

STAND. COM. REP. NO.

999

Honolulu, Hawaii

**FEB 28**, 2025

RE: H.B. No. 1146  
H.D. 1

Honorable Nadine K. Nakamura  
Speaker, House of Representatives  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Madame:

Your Committee on Finance, to which was referred H.B. No. 1146 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 require all qualified members claiming a credit for pass-through entity taxation to adjust their income to include the qualified member's share of taxes paid by an electing pass-through entity, for taxable years beginning after December 31, 2024.

Your Committee received testimony in support of this measure from the Department of Taxation. Your Committee received comments on this measure from Tax Foundation of Hawaii.

Your Committee finds that taxpayers claiming the pass-through entity tax credit receive a double benefit in the form of the credit and a reduction to their taxable income because the entity is permitted to deduct the pass-through entity taxes paid on the member's behalf. This measure requires any qualified member claiming a pass-through entity credit to add the taxes back to the qualified member's taxable income to eliminate the double benefit that currently exists.

Your Committee has amended this measure by:

2025-1975 HB1146 HD1 HSCR HMSO



- (1) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (2) Making a technical, nonsubstantive amendment 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. 1146, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1146, H.D. 1, and be placed on the calendar for Third Reading.

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



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KYLE T. YAMASHITA, Chair



