## STAND. COM. REP. NO.

Honolulu, Hawaii , 2023 MAR 03

RE: H.B. No. 1362 H.D. 2

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

Sir:

Your Committee on Finance, to which was referred H.B. No. 1362, H.D. 1, entitled:

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

begs leave to report as follows:

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

Your Committee received testimony in support of this measure from Pas de Deux Hawaii, General Contractors Association of Hawaii, Activities & Attractions Association of Hawaii, Maui Paradise Properties, Maui Chamber of Commerce, and three individuals. Your Committee received comments on this measure from the Department of Taxation; Maui Brewing Co.; Pacific Rim Land, Inc.; Tax Foundation of Hawaii; and Grassroot Institute of Hawaii.

Your Committee has amended this measure by:

(1) Clarifying that an election of a partnership or S corporation to be taxed as an electing pass-through entity in a tax year shall be irrevocable for that tax year and shall be binding on all partners, shareholders, and members of the electing pass-through entity;



STAND. COM. REP. NO. 1180 Page 2

- (2) Specifying that distributive shares and guaranteed payments of members who are corporations are not included in determining the tax imposed on an electing pass-through entity under this measure; and
- (3) 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 Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1362, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1362, H.D. 2.

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

KYLE T. YAMASHITA, Chair



## State of Hawaii House of Representatives The Thirty-second Legislature

**Record of Votes of the Committee on Finance** 

Bill/Resolution No.: HB 1362 HDI		ee Referral: P, FIN	Dat	3/1/23	3
The committee is reconsid					
The recommendation is to:					
FIN Members		Ayes	Ayes (WR)	Nays	Excused
1. YAMASHITA, Kyle	T. (C)	- V			
2. KITAGAWA, Lisa (V	/C)	V			
3. AIU, Micah P.K.		V			
4. CHUN, Cory M.					
5. COCHRAN, Elle					
6. GARRETT, Andrew	Takuya	V			
7. KAHALOA, Kirstin		$\sim$			
8. KILA, Darius K.		$\checkmark$			
9. KOBAYASHI, Bertra	and	$\checkmark$			
10. LAMOSAO, Rachele	<b>F.</b>	$\checkmark$			
11. MORIKAWA, Dee		V		所且在教师	
12. NISHIMOTO, Scott Y	Υ.	$\checkmark$		_	
13. POEPOE, Mahina		$\checkmark$			
14. TAKENOUCHI, Jenr	na	$\checkmark$			
15. ALCOS III, David					$\checkmark$
16. WARD, Gene		$\checkmark$			
	-				
	······				
					· · ·
TOTAL (16)		15	D	0	. 1
The recommendation is:	Adopted If joint referral,	Not Adopted did not support recommendation.			
Vice Chair's or designee's sig	nature:MAh	1st ngnv	n		
Distribution: Original (Whit	e) – Committee Du	plicate (Yellow) –	Chief Clerk's Office	Duplicate (P	ink) – HMSO