

TAX FOUNDATION

O F H A W A I I

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2005 Tax Acts

Administrative Proposals		
Dept/No.	Description	
TAX-01	INCOME - Annual conformity measure - Among the provisions adopted for Hawaii income tax purposes include: the deduction allowing school teachers to deduct up to \$250 in expenses paid for books and supplies, computer equipment, etc., is extended to tax years 2004 and 2005; an extension of the research and development tax credit under section 41 to qualified amounts paid or incurred before 1/1/06 (Hawaii conforms with modifications); an extension of the deduction for corporate contributions of computer equipment for educational purposes through 12/31/05. Establishes a uniform definition of "qualifying child" for the federal dependency exemption, the child tax credit, the earned income credit, head of household filing status and the dependent care tax credit. Also allows individuals to deduct state sales taxes instead of deducting state and local income taxes for tax years beginning after 2003 and before 2006; the section 179 deduction for large sport utility vehicles (under 14,000 pounds) has been capped at \$25,000; and establishes new reporting requirements relating to the donation of automobiles to charity. Not operable for Hawaii income tax purposes: deduction for U.S. production activities; marriage penalty relief provisions; AMT exemption; various changes to federal tax credit amounts that are generally not operable for Hawaii income taxation. Also adds subchapter R relating to international shipping activities to the list of inoperative sections; makes the special allowance provision of section 168(k) acquisitions between 9/11/01 and 01/05 inoperative; and clarifies section 114 transactions.	SB 834, HD-1 ACT 60
TAX-10	INCOME - Clarifies the remittance of withholding taxes by those employers with annual withholding liabilities of more than \$40,000 by specifying that payment is due within three banking days following the payment of wages	SB 840, SD-1 ACT 27
TAX-13	INCOME - Amends the HARPTA provisions that require the withholding of payment for sales of real property by nonresidents to provide that if a single member LLC has elected not to be taxed as a corporation, then the single member LLC shall be disregarded for purposes of this requirement. Clarifies that nothing in this measure shall create any interference with respect to proper tax treatment of single member LLCs prior to TY beginning on 1/1/05.	SB 842, SD-1 ACT 23
ATG-11	TOBACCO - Requires all retailers of cigarettes and tobacco products to be licensed annually beginning 12/1/06. Provides that the annual fee for the license shall be \$20.	SB 682, CD-1 ACT 131

Legislative Tax Proposals

TAX	Bill No.	Description	Status
ADMIN.	SB 1685, CD-1	Permits the state to share taxpayer information with the counties, including the reciprocal supplying of real property tax information	Veto/ Override; Act 9; Special Session

	HB 1224, CD-1	Directs the tax department to identify issues that need to be resolved to effectuate the orderly enactment and operation of a streamlined sales and use tax based on the streamlined sales tax project model agreement and act. Repeals the streamlined sales and use tax advisory council and adopts provisions to ensure compliance with the streamlined sales and use tax agreement. The senate president and house speaker are to select three designees each to identify these issues and carry out briefings for the legislature on the tax department's efforts to comply with this effort. Requires the department to submit proposed legislation to the 2006 session which shall take effect prior to 1/1/07. Appropriates \$50,000 in general funds for fiscal 2006 to be expended by the state auditor for technical assistance and briefings to enable the legislature to carry out its responsibilities to effectuate this act. Also makes it unlawful for any private contractor to inspect the tax return of any taxpayer other than for the purposes of conforming to the state general excise and use taxes to be operative with the streamlined sales tax project's model agreement and act.	Veto/ Override; Act 3; Special Session
TAX APPEALS	SB 460 HD-1	Establishes procedures to allow a taxpayer to appeal a denial of a refund of all taxes administered under Title 14. Any refund appealed under this section shall only be awarded if the claim was filed during the applicable statutory period of limitation.	ACT 167
INCOME	HB 1554, CD-1	Provides an income tax exclusion of 50% of the income derived by a fee owner resulting from the sale of a leased fee interest in a multi-family residential leasehold unit or residential leasehold house lot. Limits the exclusion to \$75,000 in the aggregate for all taxpayers in the state in any tax year. The measure takes effect on 7/1/05; applicable to TY beginning after 12/31/05 and repeals this act on 1/1/07.	Veto
GET	SB 179, CD-1	Extends the general excise tax exemption for the construction of low-income housing to persons who develop affordable rental housing where at least 50% of the units are for persons with incomes below 80% of the area median family income and of that amount, 20% of the units are for those with incomes at or below 60% of the area median family income. Increases the low-income housing credit from 30% to 50% of the applicable percentage of the qualified basis of each building in Hawaii. Exempts from the conveyance tax, property certified by the HCDA for low-income housing development.	ACT 196
	HB 1309, CD-1	Authorizes the counties to impose a county surcharge on the state's general excise and use tax of up to 0.5% for operating or capital costs of a locally preferred alternative for a mass transit project (C & C of Honolulu), operating or capital costs of public transportation within each county for public transportation systems (other counties) and expenses for complying with the ADA act of 1990. The department of taxation is to administer and collect the surcharge and the director of finance is to retain 10% of the proceeds realized by the county for the cost of administration. Any county wishing to impose the surcharge must do so by ordinance provided that: (1) a public hearing has been conducted on the proposed ordinance; (2) the ordinance has been adopted by December 31, 2005; and (3) the county surcharge on state tax shall not be levied prior to January 1, 2007. Does not impose the county surcharge on goods or services taxable at the 0.5% or 0.15% rate or those exempt from the general excise or use tax. Stipulates that if a county does not adopt an ordinance to impose the county surcharge on state tax by December 31, 2005, they shall be prohibited from imposing a county surcharge on the state tax. This act shall be repealed on December 31, 2022.	ACT 247

TAT	SB 1729, CD-1	Increases the percentage of revenues deposited into the tourism special fund from 32.6% to 34.2% and provides that 0.5% shall be transferred into a sub-account in the tourism special fund to provide funding for a safety and security budget in accordance with the Hawaii tourism strategic plan. Of the first \$1 million deposited into the tourism special fund, 90% shall be deposited into the state parks fund under HRS section 184-3.4 and 10% to the special land and development fund for the Hawaii statewide trail and access program. Any excess TAT revenues not so earmarked shall accrue to the general fund. Repeals the TAT trust fund.	ACT 235
USE	HB 1309, CD-1	See GET	ACT 247
PUBLIC SERVICE CO.	SB 1453, CD-1	Provides that private sewer companies shall be taxed under the public service company tax by amending the definition of gross income to specify that gross income from a private sewer company shall be taxed under this chapter effective July 1, 2005	ACT 146
CONVEY- ANCE	SB 179, CD-1	Extends the general excise tax exemption for the construction of low-income housing to persons who develop affordable rental housing where at least 50% of the units are for persons with incomes below 80% of the area median family income and of that amount, 20% of the units are for those with incomes at or below 60% of the area median family income. Increases the low-income housing credit from 30% to 50% of the applicable percentage of the qualified basis of each building in Hawaii. Exempts from the conveyance tax, property certified by the HCDA for low-income housing development.	ACT 196
	HB 1308, CD-1	Imposes a conveyance tax of 10 cents per \$100 of conveyances under \$600,000; 20 cents per \$100 for conveyances between \$600,000 and \$1 million; and 30 cents per \$100 for conveyances in excess of \$1 million. Also imposes a conveyance tax for condominiums or single family residences that do not qualify for a homeowners' exemption of 15 cents per \$100 for properties valued up to \$600,000, 25 cents per \$100 for properties valued between \$600,000 and \$1 million, and 35 cents per \$100 for properties valued at over \$1 million. Provides that 10% of all conveyance tax revenues shall be paid into the land conservation fund and increases the amount deposited into the rental housing trust fund from 25% to 30%.	ACT 156
RENTAL VEHICLE	HB 390, CD-1	Makes permanent the provision stipulating that the rental motor vehicle surcharge tax shall not be imposed on a lessor if the lessor is renting a vehicle to replace the lessee's vehicle which is being repaired	ACT 67
MISC.	HB 1672, CD-1	Requires the governor to notify agencies for which grants under HRS 42F have been made but the money is not released within 90 days of the effective date of the legislation, as to the status of the grant and whether pending or not to be released	ACT 195