

2002 Tax Acts

Administrative Proposals			
Dept/No.	Description	Senate	House
TAX-01	INCOME - Annual conformity measure. Some of the provisions to be adopted include: EDUCATION RELATED - increases the contribution limit to an educational IRA from \$500 to \$2,000; amends the definition of qualified education expenses to include qualified elementary and secondary school expenses; expands the definition of qualified tuition program to include prepaid tuition programs; and makes permanent the income tax exclusion for employer-provided education assistance for graduate and undergraduate education; PENSION AND RETIREMENT - increases IRA contribution limits to \$3,000 for 2002 to 2004, \$4,000 for 2005 to 2007, and \$5,000 for 2008 (indexed for 2009 and after); increases annual benefit limits for defined benefit plans to \$160,000; allows individuals age 50 and over to make catch up contributions; increases the contribution limit on elective deferrals under a section 401(k) plan to \$11,000 in 2002; increases dollar limits on deferrals for a section 457 plan to \$11,000 in 2002 until it reaches \$15,000 in 2006; permits distribution of qualified retirement plans, certain annuities, governmental plans, and an IRA to be rolled over; after-tax contributions may be rolled over to another qualified plan or traditional IRA; permits spouses to rollover distributions to another plan or annuity in which spouse participates; MISCELLANEOUS - provides that amounts paid after 1999 as restitution payments to an eligible individual (or the individual's heirs or estate) are excludible from gross income.	SB 2824, CD-1 ACT 223	
TAX-03	ADMINISTRATION, GENERAL EXCISE - Allows the department of taxation to determine the fair market value of the transaction between affiliated or related companies or persons when the consideration paid is not indicative of the fair market value. Amends laws relating to the imposition of tax levies. Delineates provisions relating to the continuous imposition, 25% attachment, and indemnification of a third party payer. Also expands the department's authority to recover unpaid withholding taxes.		HB 2568, CD-1 ACT 153
TAX-04	INCOME - Allows taxpayers to claim an offset for taxes paid to another state that may be calculated by deduction, allocation, or other method necessary to comply with the U.S. Constitution on any property, service or contracting imported into the state that has not been accommodated by the use tax and applies the new provisions to all open years and for tax years pending appeal at the time of approval.		HB 2569, SD-1 ACT 98
TAX-06	GENERAL EXCISE - Extends preferential general excise tax treatment to other business entities such as a partnership or limited liability company consisting of those who are blind, deaf or totally disabled.		HB 2571, SD-1 ACT 110
ATG-06	TOBACCO - Amends the tobacco tax laws by strengthening the department of taxation and the attorney general's powers and duties relating to inspection of operations and premises of entities involved in cigarette sales. Also repeals the sunset date of cigarette stamping provisions to make them permanent.		HB 2429, HD-1 ACT 94
BED-11	TRANSIENT ACCOMMODATIONS - Appropriates \$46 million from the convention center enterprise fund (established under this measure) for FY 2003 to the Hawaii tourism authority and provides that the authority shall have the responsibility for marketing, managing, operating and maintaining the Hawaii convention center and specifically repeals the convention center authority law effective 6/30/00. Provides that the 17.3% of the transient accommodations tax collection designated for the convention center operations and debt service shall be deposited into the newly established enterprise special fund. Caps the amount to be deposited into this new fund at \$31 million with any amount in excess of that amount to be deposited in the state general fund.		HB 2451, CD-1 ACT 253

BED-14	MISCELLANEOUS - Eliminates the use tax exemption for enterprise zone businesses and makes other changes to the enterprise zone law with respect to determining the continuing eligibility of businesses in the zone.		HB 2454, CD-1 ACT 146
LEGISLATIVE PROPOSALS			
INCOME	SB 2381, CD-1	Extends the residential construction and remodeling income tax credit to 7/01/03. Amends the definition of construction and remodeling costs to specify that qualified elements of construction shall be permanently affixed to the building or structure provided such costs were not used to claim another tax credit.	ACT 174
	SB 2383, CD-1	Establishes a nonrefundable qualified project construction income tax credit of 4% over a four-year period provided that construction workers are paid prevailing wages. Qualified costs must be incurred after 12/31/02 but before 1/01/07 and may not be for residential construction. The credit shall not be available if a deduction is taken under section 179 of the Code or if another credit is claimed for the same costs. Amends the definition of "qualified hotel facility" to include property on which commercial or recreational use is permitted and also includes offsite improvements that are used to service destination resort areas.	Veto
	SB 2907, CD-1	Permits taxpayers to claim a nonrefundable attractions and educational facilities income tax credit equal to qualified construction costs (not to include land acquisition costs) incurred in the six consecutive years between 1/01/03 and 1/01/09 to build a world-class aquarium and marine science and mammal research facility at the Ko Olina resort marina area up to a maximum of \$75 million. The taxpayer must also dedicate one half of the taxable income of the aquarium to the state beginning in the 17th year following the first year the tax credit "was taken." Provides for recapture of 100% of the credit claimed in the preceding tax year whenever the costs incurred no longer meet the definition of qualified costs. If the credit for all taxpayers exceeds \$7.5 million in any one taxable year, the excess is to be carried forward until exhausted. The taxpayer may continue to claim the credits as long as the costs were incurred prior to 1/01/09. The credit may be applied to the taxpayer's income, general excise, transient accommodations, use, public service company, bank and financial institutions, and insurance premiums tax liability incurred.	Veto
	SB 2985 CD-1	Permits taxpayers to claim a qualified improvement income tax credit equal to 10% of the qualified improvement costs incurred for new construction, alteration, or modification to a federally qualified health center which is defined as a facility meeting Medicare program requirements and is receiving a grant under section 330 of the public health service act or is a subrecipient of such a grant. The credit may be claimed only when such qualified improvement cost exceeds \$300,000 in the taxable year; however, such costs must be reduced by an amount that equals any state and/or county funding. The tax credit shall be limited to the greater of 35% of the health center's total audited expenditures for its fiscal year 2002 or \$300,000. The total tax credits claimed between 1/01/02 and 1/01/11 shall not exceed \$9 million in the aggregate for each qualified facility.	Veto
	HB 1996, CD-1	Reduces the adjusted gross income threshold for high income individuals to make annual payments for their estimated income taxes from \$150,000 to \$50,000 and the percentages for the required annual payment from 90% to 60% of the tax due for the taxable year.	ACT 190
	HB 2363	Provides for the constitutionally mandated tax refund credit of \$1.	ACT 63
GET	SB 2885, HD-1	Allows telecommunications companies subject to both the general excise and public service company tax laws to rely on their books and records to segregate their income between the general excise tax at the 4% rate and the public service company tax at the 5.885% rate; provided the segregation is not in conflict with rules subsequently adopted by the department of taxation.	ACT 236

TAT	SB 2350, CD-1	Establishes a new transient accommodations tax (TAT) trust fund into which 5.3% of all TAT collections shall be deposited. Reduces the amount earmarked for the tourism special fund to 32.6% and specifies that whenever it is projected that the tourism special fund will not receive \$63,292,000 in any fiscal year, amounts in the trust fund shall be transferred to the tourism special fund. Any moneys left in the trust fund at the end of the fiscal year shall become realizations of the state general fund. Whenever the amount in the tourism special fund exceeds \$62,292,000, 90% of the first \$1 million in excess of that amount shall be deposited into the state parks special fund and 10% shall be deposited in the statewide trails and access program. All earnings from moneys in the trust fund shall be credited to the state general fund. Directs that at least \$1 million in the tourism special fund be made available to support efforts to manage, improve, and protect Hawaii's natural environment and areas frequented by visitors.	ACT 250
PUB. SVC. CO.	HB 1684, SD-2	Adds a new part to the law to provide for the uniform taxation of wireless communication services by wireless providers in conformance with the federal mobile telecommunications sourcing act statute provided it applies to charges on or revenues from customer bills issued after 8/01/02.	ACT 209
TOBACCO	HB 2741, CD-1	Increases the tax on cigarettes from 5 cents to 6 cents effective 10/01/02, to 6.5 cents effective 7/01/03 and to 7 cents effective 7/01/04.	ACT 246
MOTOR VEHICLE	HB 2720, CD-1	Requires proof of use tax payment in order to register an out-of-state motor vehicle when the vehicle is of the current, previous, or subsequent year model which was bought out-of-state.	ACT 225
INSUR. PREM.	SB 2582	Increases the maximum dollar amount to be transferred from the captive insurance administrative fund to the insurance regulation fund to \$1,500,000. Imposes graduated tax rates on the gross premiums of captive insurance companies: (1) 0.25 percent on \$0 to \$25,000,000 of gross premiums; (2) 0.15 percent on more than \$25,000,000 to \$50,000,000; and (3) 0.05 percent on more than \$50,000,000 of gross premiums.	ACT 206
MISC.	SB 2416, CD-2	Appropriates \$40,000 from the general fund to the executive office on aging for fiscal year 2003 to contract with a non-governmental public policy organization for the purpose of convening a long-term care summit to bring together private and public organizations to collaborate to identify the types and quality of services, service delivery system, and service delivery policies that insure development of a comprehensive and affordable long-term care system.	ACT 251
	HB 1256, CD-1	Establishes a nonrefundable 0.5 cent beverage container fee effective 10/01/02 and increases the rate to 1 cent per beverage container on 10/01/04. Beginning 1/01/05 the rate shall be 1 cent if the recovery rate is 70% or less or 1.5 cents if the recovery rate is greater than 70%. The advance glass disposal fee shall not apply to glass beverage containers as of 10/01/04. A refundable deposit fee of 5 cents per beverage container will be collected by the beverage distributor from the dealer or consumer. Requires all retailers of beverages to take back the used beverage containers and make a refund of the deposit fee unless they are located within two miles of a redemption center or meet other criteria.	ACT 176
	HB 2638, CD-1	Appropriates \$100,000 from the general fund for fiscal 2003 to design the long-term care financing program. Adds a new chapter to the law to provide for a long-term care financing act with a five-member (plus one ex-officio member) board of trustees placed in the department of budget and finance for administrative purposes and an interim board to be appointed by 7/01/02 and a permanent board to be appointed by 7/01/03 for staggered 6-year terms. The interim board, which is to be placed in the executive office on aging for administrative purposes, is to design a tax-based, long-term care system and determine the amount of and means of collecting a tax and benefits. The board is to make its report to the 2003 session of the legislature.	ACT 245