

Honolulu, Hawaii

MAR 01 , 2024

RE: H.B. No. 2653  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-Second State Legislature  
Regular Session of 2024  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2653 entitled:

"A BILL FOR AN ACT RELATING TO THE ESTATE TAX,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Conform Hawaii estate tax laws to the operative provisions of the Internal Revenue Code to decrease the burden on taxpayers and increase efficiencies in the Department of Taxation's monitoring and auditing of estate tax returns; and
- (2) Establish an estate tax deduction for the value of interest in a closely held business that will help ensure locally owned family businesses continue to contribute to the Hawaii economy and help families retain the ownership interest in their family businesses.

Your Committee received testimony in support of this measure from Island Insurance Companies; L&L Hawaiian Barbeque; Foodland Supermarket, Ltd.; ABC Stores; Servco Pacific, Inc; Stanford Carr Development; Loyalty Enterprises, Ltd; Finance Enterprises, Ltd.; Big Island Motors; Big Island Toyota; De Luz Chevrolet; Grassroot



Institute of Hawaii; Atlas Insurance Agency; Tradewind Group Foundation; FCH Enterprises, Inc.; ALTRES, Inc; and KTA Super Stores. Your Committee received testimony in opposition to this measure from Hawai'i Children's Action Network Speaks!; Save Medicaid Hawaii; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation; Tax Foundation of Hawaii; Business Strategies; and one individual.

Your Committee finds that Hawaii has one of the highest estate taxes in the nation due to its high tax rate and low exclusion amount, yet the comparable federal exclusion amount is more than double the Hawaii estate tax exclusion amount. This difference complicates estate planning. Your Committee finds that conforming the Hawaii estate tax exclusion amount with the federal exclusion amount would eliminate the costs to monitor and audit for those differences.

Your Committee further finds that Hawaii's family businesses are critically important to the state economy, as they typically reinvest a significant portion of their profits into valuable but illiquid business assets such as more employees, better facilities, and smarter technology. The imposition of estate taxes upon the death of the owner of a family business has sometimes resulted in the sale of the business due to a lack of liquidity to pay the taxes. This measure is intended to help family businesses retain ownership upon the death of the owner by ensuring business owners are not overly burdened by the state estate tax.

Your Committee has amended this measure by changing the effective date to July 1, 3000, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2653, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2653, H.D. 1, and be placed on the calendar for Third Reading.



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



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KYLE T. YAMASHITA, Chair



