STAND. COM. REP. NO. Honolulu, Hawaii , 2013 H.B. No. 430 RE:

H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Seventh State Legislature Regular Session of 2013 State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 430 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to except charitable deductions taken under Section 170 of the Internal Revenue Code from the temporary limit on the amount of itemized deductions claimable by certain taxpayers.

The University of Hawaii Foundation; The Chamber of Commerce of Hawaii; the Hawaii Alliance of Nonprofit Organizations; Aloha United Way; the Hawaii Substance Abuse Coalition; Goodwill Industries of Hawaii, Inc.; Catholic Charities Hawaii; YMCA of Honolulu; Hawaiian Humane Society; Hawaii Arts Alliance; Conservation Council for Hawaii; Boys & Girls Club of Hawaii; Maui Economic Development Board; Child & Family Service; Friends of the Library of Hawaii; The Nature Conservancy; Hawaii Catholic Conference; Hawaii Family Forum; The Salvation Army, Hawaiian & Pacific Islands Division; Hawaii Association of Independent Schools; Partners in Development Foundation; and ten private individuals testified in support of this measure.

The Office of the Governor; Department of Taxation; Tax Foundation of Hawaii; American Heart Association; and a private individual submitted comments on the measure.



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Act 97, Session Laws of Hawaii 2011, established temporary cap amounts on itemized deductions for state income tax purposes. Your Committee finds that the limitation on itemized deductions has resulted in a disincentive for taxpayers to contribute to charitable organizations. This disincentive has caused a significant reduction in funding for charitable organizations throughout the State.

Your Committee notes that House Bill No. 860 also addresses the issue of restoring the incentive for taxpayers to make contributions to charitable organizations, by exempting charitable contributions from the cap amounts on itemized deductions. Your Committee finds that this latter approach would more effectively accomplish the goal of this measure.

Your Committee has amended this measure by:

HB430 HD1 HSCR LRB 13-1328.doc

- Replacing its substantive contents with the contents of House Bill No. 860; and
- (2) Changing the effective date to July 1, 2030, to facilitate further discussion on the measure.

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 H.B. No. 430, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 430, H.D. 1, and be placed on the calendar for Third Reading.

> Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LÜKE, Chair

State of Hawaii House of Representatives The Twenty-seventh Legislature



Record of Votes of the Committee on Finance

Bill/Resolution No.: HB 430	Committee Referral: モエ N			Date: 2/13/13		
□ The committee is reconsidering its previous decision on the measure.						
The recommendation is to:						
Pass short form bill with HD to recommit for future public hearing (recommit)						
FIN Members		Ayes	Ayes (WR	0	Nays	Excused
1. LUKE, Sylvia (C)						
2. NISHIMOTO, Scott Y. (VC)		/				
3. JOHANSON, Aaron Ling (VC)						
4. CULLEN, Ty J.K.						
5. HASHEM, Mark J.						
6. ING, Kaniela						
7. JORDAN, Jo						
8. KOBAYASHI, Bertrand						
9. LOWEN, Nicole E.		\sim				
10. MORIKAWA, Dee						
11. ONISHI, Richard H.K.						
12. TAKAYAMA, Gregg			-			
13. TOKIOKA, James Kunane					ĺ	
14. WOODSON, Justin H.		\sim				
15. YAMASHITA, Kyle T.		/				
16. FUKUMOTO, Beth						
17. WARD, Gene						
TOTAL (17)		15				2
The recommendation is: Adopted If joint referral, did not support recommendation.						
Vice Chair's or designee's signature						
Distribution: Original (White) Committee Duplicate (Yellow) Chief Clerk's Office Duplicate (Pink) HMSO						