

STAND. COM. REP. NO. **2305**

Honolulu, Hawaii

FEB 03 2020

RE: S.B. No. 2058
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2058 entitled:

"A BILL FOR AN ACT RELATING TO THE CORPORATE DIVIDENDS RECEIVED DEDUCTION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the state income tax law to remove unconstitutional limitations on the dividends received deduction.

Your Committee received testimony in support of this measure from the Department of Taxation.

Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that section 235-7, Hawaii Revised Statutes, provides an income tax deduction for dividends received by a taxpayer from certain types of corporations. However, as recognized by the Department of Taxation in Department of Taxation Announcement 98-5 and Tax Information Release 99-2, section 235-7, Hawaii Revised Statutes, unconstitutionally limits the deduction based on whether the dividend is received from a Hawaii corporation or whether it is received from a foreign corporation.



Your Committee further finds that this measure repeals the unconstitutional provisions of section 235-7, Hawaii Revised Statutes. Your Committee notes that these amendments reflect current departmental policies regarding the administration of the dividends received deduction.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (2) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2058, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2058, S.D. 1, and be placed on the calendar for Third Reading.

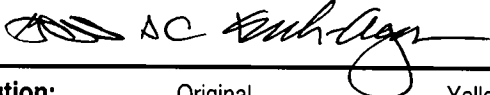
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* <i>SB 2058</i>	Committee Referral: <i>WAM</i>	Date: <i>7/29/20</i> <i>CS</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani				X
HARIMOTO, Breene	X			
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.				X
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.	X			
TANIGUCHI, Brian T.				X
FEVELLA, Kurt	X			
TOTAL	<i>10</i>			<i>3</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes