

Honolulu, Hawaii

FEB 18 2025

RE: S.B. No. 1470

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 S.B. No. 1470 entitled:

"A BILL FOR AN ACT RELATING TO INCOME TAX WITHHOLDING,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the withholding of income taxes on wages.

More specifically, this measure:

- (1) Repeals the maximum tax rate that may be considered in determining the amount of income tax that must be withheld and the requirement that a standard deduction allowance be treated as if it was denominated as a withholding exemption; and
- (2) For the purpose of income tax withholding, permits the Director of Taxation to prescribe a standard deduction allowance in an amount more or less than one whole exemption.

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

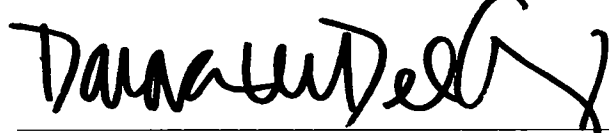
Your Committee received comments on this measure from the Tax Foundation of Hawaii.



Your Committee finds that the existing cap on the maximum tax rate to be considered in determining income tax withholding does not function for taxpayers in tax brackets with rates higher than eight per cent. Repealing the cap would allow taxpayers to more accurately estimate withholding to reflect their expected liabilities. Your Committee also finds that the requirement that a standard deduction allowance be treated as if it was denominated as a withholding exemption complicates the Department of Taxation's issuance of withholding tables in light of future changes to the standard deduction and income tax brackets under Act 46, Session Laws of Hawaii 2024. Untying the standard deduction allowance from the value of the withholding exemption would allow the Department to more effectively assist employers in their estimation of employees' withholding liabilities in the Employer's Tax Guide. Your Committee further finds that permitting the Director of Taxation to prescribe a standard deduction allowance in an amount more or less than one whole exemption would allow for more precise estimation of employees' income tax liabilities.

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 S.B. No. 1470 and recommends that it pass Second Reading 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.:* <div style="font-size: 1.2em; font-family: cursive;">SB1470</div>	Committee Referral: <div style="font-size: 1.2em; font-family: cursive;">WAM</div>	Date: <div style="font-size: 1.2em; font-family: cursive;">2-12-25</div>		
<div><input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____</div>				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"><div><input checked="" type="checkbox"/> Pass, unamended 2312</div><div><input type="checkbox"/> Pass, with amendments 2311</div><div><input type="checkbox"/> Hold 2310</div><div><input type="checkbox"/> Recommit 2313</div></div>				
Members	Aye	Aye (WR)	Nay	Excused
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			
TOTAL	13	0	0	0
Recommendation: <div style="display: flex; justify-content: space-around; align-items: center;"><div><input checked="" type="checkbox"/> Adopted</div><div><input type="checkbox"/> Not Adopted</div></div>				
Chair's or Designee's Signature: <div style="font-size: 1.5em; font-family: cursive; margin-top: 10px;">[Signature]</div>				
Distribution: <div style="display: flex; justify-content: space-between; margin-top: 5px;"><div>Original File with Committee Report</div><div>Yellow Clerk's Office</div><div>Pink Drafting Agency</div><div>Goldenrod Committee File Copy</div></div>				

***Only one measure per Record of Votes**