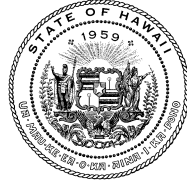


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DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: March 23, 2016

Time: 9:15 A.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 2218, H.D. 1, Relating to Amending or Repealing Hawaii Income Tax Laws
for the Purpose of Deleting Obsolete or Unnecessary Provisions.

The Department of Taxation (Department) appreciates the intent of H.B. 2218, H.D. 1,
and offers the following comments for your consideration.

H.B. 2218, H.D. 1, amends section 235-2.3(a), Hawaii Revised Statutes (HRS), to delete references to sections 235-2, 235-2.1, and 235-2.2, HRS, and replaces the references by referring to prior law. The bill amends subsections 1 and 2 of section 235-2.3(a), HRS, to remove the references to sections 235-2, 235-2.1, and 235-2.2, HRS, and the reference to the date January 1, 1978. These references are replaced with a reference to any situation to which prior law applies. The bill also repeals sections 235-2, 235-2.1, and 235-2.2, HRS. This measure has a defective effective date of July 1, 2030.

The Department notes that the sections this bill would repeal, applies only to tax years beginning before January 1, 1978 and agrees that these sections may be repealed. The Department additionally notes that since the sections are not repealed retroactively these amendments will not affect taxpayers who may have outstanding obligations or determinations from those tax years. The Department finally notes that amendments to section 235-2.3(a), HRS, are technical and only reflect the repeal of section 235-2, 235-2.1, and 235-2.2, HRS.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Repeal Obsolete and Unnecessary Provisions

BILL NUMBER: HB 2218, HD-1

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Repeals HRS sections 235-2, 235-2.1, and 235-2.2, which applied prior to January 1, 1978, but are no longer needed.

BRIEF SUMMARY: Repeals HRS sections 235-2, 235-2.1, and 235-2.2, which applied prior to January 1, 1978.

Makes conforming amendments to HRS section 235-2.3.

EFFECTIVE DATE: July 1, 2030.

STAFF COMMENTS: Prior to January 1, 1978, conformance to the federal Internal Revenue Code was accomplished by enumerating the federal acts in tables. Those tables got to be pretty long over time, and now take up 16 pages of the Hawaii Revised Statutes. In 1978, the present conformity system, which no longer required use of those tables, was adopted; but, because prior law is used to determine tax liability in those prior years as well as some long-lasting tax attributes such as basis, it was thought to keep the tables around for a while.

It's now been 38 years. It's okay to trash the tables! If people really need to figure out the law prior to 1978, they can consult prior versions of the Hawaii Revised Statutes or the Hawaii Session Laws.

Digested 3/17/2016