

Honolulu, Hawaii

APR 28 2023

RE: S.B. No. 1437
S.D. 1
H.D. 2
C.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 1437, S.D. 1, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO PASS-THROUGH ENTITY TAXATION,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to authorize certain pass-through entities to elect to pay Hawaii income tax at the entity level.

Your Committee on Conference finds that the federal Tax Cuts and Jobs Act of 2017 capped the state and local tax deduction for individuals at \$10,000 for the 2018-2025 taxable years, which deprived individual taxpayers of significant federal tax benefits. Your Committee on Conference also finds that, in response, several states have enacted laws to authorize certain pass-through entities to elect to pay state income tax at the entity level, thus bypassing the \$10,000 cap amount. Your Committee on Conference believes that



this measure will help Hawaii's small businesses by allowing taxpayers to deduct Hawaii state income taxes paid on their federal income tax returns.

Your Committee on Conference has amended this measure by changing the effective date to January 1, 2024, and specifying that the measure shall apply to taxable years beginning after December 31, 2022.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 1437, S.D. 1, H.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 1437, S.D. 1, H.D. 2, C.D. 1.

Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE



DANIEL HOLT
Co-Chair



GILBERT S.C. KEITH-AGARAN
Chair




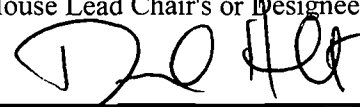
KYLE T. YAMASHITA
Co-Chair



Hawai'i State Legislature

CCR 88

Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: SB 1437, SD 1, HD 2					Date/Time: 4/28/23 4:09 PM				
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).									
<input type="checkbox"/> The Committee is reconsidering its previous decision.									
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.				
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
KEITH-AGARAN, Gilbert S.C., Chr.	X				HOLT, Daniel, Co-Chr.	X			
KANUHA, Dru Mamo				X	YAMASHITA, Kyle T., Co-Chr.	X			
FEVELLA, Kurt	X				LAMOSAO, Rachele F.	X			
					PIERICK, Elijah	X			
TOTAL	2			1	TOTAL	4			
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused		
Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Senate Lead Chair's or Designee's Signature: 					House Lead Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Conference Committee Report House Clerk's Office Senate Clerk's Office Drafting Agency									