

STAND. COM. REP. NO. 1784-24

Honolulu, Hawaii

APR 05 , 2024

RE: S.B. No. 3289
S.D. 1
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 S.B. No. 3289, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Amend the definition of "Hawaii taxable estate" to apply the marital deduction under section 2056 of the Internal Revenue Code to the passage of any interest in property to any immediate family member; and
- (2) 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.

Your Committee received testimony in support of this measure from Stanford Carr Development, LLC; Grassroot Institute of Hawaii; Business Strategies; and one individual. Your Committee received testimony in opposition to this measure from Hawai'i Children's Action Network Speaks!; Center on Budget and Policy Priorities; Hawai'i Alliance for Progressive Action; Hawai'i Appleseed Center for Law & Economic Justice; and numerous

2024-2794 SB3289 HD1 HSCR HMSO



individuals. Your Committee received comments on this measure from the Department of Taxation; L&L Hawaiian Barbecue; KTA Super Stores; ABC Stores; Foodland Supermarket, Ltd.; Cataract & Vision Center of Hawaii; Loyalty Enterprises, Ltd.; Island Insurance Companies; City Mill Company, Ltd.; JN Group; Pacific Administrators, Inc.; ALTRES, Inc.; Watumull Brothers, Ltd.; Sun Noodle; HONBLUE, Inc.; Commercial Flooring; Akita Enterprises, Ltd.; Commercial Roofing & Waterproofing Hawaii, Inc.; Honolulu Roofing & Waterproofing, Co.; Greenpath Technologies; FCH Enterprises, Inc.; Zippy's Restaurants; United Tire and Recapping; Hawai'i Automobile Dealers Association; Servco Pacific Inc.; Soderholm Bus and Mobility; Kapaa Solar LLC; Avalon Group; House of Finance; Big Island Subaru; Big Island Toyota; Easy Music Center; Ulupalakua Ranch; Maui Toyota; Tori Richard, Ltd.; Johnny Finney LLC; Carl's Jr.; Kawaihae Industrial Center; KLF Repair Services; HPM Building Supply; Business Consulting Resources; ProService Hawaii; Ground Transportation, Inc.; Goodfellow Bros. LLC; Hamai Appliance; Y. Hata & Co., Ltd.; Jade Dynasty Seafood Restaurant; Malu Investments; Big Island Candies; Kauai Vehicle Service Center; Mana Up; Kamaka 'Ukulele; Ben Franklin Crafts Hawaii; Ace Hardware Hawaii; Honolulu Disposal Service, Inc.; McCully Bicycle & Sporting Goods; Liliha Bakery; Yummy Restaurant Group; Hawaii Transportation Association; Oahu Veterinary Clinic; Finance Factors; Hee Hing Restaurant; Hawaii National Bank; MacNaughton; Tony Group Autoplex; Petland, Inc.; MW Group; Hawai'i Self Storage; The Plaza Assisted Living; Continental Assets Management; Kualoa Ranch; Rannikks Auto Specialists; Hawaii Forest & Trail; Title Guaranty of Hawaii; Meadow Gold Dairies Hawai'i; ChaneyBrooks; Aloha Beer Co.; Martin & MacArthur; Ace Auto Glass Inc.; Highway Inn; Watumull Properties Corp.; C.S. Wo & Sons, LLC; HomeWorld Furniture; Truck Shop Maui; Sae Design Group; Tax Foundation of Hawaii; and two individuals.

Your Committee finds that Hawaii is one of a minority of states that imposes a state estate tax. 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 state 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 or has required the business to divert capital to purchase life insurance, in order to pay estate taxes. This measure would expand application



of the marital deduction to additional family members who may receive an interest in property upon the passing of an owner, which would help family businesses retain ownership of their businesses, better compete against publicly held companies, and continue reinvesting in the local economy and workforce.

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 S.B. No. 3289, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3289, 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



