

STAND. COM. REP. NO. 1671

Honolulu, Hawaii

APR 03 2025

RE: H.B. No. 1146  
H.D. 1  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1146, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PASS-THROUGH ENTITY TAXATION,"  
begs leave to report as follows:

The purpose and intent of this measure is to require qualified members of an electing pass-through entity to adjust their taxable income by adding back their share of taxes paid by the electing pass-through entity.

Your Committee received testimony in support of this measure from the Department of Taxation.

Your Committee received testimony in opposition to this measure from one individual.

Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that taxpayers who claim the pass-through entity tax credit receive a double benefit through the credit and the reduction to their taxable incomes because the entity is permitted to deduct the pass-through entity taxes paid on the member's behalf. Your Committee finds it appropriate to eliminate this double benefit by requiring any qualified member



claiming a pass-through entity credit to add the taxes back to the qualified member's taxable income.

Your Committee has amended this measure by amending its effective date to provide that upon its approval, the measure shall apply to taxable years beginning after December 31, 2024.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1146, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1146, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
DONOVAN M. DELA CRUZ, Chair



The Senate  
Thirty-Third Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>HB1146 HD1</b>	Committee Referral: <b>WAM</b>	Date: <b>4/1/2025</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312         </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, with amendments 2311         </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310         </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313         </div> </div>				
<b>Members</b>	<b>Aye</b>	<b>Aye (WR)</b>	<b>Nay</b>	<b>Excused</b>
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn				X
ELEFANTE, Brandon J.C.	X			
HASHIMOTO, Troy N.	X			
INOUE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris	X			
WAKAI, Glenn				X
FEVELLA, Kurt	X			
<b>TOTAL</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>2</b>
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted           <input type="checkbox"/> Not Adopted         </div>				
Chair's or Designee's Signature:				
<div style="display: flex; justify-content: space-between; font-size: small;"> <div style="text-align: center;"> <b>Distribution:</b>            Original            File with Committee Report         </div> <div style="text-align: center;">           Yellow            Clerk's Office         </div> <div style="text-align: center;">           Pink            Drafting Agency         </div> <div style="text-align: center;">           Goldenrod            Committee File Copy         </div> </div>				

\*Only one measure per Record of Votes