

A Bill for an Act Relating to Taxation.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Purpose. The State, in its efforts to conform the State Income Tax Law with the Internal Revenue Code, adopted Public Law 94-455, section 2005(a), with respect to carryover basis of inherited property for taxable years beginning after December 31, 1976. The provisions of Public Law 95-600 suspending the carryover provisions to December 31, 1979, were also made operative for State purposes. Due to taxpayer protest on these changes, H.R. 3919, "An Act to Impose a Windfall Profit Tax on Domestic Crude Oil" concerning repeal of the carryover basis of inherited property, may be enacted in 1980.

The purpose of this Act is to adopt the provisions of H.R. 3919 or such similar law concerning the carryover basis of inherited property for income tax purposes.

SECTION 2. Adoption. (a) If the provisions of H.R. 3919, "An Act to Impose a Windfall Profit Tax on Domestic Crude Oil", concerning the carryover basis of inherited property for income tax purposes, or similar law concerning such carryover basis, are enacted by Congress during the calendar year 1980, then the provisions of

H.R. 3919 or such similar law concerning the carryover basis of inherited property for income tax purposes and, in particular, provisions:

- (1) Repealing Public Law 94-455, section 2005(a) (with respect to carryover basis of inherited property for taxable years beginning after December 31, 1976) adopted in section 235-2.2, Hawaii Revised Statutes, and repealing Public Law 95-600, section 702 (with respect to technical, clerical, and conforming amendments to estate and gift tax provisions) made operative by section 235-2.3, Hawaii Revised Statutes;
- (2) Reviving prior law;
- (3) Making conforming changes to:
 - (A) Section 1016(c) (with respect to increase in basis in the case of certain involuntary conversions) of the Internal Revenue Code of 1954, as amended; and
 - (B) Section 1040 (with respect to use of farm, etc., real property to satisfy pecuniary bequest) of the Internal Revenue Code of 1954, as amended;
- (4) Election of carryover basis rules by certain estates; and
- (5) Effective date;

are adopted and made operative for the State of Hawaii on the date of such enactment by Congress.

Any law enacted by Congress substituting a carryover basis substantially different from that in existence prior to January 1, 1977 shall not be adopted or made operative by this section.

(b) If H.R. 3919 or similar law referred to in subsection (a) of this section is enacted by Congress during the calendar year 1980, the department of taxation shall submit appropriate amendments to chapter 235, Hawaii Revised Statutes, as part of the bill required to be submitted to the 1981 regular session of the legislature by section 235-2.3(o), Hawaii Revised Statutes.

SECTION 3. Effective date. This Act shall take effect upon its approval.

(Approved May 28, 1980.)