

TAX FOUNDATION OF HAWAII

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2004 Tax Acts

Administrative Proposals			
Dept/No.	Description	Senate	House
TAX-01	INCOME - Annual conformity measure. Provides that IRC section 163 (d)(4)(B) (with respect to defining net investment income to exclude dividends) shall not be operative for state income tax purposes. Specifies that the state will also not recognize the increase (to 50%) and extension (to 2005) of the special bonus depreciation (30%) under Section 168 which currently is not operative for state tax purposes. Provides that IRC section 179 (with respect to election to expense certain depreciable business assets) shall be operable for state income tax purposes except that the increase in the maximum deduction to \$100,000 for tax years 2003-2005 in Section 179(b)(1), the increase in the qualifying investment amount to \$400,000 for tax years 2003-2005 in section 179(b)(2), the inclusion of off-the-shelf computer software in section 179(d)(1), inflation adjustments in section 179(b)(5) and the irrevocable election in section 179(c)(2) shall not be operable for state income tax purposes. Codifies extension of the filing deadline for service personnel involved in a contingency operation.	SB 2983, HD-1 ACT 89	
TAX-05	INCOME - Amends withholding provisions to conform to the federal practice of submitting withheld taxes of employees within a week of the pay period for employers who have annual withholding tax liabilities greater than \$40,000 and also amends the electronic funds transfer threshold for withholding taxes to \$40,000. Effective for withholding requirements for payroll periods beginning after 12/31/04.		HB 2511, CD-1 ACT 113
TAX-13	MISCELLANEOUS - Extends the sunset date for the Integrated Tax Information Project from 2004 to 2005.	SB 2990, HD-1 ACT 115	
TAX-19	USE - Further clarifies the application of the use tax on the importation of tangible personal property as the result of the Supreme Court's decision <u>In the Matter of Baker & Taylor, Inc. v. Director of Taxation</u> , S.C. 23376 (Jan. 14, 2004), wherein, Baker & Taylor was required to pay general excise taxes and was not subject to use taxes. Retroactive to 01/01/99.	SB 2994, HD-2 ACT 114	
ATG-07	TOBACCO - Adds various enforcement provisions to the law regarding the distribution of untaxed product in the state via telephone, mail order or Internet. Effective 07/01/04.	SB 2840, CD-1 ACT 157	
BED-15	INCOME - Creates a private investment fund program to provide equity and debt capital for emerging enterprises in Hawaii to be administered by the Hawaii Strategic Development Corporation and repeals the sunset date for the corporation. Extends for five years the technology infrastructure tax credit, the hi-tech business investment tax credit, and the high technology research tax credit to 2010. Establishes a new tax administration special fund to be the depository for fees the department is authorized to collect for comfort letters and certifying credits for the high technology tax credits. Sets reporting standards for those claiming these credits and limits the application of the research tax credit to qualified high technology businesses. Deletes the term "liberally" from modifying the word construed such that the provisions of the tax credit shall be construed in a manner consistent with the intent of the Act. Amends the definition of qualified research with respect to software to specify that the business responsible for the software development and design shall have and retain substantial rights to the intellectual property.		HB 2396, CD-1 ACT 215

Legislative Tax Proposals

TAX	Bill No.	Description	Status
ADMIN.	HB 851 CD-1	Amends income, estate, general excise, TAT, use, fuel, liquor, tobacco, conveyance, rental motor vehicle and tour vehicle surcharge, nursing facility and insurance premiums taxes to allow that the first appeal to either the board of review or tax appeal court may be made without prepayment of the assessed taxes. Effective 07/01/04.	ACT 123
INCOME	SB 1611, CD-1	Exempts beverage container deposits from income taxation. Allows dealers to start collecting the beverage deposit fee beginning 11/01/04 provided the dealers inform customers that refunds will not be made until 01/01/05. Makes other amendments relating to the deposit beverage container program.	ACT 241
	SB 3162, CD-1	Clarifies the tax credit for renewable energy systems to provide that credits in excess of a taxpayer's income tax liability shall be applied to subsequent tax liability in subsequent years until exhausted and applies only to systems installed after 06/30/03. Extends the credit to bank franchise taxpayers. Adopts provisions relating to the claiming of the credit by partnerships, corporations, estates and trusts.	ACT 97
	SB 3207, CD-1	Changes the ethanol investment tax credit to a facility tax credit. Provides that: (1) annual dollar amounts of the tax credit shall be 30% of the nameplate capacity of the facility if the nameplate capacity is greater than 500,000 but less than 15 million gallons; (2) the amount of the credit shall not exceed the amount invested in the facility; (3) prohibits the claiming of any other income tax credit if the ethanol credit is claimed in that year; (4) to claim the credit, the facility shall have operated at a level of at least 75% of its nameplate capacity on an annualized basis; and (5) the facility shall be in production on or before 01/01/12. Delineates reporting and certification requirements of DBEDT and limits the amount of credit that may be allowed per year to \$12 million. Effective 07/01/04.	ACT 140
	HB 1848, CD-1	Establishes an income tax deduction of up to \$3,000 per tree for maintenance of a tree that has been designated by the county as an exceptional tree. Deductible amounts must be deemed necessary by a certified arborist and the deduction may not be taken more than once in three consecutive years. Effective 01/01/04.	ACT 195
	HB 1860, CD-1	Tax check-off of \$5 for child abuse and neglect fund with one-third of the proceeds to be deposited into the domestic violence program account of the children's trust fund and two-thirds to be divided equally among the domestic violence funds of the departments of health, human services and the judiciary. Effective for tax years beginning after 12/31/04.	ACT 228
	HB 1904, CD-1	Repeals the current exclusion of \$1,750 of income received by national guard and armed services reservists and replaces it with an exclusion equal to pay received by such personnel as compensation for service for 48 drills and 15 days of annual duty. The amount excluded is phased-in over five years and is pegged each year to what a specified pay grade would have been paid with eight years of service. Effective 01/01/05.	ACT 197
GET	SB 2396, CD-1	Exempts from GET, fees received by nonprofit organizations established under IRC section 501(c) from sales of convention, conference, or trade show exhibit or display spaces and specifies the proceeds of sales by a vendor using such exhibit or display space shall not be exempt from the general excise tax. Effective 07/01/04.	ACT 214
TAT	HB 2061, CD-1	Amends the allocation of the 44.8% of the TAT collections that are transferred to the counties by designating that of the amount granted to the counties, 1.3% shall be deposited to a subaccount of the tourism special fund to support an aloha aina patrol in each county under the jurisdiction of the police department of each county to provide security and assistance to tourists as determined in conjunction with the Hawaii Tourism Authority; reduces the percentage allocated to each county to account for this new designation. Provides that distribution of the TAT proceeds be done quarterly. Effective 07/01/04.	Veto
FUEL	SB 1239, CD-1	Reduces the fuel tax rates on alternate fuels by reducing the license tax to one quarter of one cent and reduces the current rates on alternate fuels by one-half. For alternate fuels other than ethanol, methanol, and biodiesel, the rate shall be one quarter of the rate for diesel. Effective 07/01/04.	ACT 96
MOTOR VEHICLE	SB 2690, CD-1	Increases the motor vehicle registration fee by \$5 to \$25 and deposits \$20 into the highway fund and \$5 into the emergency medical services special fund to supplement the emergency medical system. Effective 10/01/04.	ACT 158

MISC.	SB 420, CD-1	Transfers \$10 million from the compliance resolution fund to the state general fund on 07/01/04.	ACT 240
	SB 2525 CD-1	Repeals the compliance resolution fund and directs all fees charged by DCCA to be deposited into the general fund except for professional vocational licensing fees. The latter fees, along with related revenues from the general fund, are to be deposited to a newly established compliance and regulatory educational special fund. Stipulates that whenever fees exceed 110% of attributable costs of the program in the prior fiscal year, the excess shall be refunded to taxpayers on a pro rata basis. Similarly, if fees drop below 90% of attributable costs of the program in the prior fiscal year, the department is to increase fees to eliminate any shortfalls. This calculation shall not apply to certain funds such as the drivers education fund underwriters, insurance premium taxes and revenues, workers' compensation special compensation fund, etc., and the newly established education fund. Directs that monthly reports of the revenues generated by each division of DCCA shall be made by the director to the governor and the legislature. Directs any remaining balance in the compliance resolution fund on 06/30/04 be deposited to the credit of the general fund and appropriates \$4.2 million to the new education fund. Effective 07/01/04.	Veto
	HB 2743, CD-1	Transfers \$43.3 million from various special and revolving funds to the general fund on 07/01/04 and transfers \$1.5 million from the special land development fund on 01/01/05 and \$1.5 million from the state highway fund on 06/29/05. Lowers the threshold for funds to be transferred at the end of the year to the general fund from \$1 million to \$500,000 for the tobacco enforcement special fund and all funds in excess of \$500,000 in the state parking revolving fund at the end of the fiscal year shall lapse into the state general fund.	Act 43 Line-Item Veto, Override Act 52
	HB 2883, CD-1	Establishes a monthly surcharge of 66 cents on each cellular phone number to provide funds to implement a wireless enhanced 911 system to provide a caller's location to a public safety answering point. The surcharge shall be deposited into a newly established wireless enhanced 911 special fund. Also establishes a wireless enhanced 911 board to administer the fund. Effective on 07/01/04.	ACT 159