

STAND. COM. REP. NO.

1940

Honolulu, Hawaii

APR 04 , 2025

RE: S.B. No. 1470

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. 1470 entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Repeal the existing cap on the tax rate that may be considered in determining income tax withholding and the requirement that a standard deduction allowance be treated as if it were denominated as a withholding exemption; and
- (2) Allow 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 tax rate that may be considered in determining income tax withholding does not allow taxpayers in tax brackets with rates higher than eight percent to withhold enough for their expected income tax liabilities. Your Committee also finds that with the anticipated



changes to the standard deduction and income tax brackets pursuant to Act 46, Session Laws of Hawaii 2024, the existing requirement that a standard deduction allowance be treated as if it were denominated as a withholding exemption complicates the Department of Taxation's issuance of employees' withholding tables in the Employer's Tax Guide. This measure addresses both issues, allowing certain taxpayers to more accurately estimate their withholding to reflect expected income tax liabilities and de-linking the standard deduction allowance from the value of the withholding exemption to help employers better estimate their employees' withholding liabilities. This measure additionally allows for more precise estimates of employees' income tax liabilities by allowing a standard deduction allowance in fractional exemption amounts.

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. 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 Finance,



KYLE T. YAMASHITA, Chair



