

**2006 Tax Acts**

**2006 Administrative Proposals**

Dept/No.	Description	Senate	House
TAX-02	<b>INCOME</b> - Annual conformity measure. Although many of the federal tax acts establish provisions that are applicable only to the areas affected by the Gulf hurricanes, KETRA waived the 10% taxable limitation on corporate donations of cash contributions for Hurricane Katrina Relief and the Gulf Opportunity Zone Act of 2005 and extended this provision to include donations made for Hurricane Rita and Hurricane Wilma provided the contributions were made before 1/1/06. KETRA also eased the 50% AGI annual limit on charitable contributions made between 9/1/05 and 12/31/05 to any charitable organization (hurricane related and non hurricane related). These provisions shall be applicable to contributions made between 8/28/05 and 12/31/05. Other provisions adopted for Hawaii income tax purposes include: (1) a new deduction for energy efficient commercial buildings effective for 2006 and 2007; (2) a depreciation and expensing provision for natural gas distribution lines; (3) a depreciation period for assets used in transmission and distribution of electricity shortened from 20 to 15 years; (4) the cost of refinery investments that increase capacity may be expensed at 50% for property placed in service until 2012; (5) amortization changes for certain geological and geophysical exploration expenditures and cost of air pollution control facilities; and (6) a further restriction on deferred compensation provisions to provide that deferred amounts in an offshore trust or amounts in a "rabbi" trust are taxable, effective for deferrals in place on or after 1/1/05. This measure takes effect on approval; applicable to tax years beginning after 12/31/05.		2412, CD-1 <b>Act 124</b>

**Legislative Tax Proposals**

TAX	Bill No.	Description	Status
<b>ADMIN.</b>	HB 439, CD-1	Authorizes the ombudsman to access tax return and return information of a complainant in conjunction with official duties of the ombudsman including investigation of administrative acts of agencies. Effective date: 7/1/06.	<b>VETO</b>
<b>INCOME</b>	SB 2076, CD-1	Income tax exclusion of 100% of the gain realized by a fee simple owner from the sale of a single or multi-family residential unit or residential leasehold house lot between 12/31/06 and 1/1/09. The exclusion shall not exceed \$800,000 in the aggregate for all taxpayers in any tax year. Effective date: 7/1/06.	<b>VETO</b>
	SB 2570, CD-1	Increases the tax credit from 4% to 15% for the costs incurred in a county with a population of over 700,000 for qualified production costs incurred by a qualified production company of motion picture, film or digital media provided that the tax credit shall be 20% of the costs incurred in a county with a population of 700,000 or less. Repeals the income tax credit of 7.25% for film and motion picture producers for costs incurred for transient accommodations. Also adds new stipulations to qualify for the credit. Prohibits the claiming of the high technology business investment tax credit and the motion picture and film production tax credit simultaneously and provides that the credit shall be applicable to costs incurred after 7/1/06 but before 1/1/16 at which time this act is repealed. Effective date: 7/1/06.	<b>ACT 88</b>
	SB 2957, CD-1	Increases the dollar ceiling of the income tax credit for solar energy systems from \$1,750 to \$2,250 for single-family residential systems, the maximum credit for commercial wind energy systems from \$250,000 to \$500,000; increases the credit for single family residential photovoltaic energy systems from \$1,750 to \$5,000, and for commercial property photovoltaic energy systems from \$250,000 to \$500,000 provided the new limits shall apply to systems installed after 7/1/06. Also amends Act 207, SLH 2003, by deleting the sunset date of 1/1/08. Also deletes language providing that the federal energy tax credit shall be deducted from the total cost of the energy system effective 1/1/06. Effective date: tax years beginning after December 31, 2005.	<b>ACT 240</b>

	HB 957, CD-1	Increases the standard deduction from \$1,900 to \$4,000 for joint filers or a surviving spouse; \$1,650 to \$2,920 for a head of household; \$1,500 to \$2,000 for individuals and from \$950 to \$2,000 for married filing separately. Further adjusts the tax brackets by increasing them by 20%. Provides a one-time <b>non-refundable</b> flood victim tax credit of 10% of the amount expended for costs directly related to the damage caused by the heavy rains and flooding provided the costs are not reimbursed by insurance proceeds or disaster relief payments, not to exceed \$10,000, for victims of the 2004 Manoa flood or during February 20 to April 9 of 2006 in Kauai, Hawaii, Maui and Honolulu counties. Provides that the credit shall be <b>refundable</b> only if: (1) the taxpayer has only pension income; or (2) the taxpayer has adjusted gross income of less than \$20,000. No provision is made for those taxpayers who do not meet either of these conditions where the credit amount is in excess of the taxpayer's income tax liability for the year in which the credit is claimed. The credit is not available to a taxpayer who has taken the deduction under IRC section 179. This credit shall be available for tax years beginning after December 31, 2003 and ending before January 1, 2007. Effective date: Tax years beginning after December 31, 2006.	<b>ACT 110</b>
	HB 1800, CD-1	Increases the amount that shall be withheld on the sale of a Hawaii real property by a nonresident from 5% to 8.25%. Effective date: Tax years beginning after December 31, 2006.	<b>VETO</b>
<b>GENERAL EXCISE</b>	HB 1891, CD-1	Changes the amount of general excise tax revenues, or the difference between that and the proceeds from the sale of any general obligation bonds authorized for the educational facilities improvement special fund, transferred to the state educational facilities improvement special fund from \$45 million to \$90 million and specifies that it shall be used for public school capital improvement needs. The change would be repealed on 6/30/08. Effective date: 7/1/06.	<b>ACT 304</b>
<b>TAT</b>	HB 2669, CD-1	Increases the \$31 million limitation on moneys deposited into the convention center enterprise special fund to \$33 million. Effective date: 7/1/06.	<b>ACT 209</b>
<b>TOBACCO</b>	SB 2961, CD-1	Increases the tax on cigarettes from 7 cents to 8 cents after 9/30/06, to 9 cents after 9/30/07, to 10 cents after 9/30/08, to 11 cents after 9/30/09, to 12 cents after 9/30/10, and to 13 cents after 9/30/11. Provides that the moneys collected in excess of what would have been collected at 7 cents per cigarette shall be distributed as follows: from 9/30/06 to 9/29/07, 1 cent shall be deposited into the Hawaii cancer research fund; from 9/30/07 to 9/29/08: 1.5 cents to be deposited into the Hawaii cancer research fund; 0.25 cents paid into the trauma system special fund; and 0.25 cents deposited into the emergency medical services special fund; from 9/30/08 to 9/29/09: 2.0 cents to be deposited into the Hawaii cancer research fund; 0.5 cents paid into the trauma system special fund; 0.25 cents deposited into the community health centers special fund, and 0.25 cents deposited into the emergency medical services special fund; from 9/30/09 to 9/29/10: 2.0 cents to be deposited into the Hawaii cancer research fund; 0.75 cents paid into the trauma system special fund; 0.75 cents deposited to the community health centers special fund, and 0.5 cents deposited into the emergency medical services special fund; from 9/30/10 to 9/29/11: 2.0 cents to be deposited into the Hawaii cancer research fund; 1.0 cent paid into the trauma system special fund; 1.0 cent deposited into the community health centers special fund, and 1.0 cent deposited into the emergency medical services special fund; from 9/30/11 and thereafter: 2.0 cents deposited into the Hawaii cancer research fund; 1.5 cents paid into the trauma system special fund; 1.25 cents deposited into the community health centers special fund; and 1.25 cents deposited into the emergency medical services special fund. Effective date: 7/1/06.	<b>ACT 316</b>
<b>CONVEY- ANCE</b>	HB 2176, CD-1	Increases the earmarking of conveyance tax revenues to the rental housing trust fund from 30% to 50% for the 2007 fiscal year. Repeals this act on 6/30/07. Effective date: 7/1/06.	<b>ACT 100</b>
<b>COUNTY BUDGETS</b>	HB 2075, CD-1	Earmarks 2% of federally eligible monies in the state highway fund for bikeways. Effective date: 7/1/06	<b>ACT 166</b>
<b>RENTAL MV &amp; TOUR VEHICLE</b>	HB 2214, CD-1	Retains the imposition of the \$3 rental motor vehicle surcharge tax and provides that the surcharge shall not be applicable to a rented vehicle while another vehicle is being repaired, provided the record of the repair order be retained for two instead of four years. Effective date: 7/1/06.	<b>ACT 142</b>