STAND. COM. REP. NO. (947)

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:

- (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,

TWITE M. WANAGUITMA. Ch. ...

KYLE T. YAMASHITA, Chair

State of Hawaii House of Representatives The Thirty-third Legislature

HSCR 1947

Record of Votes of the Committee on Finance

SBI465, SDI	Committee Referral:	Date	3/27/	25
The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. YAMASHITA, Kyle T. (C)				The Suffer Es
2. TAKENOUCHI, Jenna (VC)				
3. GRANDINETTI, Tina Nakada				The second second
4. HOLT, Daniel		T BAIR NUMER SPOKES TAKE TO SPOKE SPOKES BEING HAR		
5. HUSSEY, Ikaika				
6. KEOHOKAPU-LEE LOY, Sue L7. KITAGAWA, Lisa				
7. KITAGAWA, Lisa 8. KUSCH, Matthias				
9. LAMOSAO, Rachele F.				
10. LEE, Mike				
11. MIYAKE, Tyson K.				
12. MORIKAWA, Dee	AND THE PERSON OF THE PERSON O		Representation publication and account of the second	O DOMENT CHARMAN . SERVINE
13. TEMPLO, Shirley Ann			Transmiller	
14. ALCOS III, David				
15. REYES ODA, Julie				
16. WARD, Gene				
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TOTAL (16)	13	0	0	3
The recommendation is: Adopted				
Vice Chair's or designee's signature:				
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