operated business with both of our kids, Gustaf and Gabrielle Soderholm, working within the company and are slated to take over. "Making it" in Hawaii is already incredibly difficult. If we, as business owners, cannot responsibly pass along our business to the next generation, it will incentivize larger corporations to come into Hawaii and take more and more from its locals. Our children may have to sell the business or just liquidate assets to pay the tax.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,
Denise L. Soderholm

Denise L. Soderholm
President

In Conjunction with R. Erik Soderholm, Vice President

Soderholm Bus and Mobility
2044 Dillingham Blvd, Honolulu, HI 96819 – (808) 834-1417

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

Imagine life in Hawaii without Foodland's poke, Zippy's chili, hurricane supplies at City Mill, CocoPuffs at Liliha Bakery, weddings at Kualoa Ranch and plate lunches at L&L. 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 67 of Hawaii's family businesses. We have collectively been in business for several hundreds of years and over multiple generations. Together, we have created over 15,000 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.

We are all in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. 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). As businesses facing tough and often bigger companies, the choice becomes either reinvesting in the business to stay competitive or keeping cash idle in case a shareholder dies. The former need is certain and immediate (and if not met, may cause the business to fail and make estate taxes irrelevant), while the latter handicaps the business for an uncertain liability. Not surprisingly, we opt to reinvest our profits to stay in the game rather than hurt ourselves competitively by not using our cash resources. Life insurance can help but only up to a point, as it is very expensive and unaffordable for family businesses. Ultimately, when a shareholder of a family business dies, the business must sell all or parts of itself to pay the tax.

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 an 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 loan funds to them and sell off parts or all the business to provide those funds. Every one of us faces competition from much bigger and financially 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.

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. We would use those funds to invest in Hawaii and create more jobs, expand our facilities and improve our products and services, thereby yielding additional excise, income and property tax revenues. With those additional employees, the State would also generate more income and excise taxes from them. And, the vendors and suppliers of our growing family businesses, and their employees, would benefit and pay more in taxes. 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 kill the golden goose of 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. Over the past five years, 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.

Thank you for the opportunity to submit testimony in support. We ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

With aloha:

Steven Ai, City Mill

Guy and Dana Akasaki, Commercial Flooring

Wendy Akita, Akita Enterprises

Kurt Bosshard, Kapaa Solar LLC

Christine Camp, Avalon Group

Stanford Carr, Stanford Carr Development

Clarice and Roland Casamina, House of Finance

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

Peter Dods, Easy Music Center

Sumner Erdman, Ulupalakua Ranch

Damien Farias, Sr., Maui Toyota

Josh Feldman, Tori Richard

John Finney, Johnny Finney LLC/Carls Jr./Kawaihae Industrial Center

Elisia and Eddie Flores, L&L Hawaiian Barbeque

Kamaka Freitas, KLF Repair Services

Michael Fujimoto, HPM Building Supply

Mark, Peter and Emily Fukunaga, Servco Pacific

Ken Gilbert, Business Consulting Resources

Ben Godsey, ProService

Louis Gomes, Ground Transportation, Inc.

Chad Goodfellow, Goodfellow Brothers

Barron and Raquel Guss, Altres

Clyde Hamai, Hamai Appliance

Russell Hata, Y. Hata

Larry Heim, HonBlue

Jason Higa, Zippy's

Sylvia Ho, Jade Dynasty Seafood Restaurant

Don Horner, Malu Investments

Alan Ikawa, Big Island Candies

John Ishibashi, Kauai Vehicle Service Center

Meli James, Mana Up Hawaii

Chris Kamaka, Kamaka Ukuleles

Guy Kamitaki, Ben Franklin/Ace Hardware

Clyde and Landon Kaneshiro, Honolulu Disposal Service

Alison Kessner and Ben Takayesu, McCully Bicycle & Sporting Goods

Peter Kim, Liliha Bakery and Yummy Restaurant Group

Kelvin Kohatsu, Managing Director of Hawaii Transportation Association

Alton Komori, Pacific Administrators

Paul Kosasa, ABC Stores

Bert and Rachel Lau, Oahu Veterinary Clinic

Russell, Connie and Jennifer Lau, Finance Factors

James Lee, Hee Hing Restaurant

Worldster Lee, M.D., Cataract & Retina Center of Hawaii

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

Ian MacNaughton, MacNaughton

Stan Masamitsu, Tony Group

Kenneth and Richard Matsui, Petland

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

Michael Miyahira, Business Strategies

Patricia Moad, Continental Assets Management

John Morgan, Kualoa Ranch

Mike and Jan Nakashima, Rannikks Auto Specialists

Brad Nicolai, JN Group

Scott Obara, United Tire & Recapping

Rob and Cindy Pacheco, Hawaii Forest & Trail

Melissa Pavlicek, Hawaii Automobile Dealers Association

Michael and Mike Pietsch, Title Guaranty

Bahman and Kimia Sadeghi, Meadow Gold Dairies

Erik Soderholm, Soderholm Bus & Mobility

Steven and Candace Sombrero, Chaney Brooks and Aloha Beer

Michael Tam, Martin & MacArthur

Calvin Tamaye, Ace Auto Glass

Toby Taniguchi, KTA Super Stores

Monica Toguchi Ryan, Highway Inn

Tyler and Dana Tokioka and Colbert Matsumoto, Island Insurance Companies

Kenshiro Uki, Sun Noodle North America

Jenai, Roger, Alana and Eamon Wall, Foodland

J.D. Watumull, Watumull Properties Corp.

Robert and Michael Wo, C.S. Wo/HomeWorld

Steven Yamasaki, Truck Shop Maui

Saedene Yee-Ota, Sae Design Group

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

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

SUBJECT: ESTATE TAX; Allow Marital Deduction for Transfers Between Immediate Family Members

BILL NUMBER: SB 3289 SD 1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Amends the definition of Hawaiʻi taxable estate to provide that the marital deduction under section 2056 of the Internal Revenue Code shall apply to the passage of any interest in property to any immediate family member. Amends the state generation-skipping transfer tax law to provide that a transfer to any immediate family member shall not be considered a distribution to a skip person, as defined in section 2613 of the Internal Revenue Code.

SYNOPSIS: Adds a new definition to section 236E-2, HRS, defining "Immediate family member" as a spouse, child, sibling, parent, grandparent, grandchild, stepparent, stepchild, stepsibling, and equivalent adoptive relationships.

Amends section 236E-7, HRS, to provide that the unlimited marital deduction (IRC 2056, made operative in Hawaii) applies to the passage of any interest in property to any immediate family member.

Amends section 236E-17, HRS, to provide that the passage of any interest in property to any immediate family member shall not be considered a distribution to a skip person and therefore is not taxed under the generation-skipping transfer tax.

EFFECTIVE DATE: Upon approval and shall apply to decedents dying or taxable transfers occurring after December 31, 2023.

STAFF COMMENTS: Apparently, the intent of the bill is to exempt transfers between immediate family members including from grandparents to grandchildren. With such a gaping hole in the tax base, the Legislature should consider repealing the tax in toto and putting everyone out of their misery.

Digested: 4/2/2024

SB-3289-SD-1
Submitted on: 4/2/2024 4:05:47 PM
Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
HIghway inn	Highway Inn	Support	Written Testimony Only

Comments:

Representative Kyle Yamashita, Chair

Representative Lisa Kitagawa, Vice Chair

Committee on Finance

Wednesday, April 3, 2024; **Agenda #2**

Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

For 76 years, Highway Inn has been more than just a restaurant: it's become a living legacy dedicated to serving Hawaiian food, and working hard to ensure that we preserve our collective and cultural food heritage. Founded by my grandparents in 1947 in Waipahu, amidst the shadow of the towering double smokestacks of Oahu Sugar Mill, our humble beginnings are deeply rooted in Waipahu's rich plantation history. From my earliest memories as a child, I fondly remember our days on Depot Road, just across from Arakawa's, where hungry customers would line up outside for a seat in my grandparents small and modest restaurant, where sharing a table with strangers was normal, and staring at the sight of pipikaula drying in our tiny kitchen is now a cherished and beloved memory of the "good ol' days" when life was hard, but far more simple.

At the time, with seven children of their own, my grandparents managed the business solely as a couple, employing just a single dishwasher, while my father and his siblings looked after each other. Today, our family-owned business has become a cornerstone of Hawaii's cultural and social landscape, weaving the rich tapestry of our shared heritage through every dish we serve. With 110 dedicated staff, we have welcomed generations of guests, and the communities we serve have become an inseparable part of our ‘ohana.

The purpose of my testimony is to seek your support for SB 3289 SD1, and to consider HB2653 SD1, as it is bill that is more narrowly focused; it is a bill that holds the promise of preserving the vibrancy and resilience of many beloved family businesses across Hawaii, including Highway Inn. The challenge we face lies in the Hawaii estate tax, a burden that threatens to unravel the dreams and hard work of generations.

Today, only 12 states impose an estate tax, Hawaii remains among them, placing an undue strain on family-owned businesses. This tax not only imposes a financial hardship but also unfairly handicaps family businesses and places us at an unfair disadvantage compared to publicly traded companies who establish themselves in our neighborhoods and communities. While shareholders in public companies can sell their shares on the stock exchange to provide funds to pay taxes, families like ours must find ways to gather substantial amounts, often at the cost of the business's future.

Our plea is not just about the financial implications but the preservation of a legacy that has thrived against the odds. It is a known fact that fewer than one in ten family businesses survive past the third generation. Highway Inn and many other locally owned family businesses stand as a testament to what dedication, love, and community support can build. However, the Hawaii estate tax casts a long shadow over our ability to pass this legacy to future generations, risking not only a family's heritage but also the jobs and livelihoods of those who have grown with us.

Consider the disproportionality: the estate tax generated $58 million, a mere fraction compared to the $10.5 billion from the General Excise Tax. Yet, the impact it has on family businesses like ours is profound. Family businesses are the backbone of Hawaii's economy, providing jobs, fostering community spirit, and preserving the unique cultural identity that makes Hawaii so special.

SB 3289 SD1, and specifically HB2653 SD1, offers a beacon of hope, a chance to right this imbalance and ensure that family businesses can continue to thrive and serve their communities.

By seeking relief from the Hawaii estate tax, this legislation recognizes the vital role that local family businesses play in our economy and our lives.

Like many other close knit family businesses in Hawaii, Highway Inn is more than a restaurant; it is a symbol of the perseverance, dedication, and spirit of Hawaii. It embodies the essence of what it means to be a part of this community, and with your support for SB 3289 SD1, we can ensure that this legacy, and those of other cherished family businesses, can endure for generations to come.

I urge you to consider the importance of family-owned businesses to Hawaii's cultural and economic landscape, and to support SB 3289 SD1 and HB2653 SD1. Together, we can safeguard our heritage, support our communities, and ensure the prosperity of family businesses for generations to come.

Thank you for your time and consideration.

Sincerely,

Monica K. Toguchi Ryan

President & 3rd Generation Owner, Highway Inn

TORI RICHARD

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Josh Feldman and I am President and CEO of Tori Richard, Ltd. Our family business was founded in Hawaii nearly 70 years ago and today we employ approximately 200 people throughout the state.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. Giving relief from the Hawaii estate tax will help ensure continuation of our business upon the death of a principal shareholder. Hawaii is currently one of just 12 states with a state level estate tax and it is my understanding this will become just 11 states.

As a locally owned and operated business, Tori Richard, Ltd. is committed to our employees, local customers, and the Hawaii community. We reinvest most of our profits in our business to create jobs and improve our facilities and products. Most family businesses do not have cash on hand to pay estate taxes and heirs often have no choice but to sell or liquidate the business to pay those taxes.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Josh Feldman
President & CEO

1891 NORTH KING STREET
HONOLULU, HAWAI'I 96819

TORIRICHARD.COM • MAIL@TORIRICHARD.COM • TEL: +1 808 847 7041

HCAN Speaks!
Hawai'i Children's Action Network

Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: House Committee on Finance
Re: **SB 3289 SD1 – Relating to Taxation**
Hawaiʻi State Capitol & Via Videoconference
April 3, 2024, 2:15 PM

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

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in **OPPOSITION to SB 3289 SD1**. This bill amends the definition of Hawaiʻi taxable estate to provide that the marital deduction under section 2056 of the Internal Revenue Code shall apply to the passage of any interest in property to any immediate family member.

This bill is a tax break for the wealthiest families in Hawaiʻi. **Especially in a tight state budget season, Hawaiʻi cannot afford to give tax breaks to the top 0.2 percent.**

Hawaiʻi has an outsized concentration of extreme wealth, relative to the size of our population. While we have 0.4 percent of the nationwide population, we have 0.7 percent of the households with wealth over $30 million, ranking **Hawaiʻi sixth in the nation for extreme wealth**.[1] The estate tax is intended to slow down the concentration of wealth at the top, by taxing multimillion dollar estates when they are passed on to heirs.

Currently the estate tax's marital deduction allows estates to be passed to spouses tax-free. **This bill would render Hawaiʻi's estate tax ineffective** by extending the marital deduction to any "immediate" family member, including children, stepchildren and grandchildren.

When the federal estate tax exemption was where Hawaiʻi's is now, only **the top 2 in 1,000 estates** were taxed.[2] In addition, 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,[3] and now it is almost $5.5 million per single / $11 million per couple.[4] That's more than 8 times higher than it was in 2001.

Please note that **the estate tax is applied only to the amounts *above* the exemption levels.** For example, 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 1% (0.83%).

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

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[1] https://itep.org/the-geographic-distribution-of-extreme-wealth-in-the-u-s/
[2] https://www.irs.gov/statistics/soi-tax-stats-historical-table-17
[3] https://en.wikipedia.org/wiki/Estate_tax_in_the_United_States
[4] https://files.hawaii.gov/tax/forms/2023/m6ins.pdf

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Center on Budget and Policy Priorities

Memo

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Washington, DC 20002
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Testimony opposing SB 3289

Samantha Waxman, Deputy Director, State Fiscal Policy Research, Center on Budget and Policy Priorities

Chair Yamashita, Vice Chair Kitagawa, and members of the House Committee on Finance, thank you for the opportunity to submit testimony on SB 3289. My name is Samantha Waxman, and I'm a Deputy Director with the Center on Budget and Policy Priorities (CBPP). CBPP is an independent, nonpartisan research institute that since 1981 has worked to advance both federal and state policies aimed at building a nation where *everyone* has the resources they need to thrive.

CBPP opposes the enactment of SB 3289, which would extend the marital deduction in the federal estate tax to any immediate family member as defined in the bill. This bill would further rig the tax code in favor of the wealthy and well-connected at the expense of Hawai'i residents struggling to make ends meet, would deprive Hawai'i of revenues that are needed to meet the pressing needs of its residents right now, and would further entrench racial wealth inequality.

This bill would:

1) Worsen Hawaiʻi's tax code which is already tilted toward the wealthy

First, like most states across the country, Hawaiʻi's tax code is already tilted toward the wealthiest people. These estate tax proposals would further rig the tax code toward the wealthiest Hawaiʻi residents, leaving everyone else to foot the bill for roads, schools, housing, health care, and all the other shared foundations of a thriving state.

In its recent distributional analysis of all 50 state tax systems and Washington, D.C., the Institution on Taxation and Economic Policy (ITEP) found that Hawaiʻi's tax code is already regressive. That means that on average, Hawaiʻi residents earning the lowest incomes are paying a higher share of their income in taxes than people earning the highest incomes in the state. Specifically, people earning less than about $22,000 are paying an average 14 percent of their income in taxes, while the top 1 percent of earners — netting about $595,000 per year — are paying just 10 percent.[1]

This proposal to weaken the estate tax would only benefit the very highest wealth holders in Hawaiʻi —the people who are already disproportionately benefiting from how Hawaiʻi's tax code is set up

[1] Institute on Taxation and Economic Policy (ITEP), "Hawaiʻi: Who Pays? 7th Edition," January 2024, https://itep.org/whopays-7th-edition/

now. And SB 3289 would allow the wealthiest Hawaiʻi residents to avoid paying the estate tax on the portion they transfer to immediate family members, further contributing to the concentration of wealth in few hands. Hawaiʻi should not make this problem worse, and should instead prioritize the needs of the Hawaiʻi residents who struggle every day to put food on the table.

2) Deprive the state of revenue it needs to meet the urgent needs of Hawaiʻi residents right now

There are many pressing needs in Hawaiʻi right now that require government support and revenue. They include:

- Urgent needs to rebuild Maui after devastating fires on the island that destroyed many homes and burned over 2,000 acres. The University of Hawaiʻi and Maui County estimate that it will take $5.5 *billion* to rebuild.[2]
- A long-standing crisis in affordable housing where there isn't enough housing at prices that many families can afford to pay.[3] In 2021, people in 58 percent of the state's occupied rental units were spending over 30 percent of their household income on rent.[4] The governor has signed several emergency proclamations to address this long-standing need.[5]
- Hawaiʻi's cost of living is very high – in Honolulu, residents spend 55 percent of their income on housing and food, while the national average is 46 percent.[6]

With these pressing needs facing Hawaiʻi residents with low and moderate incomes, now is not the time to be cutting taxes for the most affluent Hawaiʻi residents. SB 3289 would cost $43.3 million every year, according to the Department of Taxation.

Instead of providing further tax breaks for the wealthiest Hawaiʻi residents, the state can and should prioritize the needs of low- and moderate-income Hawaiʻi residents, help families solve everyday financial challenges, and build a strong foundation for their future. There are many options: strengthen affordable housing, create a state-level "Keiki Credit" (Child Tax Credit) to reduce child poverty and improve outcomes for children and their families in the near and long term, and consider other alternatives to help struggling Hawaiʻi residents meet their needs given the state's high cost of living. Instead of spending $43 million on reducing the estate tax for the wealthiest Hawaiʻi residents, the state could extend the Rental Supplement Program to 7,200 more families, for example.

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[2] "Estimated $5.5B needed to rebuild from Lahaina fire," University of Hawaiʻi News, August 14, 2023, https://www.hawaii.edu/news/2023/08/14/estimated-5-5b-needed-rebuild-lahaina/

[3] Jessica Terrell, "Hawaii Has Been Facing A Housing Crisis For Generations," Honolulu Civil Beat, September 17, 2023, https://www.civilbeat.org/2023/09/hawaii-has-been-facing-a-housing-crisis-for-generations/.

[4] Will White and Devin Thomas, "Keeping Hawaiʻi Housed," March 2023, https://hiappleseed.org/publications/keeping-hawaii-housed.

[5] Office of Governor Josh Green, M.D., "Emergency Proclamation Relating To Housing," https://governor.hawaii.gov/emergency-proclamation-relating-to-housing/.

[6] "Beth Fukumoto: Why Isn't The Legislature Doing More To Address Hawaii's High Cost Of Living?" Honolulu Civil Beat, March 31, 2024, https://www.civilbeat.org/2024/03/beth-fukumoto-why-isnt-the-legislature-doing-more-to-address-Hawaiʻis-high-cost-of-living/.

3) Further concentrate wealth, worsen racial wealth inequality

Racial wealth inequality is high across the country and Hawai'i is no exception. Before the COVID-19 pandemic, the wealthiest 10 percent of white households owned 65 percent of U.S. wealth and that figure is likely even higher now.[7] This distribution of wealth is not by accident, and represents a long history of racial discrimination and inequity. Furthermore, ITEP has found that Hawai'i already has an outsized concentration of wealth compared to other states across the country, and compared to its population share.[8]

The estate tax is one of the few ways to directly address the intergenerational transfer of wealth, which is itself a major contributor to racial wealth inequality. Giving a big tax break to family members inheriting huge fortunes — including children or grandchildren as this bill would do — would further concentrate wealth and worsen these inequities.

Hawai'i has a choice: to improve families' economic well-being and make progress on racial and gender equity by protecting — and enhancing — its ability to raise adequate and fair revenues and to use those resources for initiatives that help more people share in the state's prosperity, or to compromise the state's future through misguided tax cuts for the wealthy.

The Center on Budget and Policy Priorities urges the committee to reject SB 3289. Thank you.

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[7] Samantha Waxman and Elizabeth McNichol, "Improved State Taxes on Wealth, High Incomes Can Help Fuel an Equitable Recovery," CBPP, December 10, 2020, https://www.cbpp.org/research/state-budget-and-tax/improved-state-taxes-on-wealth-high-incomes-can-help-fuel-an.

[8] Carl Davis, Emma Sifre, and Sapndan Marasini, "Estimating Wealth Levels and Potential Wealth Tax Bases Across States," ITEP, October 13, 2022, https://itep.org/the-geographic-distribution-of-extreme-wealth-in-the-u-s/.

HAWAI'I ALLIANCE for PROGRESSIVE ACTION

House Committee on Finance

Hawai'i Alliance for Progressive Action (HAPA) OPPOSITION: SB3289

Wednesday, April 3rd, 2023 2:15 p.m. House Conference Room 308

Aloha Chair Yamashita, Vice Chair Kitagawa and Members of the Committee,

On behalf of the Hawai'i Alliance for Progressive Action, I am writing to express our strong opposition to SB3289, which proposes to extend the estate tax marital deduction to other family members.

The estate tax serves a crucial role in curbing the accumulation of immense wealth within families, thereby mitigating the perpetuation of economic inequality. By taxing the transfer of multi-million dollar estates, the estate tax addresses the issue of intergenerational wealth transfer, ensuring that wealth is not excessively concentrated in the hands of a privileged few.

Currently, estates can be passed to spouses tax-free, a provision that acknowledges the significance of familial relationships in estate planning. However, extending this tax-free status to other family members, including children, as proposed in SB3289, would effectively undermine the purpose of the estate tax. Such a measure would create a loophole that enables the wealthiest individuals to bypass their tax obligations, exacerbating economic disparities and hindering efforts to promote fairness in our society.

SB3289 is a highly dangerous bill that primarily benefits the absolute wealthiest among us, while neglecting the needs of struggling workers, their families, and small businesses. The estate tax serves as a safeguard against the consolidation of power and resources in the hands of a few families, thereby protecting the integrity of our democratic institutions. By weakening the estate tax, SB3289 poses a direct threat to our democracy and exacerbates existing inequalities.

Furthermore, the fiscal implications of SB3289 are deeply concerning. At a time when lawmakers have been emphasizing the scarcity of resources for critical programs such as Universal Free School Meals, the Keiki Credit, and Paid Family Leave, it is unconscionable to even consider a bill that would deprive the state of tens of millions of dollars in revenue annually. SB3289 would further strain our already stretched resources, undermining our ability to address pressing social and economic challenges.

In light of these considerations, we urge you to defer SB3289 and uphold the integrity of the estate tax as a vital tool for promoting economic fairness and safeguarding our democracy. We implore you to prioritize the needs of working families and vulnerable communities over the interests of the ultra-wealthy elite.

Thank you for considering our concerns regarding SB3289. We remain committed to working towards a more just and equitable Hawai‘i for all.

Thank you for your consideration.
Respectfully,

Anne Frederick
Executive Director

HAWAIʻI APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

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

I appreciate the opportunity to testify on behalf of Hawaiʻi Appleseed in **opposition** to SB 3289, which proposes changes to Hawaiʻi's estate tax laws. This bill would allow the marital deduction for taxable estates to be applied to other family members. By doing so, it provides a $43 million tax break to a small population of the wealthiest Hawaiʻi residents, rather than the working families who desperately need relief.

The marital deduction allows spouses to inherit an estate without paying the estate tax. SB 3289 would extend this deduction to grandparents, grandchildren, and everyone in between, enabling them to inherit their share of the estate tax-free. Passage of SB 3289 would prioritize the wealth of the few over the needs of the many. Already this session, the legislature has rejected bills that would have helped strengthen Hawai`i's economy and working families–bills that would have cost less than the tax cut currently being proposed by SB 3289:

- HB 1775, which would have ensured that every public school student has access to breakfast and lunch at a cost of $23 million;
- SB 3332, which could have prevented the eviction of 2,500 families through a rent relief and mediation program at a cost of $13 million; or
- HB 1662, which could have provided a credit of $325 per child for 176,000 children in families for whom $325 would make a significant difference at a cost of $42 million.

We cannot afford to provide a $43 million tax break at a time of such great need for our broader community: Maui wildfire relief; hazard pay for state workers; and numerous other services and supports for Hawaiʻi's people.

Hawaiʻi's current estate tax threshold is $5.49 million for a single person and $11 million for a married couple, which means that estates valued beneath this amount are exempt from estate taxes. However, any estate exceeding this amount becomes subject to the estate tax rates, ranging from 10% to 20%. It is worth noting that an exceedingly small percentage of estates (only 0.2% at the national level before the Tax Cuts and Jobs Act was implemented) have to pay an estate tax at all. In other words, Hawaiʻi's estate tax does not affect middle-class families whose estates would mostly consist of moderately valued homes—not multimillion-dollar mansions.

The estate tax only applies to the value of the estate that exceeds the exemption. For example, if an estate is worth $9 million, the taxable portion (above the $5.49 million threshold for a single person) would be $3.51 million. Based on the current rates, the estate tax burden would amount to $396,300. This is a small price to pay for someone who is inheriting an estate of that size, considering that it is just 4.4% of the estate's total value.

According to the Department of Taxation, SB 3289 would reduce the state's tax revenues by **$43.3 million** each year. This revenue loss would significantly impact Hawai‘i's future capacity to invest in priorities such as affordable housing, tax credits, and other means of assistance for working families.

Mahalo for your consideration.

Business Strategies
Helping Family Owned & Closely Held Businesses

April 1, 2024

Testimony on SB 3289, SD1
Before the House Committee on Finance

Chair Yamashita, 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 very familiar with many of the issues and challenges that they face. I support SB 3289 SD1.

The proposed Senate Bill and its companion House 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 the decedent's qualified family-owned business interests, subject to certain qualifications.

As noted previously, the value of an owner's investment in their business is often focused on non-liquid assets such as facilities, rolling stock, fixtures, equipment and inventory. These assets cannot be easily converted to cash without having a detrimental effect on the business.

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

The payment of estate taxes takes cash out of a business. It's unfortunate that some family owned businesses have had to sell off assets in order to generate enough cash to meet their estate tax liabilities when an owner dies. In some cases, some families have resorted to buying term life insurance policies to ensure that the owner's estate has sufficient liquidity in the event of an owner's death. However this is an expensive back stop that is not always available.

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 our communities. They are part of the fabric that our state relies upon.

Thank you for allowing me to present my testimony.

Mike Miyahira
Principal

[redacted]

KURT R. BOSSHARD
[redacted]

March 25, 2024

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: **SB 3289 SD1 Relating to Taxation - In Support, Request Amendments**

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

I write from Kauai in favor of the passage of SB3345/HB2653. I have practiced law and engaged in business here on Kauai for the past 43 years. The issue is personal to my family, my employees, the renters in our family's 11 affordable rental units, those I farm with, Contractors I work with... Presently, "the rich" residents of Kauai and/or those seeking to establish residence here have to take into account that being a resident in Hawaii at the time of their death is a big financial mistake. It's all over the media how "blue" states are bleeding population and economic base as wealthy individuals and those in business subject to excessive regulation and crime flee the States they have loved and have created their businesses. Many people feel forced out. They wanted to stay. Then, there are those well to do people who don't relocate to Kauai and bring their productive business activities here.

Those who have invested in real estate have a concern as to a fire sale at the time of their death to pay the taxes on heavily appreciated assets. Kama'aina Owners' investments may be moved off island or liquidated prior to death and long cultivated local relationships abandoned. Local investors are already stressed by massive real property tax increases associated with such inflation and who knows how much more inflation is to come. Enough to "fall victim" to the estate tax? The successful Hawaii businessman may choose to engage in an unproductive gifting of assets to their children which creates a scenario where the business model that has created success winds down. Issues like a child's divorce, illness, disinterest, etc. can then lead to disaster. All of this speculation fuels estate planning attorneys/accountants who create often confusing, outdated and/or unsuccessful strategies to escape these taxes. Perhaps unnecessarily. So existing tax law takes much money out of Hawaii's economy as "the rich" maneuver funds that could be better utilized for their businesses. Those are today's dollars.

There is a psychological aspect to this. Yes, Hawaii has the greatest people and the greatest weather... but when people are constantly discussing all forms of over-regulation and burdensome taxes the successful local population and those who may wish to live or do business here start to think of living elsewhere. And that's not just "the rich". When federal revenues and assistance start to shrink, the day may come when good weather is not enough to float our economy. Particularly, if the loving, less affluent people of Hawaii have already moved to Nevada, Tennessee, Texas, Florida...

That's my two cents and I would appreciate your consideration of these factors.

Sincerely,

KURT BOSSHARD

KB:rsnh

SB-3289-SD-1
Submitted on: 4/2/2024 12:21:15 PM
Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Matt Lyum	Individual	Support	Written Testimony Only

Comments:

After 25 years I chose to sell my business because I did not have a family succession plan. Although my customers and employees have continuity, revenue is leaving the state to the new ownership. I would have preferred to pass it on to my children and keep all the revenues in Hawaii. Having to pay estate tax would have removed that incentive to keep the business locally.

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Sumner Erdman, the President of Ulupalakua Ranch on Maui. We are a family company that is dedicated to agriculture and open space in Hawaii. As a family operation, we have been operating for more than a half century on the island of Maui.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

In the case of Ulupalakua Ranch, it is incredibly onerous to have to pay an estate tax on the value of the land that we need to utilize to operate our business. This is further troubling by the fact that more than a decade ago we put more than half of the land into a agricultural conservation easement to protect the open space. Having to pay an estate tax on the value of this land makes it feel like we are being punished for our deed.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Sincerely,

Sumner Erdman

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

Wednesday, April 3, 2024; **Agenda #2**
Conference room 308; 2:15 p.m.

RE: SB 3289 SD1 Relating to Taxation – In Support, Request Amendments

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

My name is Clyde Hamai and I am a retired CEO of Hamai Appliance Inc., in Kahului, Maui. We are a third generation, family-owned business. We have been in business for 55 years, and currently employ 24 employees.

I am in support of SB 3289 SD1 but prefer HB 2653 SD1, as it is more narrowly focused to help preserve locally-owned family businesses. By giving us relief from the Hawaii estate tax, it will help ensure continuation of our business upon the death of a principal shareholder. Only 12 states have an estate tax and one is phasing it out.

When my dad and I began the business in 1969, there were dozens of independent appliance/electronics stores such as ours, on every major island throughout the state. Today there are just a handful who have survived the influx of major chain stores from the mainland. We believe that we provide better personal service for our customers and give back to the community by providing employment opportunities, reinvesting in Hawaii and supporting community fundraisers and activities. This is true for other local businesses such as restaurants, retail operations, and other small family businesses in our state. We are not asking for special favors but are requesting that you help our local businesses to continue in this community. Therefore, we ask that you give us relief from Hawaii's severe estate taxes which jeopardizes the survival of many small family-owned businesses such as ours by passing the above stated bill with amendments, inserting the contents of HB2653 SD1.

Thank you for the opportunity to submit testimony in support. I ask for your consideration in passing this bill with amendments, inserting the contents of HB 2653 SD1.

Mahalo,

Clyde Hamai
Hamai Appliance Inc.

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

SB-3289-SD-1
Submitted on: 4/3/2024 9:27:28 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments:

I am testifying in strong opposition to SB3289. 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.

This is a highly dangerous bill that would only help the absolute wealthiest among us, while doing nothing for struggling workers, their families or the average small business. The estate tax helps prevent oligarchy from forming, a direct threat to democracy.

The bill would cost the state tens of millions of dollars per year at a time when lawmakers have been telling the public there isn't enough money for critical programs like Universal Free School Meals, the Keiki Credit or Paid Family Leave. It is unconscionable to even be considering a bill like this. I urge you to defer this bill.

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

SB-3289-SD-1
Submitted on: 4/3/2024 9:38:51 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments: I am testifying in strong opposition to SB3289. 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. This is a highly dangerous bill that would only help the absolute wealthiest among us, while doing nothing for struggling workers, their families or the average small business. The estate tax helps prevent oligarchy from forming, a direct threat to democracy. The bill would cost the state tens of millions of dollars per year at a time when lawmakers have been telling the public there isn't enough money for critical programs like Universal Free School Meals, the Keiki Credit or Paid Family Leave. It is unconscionable to even be considering a bill like this. I urge you to defer this bill.

SB-3289-SD-1
Submitted on: 4/3/2024 9:54:08 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments:

I am testifying in strong opposition to SB3289. 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.

This is a highly dangerous bill that would only help the absolute wealthiest among us, while doing nothing for struggling workers, their families or the average small business. The estate tax helps prevent oligarchy from forming, a direct threat to democracy.

The bill would cost the state tens of millions of dollars per year at a time when lawmakers have been telling the public there isn't enough money for critical programs like Universal Free School Meals, the Keiki Credit or Paid Family Leave. It is unconscionable to even be considering a bill like this. I urge you to defer this bill.

SB-3289-SD-1
Submitted on: 4/3/2024 10:07:58 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Thomas Brandt	Individual	Oppose	Written Testimony Only

Comments:

Aloha,

I strongly oppose this bill for the following reasons:

This bill would only help the absolute wealthiest among us, while doing nothing for struggling workers, their families or the average small business. The estate tax helps prevent oligarchy from forming, a direct threat to democracy.

The bill would cost the state tens of millions of dollars per year at a time when lawmakers have been telling the public there isn't enough money for critical programs like Universal Free School Meals, the Keiki Credit or Paid Family Leave. It is unconscionable to even be considering a bill like this. I urge you to defer this bill.

Thank you for your consideration.

Thomas Brandt

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

SB-3289-SD-1
Submitted on: 4/3/2024 10:17:10 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments:

OPPOSE

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

SB-3289-SD-1
Submitted on: 4/3/2024 10:21:35 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Lana Bilbo	Individual	Oppose	Written Testimony Only

Comments:

I strongly oppose this bill which will only help the wealthiest and remove millions of dollars from the Hawaii tax income. You say we can't fund critical social welfare programs, but then give tax breaks to the rich. It's is insulting and not pono.

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

SB-3289-SD-1
Submitted on: 4/3/2024 10:37:01 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments:

Hello,

As a concerned citizen, I am vehemently opposed to SB3289, a bill that proposes to extend the estate tax marital deduction to other family members. This bill is not only unjust but also undermines the very essence of fairness and equality in our society.

The estate tax serves a crucial role in curbing the unchecked accumulation of wealth by wealthy families, thus preventing the formation of dynasties that could wield disproportionate power and influence in our democracy. By taxing the transfer of multi-million dollar estates, the estate tax ensures that wealth is distributed more equitably among generations and helps to mitigate the growing wealth gap in our society.

However, SB3289 seeks to erode this vital safeguard by extending the tax-free status currently enjoyed by spouses to other family members, including children. This would effectively render the estate tax ineffective and allow the ultra-wealthy to continue amassing vast fortunes without contributing their fair share to society.

Moreover, at a time when our lawmakers are struggling to fund critical programs such as Universal Free School Meals, the Keiki Credit, and Paid Family Leave, SB3289 would further strain our state's finances by depriving it of much-needed revenue. The cost of implementing this bill would run into tens of millions of dollars annually, exacerbating budgetary constraints and jeopardizing essential services for working families.

It is unconscionable that legislators would even consider such a reckless and regressive measure that only serves to benefit the wealthiest members of our society at the expense of everyone else. By passing SB3289, lawmakers would be betraying their duty to uphold the principles of fairness, equality, and justice for all.

I urge you to reject SB3289 and instead focus on policies that promote economic fairness, invest in our communities, and uplift working families. Our democracy and our future depend on it.

me ke aloha ʻāina,

Nanea Lo, Mōʻiliʻili, Oʻahu - 96826

SB-3289-SD-1
Submitted on: 4/3/2024 10:48:24 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Sam Peck	Individual	Oppose	Written Testimony Only

Comments:

Submitting testimony in strong opposition.

This body has killed numerous measures that would help people, such as free school meals, paid family leave, and a keiki tax credit, citing a lack of funding concerns. It is absolutley shameful and inexcusable that it now has the audacity to support a measure which would cost the state more than any of these measures, and give that money to the extremely wealthy, without helping anyone.

Please oppose this measure.

SB-3289-SD-1
Submitted on: 4/3/2024 11:12:29 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments:

SB3289 is a terrible idea that should be buried as quickly and completely as possible. It extends the estate tax marital deduction to other family members, and is essentially a giveaway to the wealthy.. 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 voiding the estate tax and undoing its purpose -- at a time when Hawaii needs every penny to cope with the aftermath of the Lahaina fire disaster.

This dangerous bill would only help the absolute wealthiest among us, effectively shifting more of the tax burden onto struggling workers, their families or the average small business. The estate tax helps prevent oligarchy from forming, a direct threat to democracy.

The bill would cost the state tens of millions of dollars per year at a time when lawmakers have been telling the public there isn't enough money for critical programs like Universal Free School Meals, the Keiki Credit or Paid Family Leave. It is a terrible, terrible idea. Kill it now.

Bruce Mirken

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

SB-3289-SD-1
Submitted on: 4/3/2024 11:29:51 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

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

Comments:

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the House Committee on Finance,

I STRONGLY OPPOSE SB3289 SD1. This piece of legislation is insulting to Hawai'i's struggling families who need housing that they can AFFORD. And here we are considering giving tax breaks to our most privileged residents at a time like this, when our state needs millions of dollars for housing?

Mahalo for your consideration.

SB-3289-SD-1
Submitted on: 4/3/2024 11:53:06 AM
Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Fatima	Individual	Oppose	Written Testimony Only

Comments:

I am testifying in STRONG opposition to SB3289. 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.

This is a highly dangerous bill that would only help the absolute wealthiest among us, while doing nothing for struggling workers, their families or the average small business. The estate tax helps prevent oligarchy from forming, a direct threat to democracy.

The bill would cost the state tens of millions of dollars per year at a time when lawmakers have been telling the public there isn't enough money for critical programs like Universal Free School Meals, the Keiki Credit or Paid Family Leave. It is unconscionable to even be considering a bill like this. I urge you to defer this bill.

SB-3289-SD-1
Submitted on: 4/3/2024 12:57:43 PM
Testimony for FIN on 4/3/2024 2:15:00 PM

Submitted By	Organization	Testifier Position	Testify
Nikos Leverenz	Individual	Oppose	Written Testimony Only

Comments:

Aloha Chair Yamashita, Vice Chair Kitagawa, and FIN Committee Members:

At a time when the state is facing a precarious budget situation due to the ever fluctuating costs of ongoing Lahaina fire recovery efforts and a prospective COVID hazard back pay settlement, it is unconscionable for the Legislature at this point to even consider, much less pass, an increased exemption from the estate tax for the top 0.2% of households.

Policymakers should instead look for avenues to generate additional revenues from those who disproportionately benefit from the lowest effective property tax rates in the nation, including an increase in the capital gains tax.

As noted in a recent report by the Institute on Taxation and Economic Policy, Hawaii households falling in the lowest 20% in Hawaii pay the third highest effective tax rates in the nation (see chart on page 41).

Mahalo for the opportunity to provide testimony.