

STAND. COM. REP. NO.

1947

Honolulu, Hawaii

APR 04

, 2025

RE: S.B. No. 1465
S.D. 1
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Finance, to which was referred S.B. No. 1465, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to require, for taxable years beginning after December 31, 2024, any qualified member claiming a credit for pass-through entity taxation to add to the member's taxable income the member's share of taxes paid by an electing pass-through entity.

Your Committee received testimony in support of this measure from the Department of Taxation. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that taxpayers claiming the pass-through entity tax credit receive a double benefit in the form of the credit and a reduction of taxable income because the entity is permitted to deduct the pass-through entity taxes paid on the member's behalf. This measure requires any qualified member claiming a pass-through entity credit to add the taxes back to the qualified member's taxable income to eliminate the double benefit.

Your Committee has amended this measure by:


2025-2974 SB1465 HD1 HSCR HMSO



- (1) Changing its effective date to July 1, 3000, to encourage further discussion; and
- (2) Making a technical, nonsubstantive amendment for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1465, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1465, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.

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



KYLE T. YAMASHITA, Chair



