STAND. COM. REP. NO. 204

Honolulu, Hawaii

FFR 12 , 2021

RE: H.B. No. 1314

H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-First State Legislature Regular Session of 2021 State of Hawaii

## Sir:

Your Committee on Economic Development, to which was referred H.B. No. 1314 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Authorize each county to levy a county surcharge on transient accommodations tax if the county satisfies certain real property tax requirements;
- (2) Repeal the allocation of transient accommodations tax revenue to the counties and make conforming amendments;
- (3) Establish a Residential Property Owner Tax Credit and a Residential Circuit Breaker Tax Credit; and
- (4) Beginning with taxable years after December 31, 2021, gradually implement new individual income tax and corporation income tax brackets and rates in three-year intervals.

Your Committee received testimony in opposition to this measure from the Mayor of the County of Maui, Mayor of the County of Kaua'i, Kohala Coast Resort Association, Maui Chamber of

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Commerce, and one individual. Your Committee received comments on this measure from the Department of Taxation, Department of Budget and Finance, and Tax Foundation of Hawaii.

Your Committee finds that the current property tax structure caters to non-residents and burdens local residents, which places a financial burden on local residents who own real property and use it as their principal residence, particularly the senior population and first-time home buyers. By restructuring the transient accommodations tax and eliminating income tax for Hawaii residents over time, this measure would help lessen the financial burden of the State and its residents, improve the cost of living, and increase the housing supply for residents.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 2050, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1314, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1314, H.D. 1, and be referred to your Committee on Judiciary & Hawaiian Affairs.

Respectfully submitted on behalf of the members of the Committee on Economic Development,

SEAN QUINLAN, Chair

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## **Record of Votes of the Committee on Economic Development**

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HB 1314 ECT	<del></del>	TIN	611012	<u> </u>
θ The committee is reconsidering its previous decision	on on the measure.			
The recommendation is to: θ Pass, unamended (as is) θ Pass, with amendments (HD) θ Hold θ Pass short form bill with HD to recommit for future public hearing (recommit)				
ECD Members	Ayes	Ayes (WR)	Nays	Excused
1. QUINLAN, Sean (C)				
2. HOLT, Daniel (VC)				
3. BELATTI, Della Au	<u> </u>			
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4. KOBAYASHI, Dale T.				
5. ONISHI, Richard H.K.				
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7. TAKAYAMA, Gregg	J			
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