

Honolulu, Hawaii

MAR 05 2021

RE: S.B. No. 56
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 56 entitled:

"A BILL FOR AN ACT RELATING TO REVENUE GENERATION,"

begs leave to report as follows:

The purpose and intent of this measure is to preserve essential government services and prevent employment reductions, by generating revenue for the State.

More specifically, the measure:

- (1) Increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners;
- (2) Increases the tax on capital gains;
- (3) Increases the corporate income tax and establishes a single corporate income tax rate;
- (4) Suspends the application of certain general excise tax and use tax exemptions; and
- (5) Increases conveyance taxes for the sale of properties valued at \$1,000,000 or greater.



Your Committee received testimony in support of this measure from Hawaii Budget & Policy Center, Hawaii Health & Harm Reduction Center, Americans for Democratic Action, Hawaii State Teachers Association, Our Revolution Hawaii, Democratic Party of Hawaii Education Caucus, Imua Alliance, Hawaii Children's Action Network Speaks!, PHOCUSED, Partners In Care, Puakalehua Early Learning Consortium, HOPE, Domestic Violence Action Center, St. Elizabeth's Episcopal Church, Planned Parenthood Votes Northwest and Hawaii, League of Women Voters Hawaii, Hawaii Workers Center, and numerous individuals.

Your Committee received testimony in opposition to this measure from PAMCA, Hawaii Association of REALTORS, General Contractors Association of Hawaii, Hawaii Food Industry Association, Subcontractors Association of Hawaii, Chamber of Commerce Hawaii, NAIOP, Hawaiian Airlines, and seven individuals.

Your Committee received comments on this measure from the Department of the Attorney General, Department of Taxation, Tax Foundation of Hawaii, Electrical Contractors Association, Grassroot Institute of Hawaii, and one individual.

Your Committee finds that the coronavirus disease 2019 (COVID-19) pandemic disrupted the local economy, resulting in a budget shortfall that was estimated to exceed two billion dollars as of December 2020. Your Committee further finds that it is necessary to generate revenue to allow the State to meet its strategic goals, avoid furloughs and layoffs for state workers, and prevent disruptions to essential government services.

Your Committee has amended this measure by:

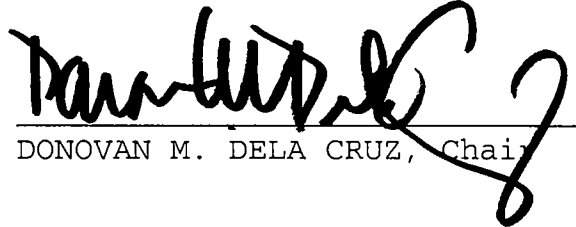
- (1) Replacing the income tax rates in the measure with the income tax rates proposed by Senate Bill 276;
- (2) Deleting the suspension of certain excise tax exemptions relating to contractors and aircraft;
- (3) Deleting the suspension of certain use tax exemptions relating to aircraft and transportation;



- (4) Maintaining the existing statutory conveyance tax rates for any real property with a value of less than \$4,000,000;
- (5) Increasing the conveyance tax rates for real properties with a value of at least \$6,000,000, but less than \$10,000,000 by a factor of three; and
- (6) Increasing the conveyance tax rates for real properties with a value of at least \$10,000,000 by a factor of four.

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. 56, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 56, S.D. 1, and be placed on the calendar for Third Reading.

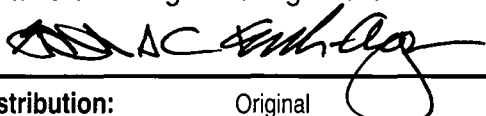
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
SB 56	WAM	3/4/21
<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	
INOUYE, Lorraine R.	X	
KANUHA, Dru Mamo	X	
KIDANI, Michelle N.	X	
MORIWAKI, Sharon Y.	X	
SHIMABUKURO, Maile S.L.	X	
TANIGUCHI, Brian T.	X	
WAKAI, Glenn	X	
FEVELLA, Kurt	X	
TOTAL	11	
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