

STAND. COM. REP. NO.

1239

Honolulu, Hawaii

APR 08 2011

RE: H.B. No. 1092
H.D. 1
S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1092, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend Hawaii tax law to institute improvements and equity among taxpayers.

More specifically, this measure:

- (1) Provides for the taxation of the pension income of:
 - (A) An individual filer with federal adjusted gross income of \$100,000 or more;
 - (B) A head of household with federal adjusted gross income of \$150,000 or more; and
 - (C) A joint or surviving spouse filer with federal adjusted gross income of \$200,000 or more; and
- (2) Makes the deduction for state taxes paid inoperative for corporate taxpayers and the following individual taxpayers:
 - (A) An individual filer with federal adjusted gross income of \$75,000 or more;



- (B) A head of household with federal adjusted gross income of \$112,500 or more; and
- (C) A joint or surviving spouse filer with federal adjusted gross income of \$150,000 or more.

Your Committee received written comments in support of this measure from Kalbert K. Young, Director, Department of Budget and Finance; Frederick D. Pablo, Director, Department of Taxation; Eldon L. Wegner, Ph.D., Policy Advisory Board for Elder Affairs; and Kris Coffield, representing IMUAlliance.

Your Committee received written comments in opposition to this measure from Susan Goya, Executive Secretary, Retirees Unit, Hawaii Government Employees Association; Paul T. Matsuo, President, Oahu Chapter, Retirees Unit, Hawaii Government Employees Association; Barbara Kim Stanton, State Director, AARP Hawaii; and thirty-eight individuals.

Your Committee received comments on this measure from David M. Louie, Attorney General, Department of the Attorney General; the Tax Foundation of Hawaii; Barbara Polk, Legislative Chair, Americans for Democratic Action/Hawaii; and two individuals.

Your Committee finds that a retiree's federal adjusted gross income includes not only a retiree's pension income, but Social Security benefits as well. Your Committee further finds that it is more prudent and fair to determine the taxability of a retiree's pension income by considering the amount of the retiree's pension income alone.

Your Committee has amended this measure by:

- (1) Deleting the tiered threshold provisions, based on federal adjusted gross income, for the taxation of pension income;
- (2) Providing that taxation of pension income shall apply to pension income in excess of \$100,000;
- (3) Changing the effective date to July 1, 2117, to facilitate further discussion on the measure; and



- (4) Making technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1092, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1092, H.D. 1, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1092, HD1, SD1	JDL, WAM	4-7-11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	/			
KIDANI, Michelle N. (VC)		/		
CHUN OAKLAND, Suzanne			/	
DELA CRUZ, Donovan M.		/		
ENGLISH, J. Kalani		/		
ESPERO, Will		/		
FUKUNAGA, Carol		/		
KIM, Donna Mercado			/	
KAHELE, Gilbert	/			
KOUCHI, Ronald D.		/		
RYAN, Pohai			/	
TOKUDA, Jill N.		/		
WAKAI, Glenn		/		
SLOM, Sam			/	
TOTAL	2	8	4	
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Michelle N. Kidani</i>				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes