

STAND. COM. REP. NO. 71

Honolulu, Hawaii

FEB 07 2023

RE: S.B. No. 925
S.D. 1

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

Sir:

Your Committee on Judiciary, to which was referred S.B. No. 925 entitled:

"A BILL FOR AN ACT RELATING TO A WEALTH ASSET TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a wealth asset tax of one percent of the state net worth of each individual taxpayer who holds \$20,000,000 or more in assets in the State.

Your Committee received testimony in support of this measure from Americans for Democratic Action Hawai'i and four individuals. Your Committee received testimony in opposition to this measure from two individuals. Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, Grassroot Institute of Hawaii, and Tax Foundation of Hawaii.

Your Committee finds that extremely wealthy individuals whose state assets exceed \$20,000,000 possibly are not contributing their fair share of taxes. This category includes numerous wealthy non-residents who hold assets in Hawaii, which increases real property values and places financial burdens on the residents of Hawaii. Increasing taxes on individuals with many millions of dollars in assets will generate more revenue for the benefit of the State's economy. This measure will ensure that individuals



with \$20,000,000 or more in assets in the State pay their equitable share of taxes.

Your Committee has amended this measure by:

- (1) Specifying that the Department of Taxation shall submit proposed legislation recommending certain provisions for the proper implementation and administration of a wealth asset tax to the Legislature no later than forty days prior to the convening of the regular session of 2024;
- (2) Incorporating the severability clause proposed by the Department of the Attorney General; and
- (3) Inserting an effective date of July 1, 2050; provided that the Act shall apply to taxable years beginning after December 31, 2025, to encourage further discussion.

Your Committee notes how extreme wealth inequity has become and the negative effects on economic growth it has in places where Gini coefficients or other indicators that measure inequality have been determined.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 925, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 925, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,



KARL RHOADS, Chair



