

# TAX FOUNDATION OF HAWAII

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## 2008 Tax Acts

### 2008 Administrative Proposals

Dept/No.	Description	Senate	House
TAX-06	<p><b>INCOME</b> - Annual conformity measure. Increases IRC Section 179 expensing through 2010 and increases Section 179's dollar amount from \$100,000 to \$125,000 for tax years beginning after 2006. It also increases the Section 179 investment limitation from \$400,000 to \$500,000 for tax years beginning after 2006. Provides that IRC section 1400N (c), with respect to the low-income housing credit, shall not be operative for Hawaii income tax purposes. The retroactive and prospective effective dates relating to the Internal Revenue Code and enacted during 2007 shall be operative for HRS chapter 235. Other provisions adopted for state income tax purposes include: (1) the forgiveness of debt which occurs when a lender forgoes repayment of principal and/or interest the borrower owes; (2) extend a one-year deduction of mortgage insurance premiums that was effective in 2007 for three more years, until 2010, on loans that were originated after 12/31/06, and before 1/1/11, provided the full deduction is available only to taxpayers whose adjusted gross income is less than \$100,000; (3) allow a surviving spouse to claim the \$500,000 home sale gain exclusion if the home is sold within two years after the date of the spouse's death; (4) a clarification of the deduction limits for S corporation shareholders where the S corporation contributes appreciated property; (5) a correction of an error in present law for determining the foreign earned income exclusion in the case where a taxpayer has net capital gains in excess of taxable income; (6) expand the preparer penalties to apply to all types of returns, and not just to income tax returns; and (7) if a claim for a refund or credit is made for an excessive amount, an accuracy-related penalty of 20% of the excessive amount is assessed on the person making the claim.</p>		<p>3191, SD-2</p> <p><b>ACT 93</b> <b>5/22/08</b></p>

### Legislative Tax Proposals

TAX	Bill No.	Description	Status
ADMIN.	HB 1412, CD-1	<p>Establishes an integrated tax services and management special fund into which shall be deposited tax revenues provided by HRS chapters 235, 237, and 238. Moneys in the fund may be used to pay for integrated tax services and management systems performance-based contracts as well as administrative and operating expenses of the management systems. A sum of the receipts necessary to meet the obligations of the integrated tax information management systems performance-based contract may be retained and deposited to the credit of this special fund and the amount shall be limited to the amounts appropriated by the legislature for this project. Requires the department of taxation to execute the performance-based contracts and work assignments authorized in a timely manner provided the integrated tax services and management systems enhancements and services authorized by this measure shall be executed by 10/1/08. The department of taxation shall utilize performance-based contracts to enhance and/or acquire automated tax systems including computer hardware and software to assist in the administration of the tax laws including the city and county of Honolulu surcharge and the streamlined sales tax project.</p> <p>Allows the department of taxation to require, by rule, that taxpayers required to file their taxes with the Internal Revenue Service electronically shall be required to file their state taxes electronically.</p> <p>Appropriates \$2.9 million in general fund revenues to be deposited into the integrated tax services and management special fund in fiscal 2009. Appropriates \$2.9 million out of the integrated tax services special fund in fiscal 2009 to assist the department in upgrading its operation and workforce. Requires the department of taxation to repay the general fund for the appropriation to the integrated tax services special fund no later than 6/30/09. This measure takes effect on 6/29/08.</p>	<b>VETOED</b>

<b>TAX</b>	<b>Bill No.</b>	<b>Description</b>	<b>Status</b>
<b>INCOME</b>	SB 644, CD-1	Provides that after 1/1/10 no building permit shall be issued for a single-family dwelling that does not include a solar water heater system. The income tax credit for solar thermal energy systems shall only be available to single-family residential properties for which a building permit was issued prior to 1/1/10. Also provides that the renewable energy technologies tax credit may not be claimed by residential home developers for systems placed in service in 2009.	<b>ACT 204 6/26/08</b>
	SB 2153, HD-1	Establishes a general tax refund credit of \$1 to satisfy the constitutional mandate requiring the refund of excess revenues to taxpayers	<b>ACT 58 5/1/08</b>
	SB 2198, CD-2	Establishes a land conservation incentives tax credit to a taxpayer who: (1) donates land or completes a bargain sale if such transaction represents a less than fee interest and qualifies as a donation under IRC section 170(h); or (2) voluntarily invests in the management of land to protect or enhance a conservation or preservation purpose under a land protection, conservation, or management agreement. The amount of the nonrefundable tax credit shall be 50% of the fair market value of the land that the eligible taxpayer donates in perpetuity on or after 12/31/07 for a conservation or preservation purpose to the state or public or private conservation agency; or 50% of the amount invested in the management of land; up to a maximum of \$1 million in the aggregate for all qualified taxpayers for all years. Limits the credit to \$1 million per donation regardless of the value or interest in the land. Permits the taxpayer eligible for the credit to petition the land use commission for designation of the agricultural lands as important agricultural lands. The credit shall take effect on 7/1/08; applicable to tax years beginning after 12/31/07 and is repealed on 12/31/13.	<b>VETOED</b>
	SB 2646, CD-1	Allows taxpayers to claim a refundable important agricultural land qualified agricultural cost tax credit beginning after the taxable year during which the tax credit under HRS section 235-110.46 (Ko'Olina) is repealed, exhausted, or expired. Provides that the qualified agricultural costs incurred by an agricultural business during the taxable year shall qualify for the credit provided that the credit amount shall be reduced by the amount of funds received by an agricultural business from the irrigation, repair and maintenance special fund. The credit shall be 25% of the qualified agricultural costs made up to a maximum of \$625,000; 15% in the following year up to a maximum of \$250,000; 10% in the third year up to a maximum of \$125,000 for each year. No other income tax credit may be claimed for agricultural costs for which a credit is claimed under this section. Limits the total amount of credits that may be issued to \$7.5 million per year in the aggregate for all taxpayers. The department of agriculture, together with the department of land and natural resources, are to collaborate in identifying public lands that should be designated important agricultural lands. Requires the department of taxation, in consultation with the department of agriculture, to submit an annual report regarding the quantitative and qualitative assessment of the impact of the tax credit beginning with the 2010 legislative session. Appropriates \$50,000 in general funds for fiscal 2009 for the department of agriculture to administer the tax credit.	<b>ACT 233 7/8/08</b>
	SB 2838, CD-1	Permits taxpayers who file their income tax returns electronically to have their income tax refunds deposited into up to three checking or savings accounts at a financial institution provided an electronic refund request has been made at the federal level. Also requires the director of taxation to assist taxpayers in the preparation of tax filings with the qualification of and annual visitation to specific low-income communities to be at the discretion of the director.	<b>ACT 202 6/24/08</b>
	HB 661, CD-1	Increases the income tax check off for campaign contributions from \$2 to \$3 for individual taxpayers and from \$4 to \$6 for joint taxpayers	<b>ACT 244 7/8/08</b>
<b>GENERAL EXCISE</b>	HB 1755, SD-1	Provides that dealers furnishing goods or services to the purchaser of tangible personal property to fulfill a warranty obligation of the manufacturer of the property shall be subject to the rate of 0.5%	<b>ACT 89 5/21/08</b>
<b>FUEL</b>	SB 2816, HD-2	Provides that the fuel tax shall not be imposed on the sale of liquid fuel used by an intra-county ferry service that serves a county with a population of less than 500,000 residents and includes at least three islands inhabited by permanent residents	<b>ACT 57 5/1/08</b>

<b>TAX</b>	<b>Bill No.</b>	<b>Description</b>	<b>Status</b>
	HB 2505, CD-1	Establishes an energy security special fund to support the energy programs of the department of business, economic development and tourism, including the funding of the renewable energy facilitator position of the department. The moneys in the environmental response revolving fund may be deposited into the energy security special fund. Transfers \$112,000 out of the environmental response revolving fund to the energy security special fund for fiscal 2009 to fund the full-time position of temporary renewable energy facilitator.	<b>ACT 208 7/1/08</b>
<b>TOBACCO</b>	HB 2164, SD-1	Provides that tobacco tax moneys paid into the Hawaii Cancer Research Special Fund shall also be used for capital expenditures	<b>ACT 84 5/20/08</b>
<b>MOTOR VEHICLE</b>	HB 2605, SD-1	Provides that one noncommercial motor vehicle owned by members of the national guard, reserves, active duty armed services, including the coast guard, who are residents of Hawaii, shall be exempt from motor vehicle weight taxes	<b>ACT 141 6/5/08</b>
<b>MISC.</b>	SB 2365, CD-1	Allows the department of transportation to establish, levy, assess, and collect a rental motor vehicle customer facility charge which shall be used for the designing, planning, and construction of rental motor vehicle facilities statewide. Establishes a rental motor vehicle customer facility charge of \$1 per day on a rental motor vehicle that is rented or leased by a rental motor vehicle concession. These charges would be deposited into the newly established rental motor vehicle customer facility charge special fund until the amount in the fund reaches \$25 million. Appropriates \$10 million out of the rental motor vehicle customer facility charge special fund to the department of transportation for the planning and designing of rental motor vehicle customer facilities at state airports and also the planning, design and improvement, lighting, and construction of existing ground-level storage areas shared by rental motor vehicle concessions at the Maui airport.  Also extends the imposition of the \$3 per day rate of the rental motor vehicle surcharge to 2011. Directs the department of transportation to provide recommendations to the 2009 legislature for additional revenue-generating initiatives that will replenish the state highway fund.	<b>ACT 226 7/8/08</b>
	SB 2843, CD-1	Establishes a program to encourage the recycling of electronic devices in the state. On 1/1/10 prohibits the sale of any electronic device unless the device is properly labeled. Requires manufacturers of electronic devices, as a prerequisite to selling such devices in the state, to register with the department of health and pay a registration fee of \$5,000 per year beginning on 1/1/09 along with a list of their brands. Beginning on 4/1/09, the department of health shall maintain and post a list of registered manufacturers and their brands on their website. Requires each manufacturer to label all devices sold in the state beginning on 10/1/09. By 6/1/09, each manufacturer is to submit to the department of health, a plan to establish, conduct, and manage a program for the collection, transportation, and recycling of its covered electronic devices in the state. By 3/31/11, and annually thereafter, each manufacturer shall submit to the department of health, the total weight of all covered electronic devices recycled in the previous year regardless of manufacturer. Establishes an electronic device recycling fund into which shall be deposited all fees, payments and penalties collected by the department of health. Establishes a temporary working group to establish, conduct, and manage a program for the collection, transportation and recycling of televisions sold in the state to be implemented by 1/1/10.	<b>ACT 13 1<sup>st</sup> Spec. Session 7/8/08</b>
	HB 2739, CD-1	Amends enterprise zone (EZ) provisions to provide agricultural businesses to continue to be eligible for tax incentives despite "force majeure" events; allowing businesses engaged in processing of agricultural products to qualify for EZ benefits if some of their products were grown in an EZ; includes agricultural growth as one of the EZ purposes; includes leased and jointly employed workers in hiring formulas and changes the schedule of hiring increases needed to qualify for EZ benefits. Permits increases in agricultural gross sales and value-added product retail sales to count toward EZ qualification. Disallows general excise tax exemptions for agricultural product retail sales. Provides that new employment requirements for businesses shall be applicable to EZs established after the effective date of this act.	<b>ACT 143 6/5/08</b>

TAX	Bill No.	Description	Status
	HB 2843, CD-1	Establishes an inspection, quarantine, and eradication service fee of 50 cents per 1,000 pounds on the net weight of all freight imported into the state. The fee is to be paid by the person responsible for paying freight charges to the transportation company who shall remit the payment to the state. Repeals the \$1 fee charged for each 20-foot equivalent unit per maritime container. This measure takes effect on 8/1/08.	<b>ACT 3 1<sup>st</sup> Spec. Session 7/8/08</b>