

STAND. COM. REP. NO.

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Honolulu, Hawaii

MAR 05 , 2021

RE: H.B. No. 1314
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B.
No. 1314, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Authorize each county to levy a county surcharge on transient accommodations tax if the county satisfies certain real property tax requirements;
- (2) Repeal the allocation of transient accommodations tax revenue to the counties and make conforming amendments;
- (3) Establish a Residential Property Owner Tax Credit and a Residential Circuit Breaker Tax Credit; and
- (4) Beginning with taxable years after December 31, 2021, gradually implement new individual income tax and corporation income tax brackets and rates in intervals.

Your Committee received testimony in opposition to this measure from the Department of Budget and Fiscal Services of the City and County of Honolulu, Department of Finance of the County of Kauai, one member of the Maui County Council, Hawai'i Budget &



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Policy Center, Progressive Democrats of Hawaii, Maui Chamber of Commerce, Hawai'i Association of REALTORS, Americans for Democratic Action, Kohala Coast Resort Association, Napili Kai Beach Resort, and numerous individuals. Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, Hawai'i Children's Action Network Speaks!, and Tax Foundation of Hawaii.

Your Committee has amended this measure by:

- (1) Setting the increases in real property tax rates that can be adopted via a county ordinance at twenty percent, rather than specific dollar amounts;
- (2) Requiring each county to remit to the Director of Finance the amounts received pursuant to any county increases in real property tax rates and allocating an unspecified dollar amount of the amounts received to each county;
- (3) Clarifying that any county surcharge on transient accommodations tax shall be levied no later than the first calendar day of the seventh month after adopting an ordinance to increase real property tax rates;
- (4) Beginning January 1, 2031, requiring certain taxpayers who reside in a county that established a surcharge on transient accommodations tax to file an individual information return;
- (5) Establishing a Landlord Low-Income Tenant Tax Credit for certain taxpayers who reside in a county that established a surcharge on transient accommodations tax;
- (6) Renaming the Residential Property Owner Tax Credit the Real Property Tax Credit;
- (7) Clarifying that a qualified taxpayer for purposes of the Residential Circuit Breaker Tax Credit and Real Property Tax Credit is a person who is subject to the state income tax and resides in a county that established a surcharge on transient accommodations tax;

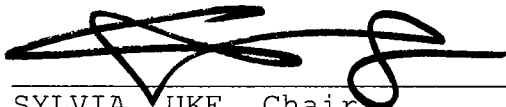


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- (8) Deleting the definition of "resident" for purposes of the Residential Circuit Breaker Tax Credit and Real Property Tax Credit;
- (9) Setting the Real Property Tax Credit amount at fifty percent of the real property tax owed and paid by a qualified taxpayer;
- (10) Implementing new income tax brackets and rates for taxpayers who reside in a county that established a surcharge on transient accommodations tax;
- (11) Clarifying that the new corporation income tax rates apply to a corporation or regulated investment company that is located in a county that established a surcharge on transient accommodations tax;
- (12) Deleting language that would have set the corporation income tax to \$0 after December 31, 2030;
- (13) Updating the preamble to reflect the amended purpose; and
- (14) 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. 1314, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1314, H.D. 2.

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



SYLVIA LUKE, Chair



State of Hawaii
House of Representatives
The Thirty-first Legislature

HSCR 960

Record of Votes of the Committee on Finance

Bill/Resolution No.: HB 1314, HD1	Committee Referral: ECD, JHA, FIN	Date: 3-2-2021		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)	✓			
2. CULLEN, Ty J.K. (VC)	✓			
3. BRANCO, Patrick Pihana	✓			
4. ELI, Stacelynn K.M.	✓			
5. HOLT, Daniel	✓			
6. ILAGAN, Greggor	✓			
7. KOBAYASHI, Bertrand			✓	
8. MARTEN, Lisa		✓		
9. NISHIMOTO, Scott Y.	✓			
10. PERRUSO, Amy A.		✓		
11. SAYAMA, Jackson D.	✓			
12. TAM, Adrian K.		✓		
13. WILDBERGER, Tina		✓		
14. YAMASHITA, Kyle T.	✓			
15. McDERMOTT, Bob				✓
TOTAL (15)	9	4	1	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				