STAND. COM. REP. NO. 275-08

Honolulu, Hawaii

Fey 8, 2008

RE: H.B. No. 2456

H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fourth State Legislature Regular Session of 2008 State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 2456 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to extend certain options available to married persons under state tax laws to the parties in a reciprocal beneficiary relationship. Specifically, this bill:

- (1) Allows taxpayers who are reciprocal beneficiaries to elect to file tax returns jointly, separately for which a joint return could be made, or separately as an individual;
- (2) Excludes from gross income, adjusted gross income, and taxable income, the value of health insurance and other direct or indirect benefits provided by an employer to an employee, in excess of what the employer provides or would provide to single employees, when such benefits are provided to the employee due to his or her being married or being a reciprocal beneficiary; and
- (3) Allows an exemption to be claimed for a taxpayer's reciprocal beneficiary.

Several individuals testified in favor of this measure. The Gay and Lesbian Education and Advocacy Foundation supported this bill with amendments. PFLAG-Oahu and an individual opposed this bill. The Department of Taxation offered comments on this measure.

Your Committee acknowledges that certain tax options and benefits currently available to married couples should also be available to reciprocal beneficiaries and domestic partners. However, your Committee is aware that the state tax laws are to a great extent coupled with federal tax laws, both substantively and technically. Because federal tax law does not recognize reciprocal beneficiary or similar relationships, in the event of any decoupling of our state tax law from federal tax law, great attention needs to be given to possible unintended consequences and inconsistent terminology.

Your Committee has amended this measure by:

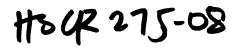
- (1) Deleting the provisions allowing taxpayers who are reciprocal beneficiaries to elect to file tax returns jointly, separately for which a joint return could be made, or separately as an individual;
- (2) Deleting the provision allowing an exemption to be claimed for a taxpayer's reciprocal beneficiary;
- (3) Clarifying the income tax exclusions by excluding from gross income, adjusted gross income, and taxable income, the value of health insurance and other direct or indirect benefits provided by an employer to an employee, in excess of what the employer provides or would provide to single employees, when such benefits are provided to the employee due to the employee's status as a reciprocal beneficiary as defined in Chapter 572C, Hawaii Revised Statutes, or a domestic partner as defined in the administrative rules of the Hawaii Employer-Union Health Benefits Trust Fund; and
- (4) Specifying that the provisions of the bill shall apply to taxable years beginning after December 31, 2008, to conform to standard provisions for the effective date of income tax measures; and
- (5) Making technical, non-substantive amendments for clarity, consistency, and style.

The measure, in its amended form addresses, only the exclusion of the excess value of health insurance benefits attributed to a taxpayer who already receives benefits that include coverage of a valid reciprocal beneficiary or domestic partner.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2456, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2456, H.D. 1, and be referred to the Committee on Finance.

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

TOMMY WATERS. Chair



State of Hawaii House of Representatives The Twenty-fourth Legislature

Record of Votes of the Committee on Judiciary

Bill/Resolution No.:	Committee Referral:		Date:	
нв 2456	JUD, FIN		1/25/08	
☐ 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)				
JUD Members	Ayes	Ayes (WR)	Nays	Excused
1. WATERS, Tommy (C)				
2. OSHIRO, Blake K. (VC)				
3. EVANS, Cindy				
4. GREEN, Josh, M.D.			asses, and a supplementary of the supplementary of	SZZESIA SUSOCA I SUSECUL AUBITUMBATUR
5. ITO, Ken				
6. LUKE, Sylvia				
7. McKELVEY, Angus L.K.				
8. MORITA, Hermina M.				
9. SONSON, Alex M. 10. SOUKI, Joseph M.		Part States and States		
11. TSUJI, Clift				
12. YAMANE, Ryan I.			elitari in tara ara da sa arin ari sak	
13. YAMASHITA, Kyle T.				
14. MARUMOTO, Barbara C.			Tropics of the Agas Palabage Costs of the	
15. PINE, Kymberly Marcos				
16. THIELEN, Cynthia	/			321.00

TOTAL (16)	14	1		l
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				