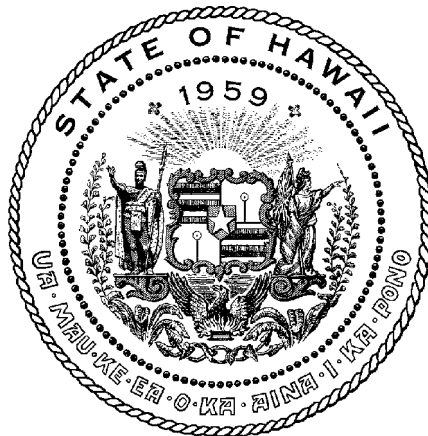


DIGEST OF TAX MEASURES

Enacted by the State of Hawaii
Twentieth Legislature
Regular Session of 2000



Prepared by the
State of Hawaii
Department of Taxation

Issued: September 28, 2000

Digest of Tax Measures

Enacted by the State of Hawaii
Twentieth Legislature - Regular Session of 2000

The following is a digest of bills enacted by the 2000 legislature and tax measures vetoed by the governor. It includes only those measures which affect Hawaii's tax laws and is provided for your information. It is issued solely as a guide and is not intended to be either authoritative or complete. Copies of the bills enacted by the legislature may be obtained from the Senate and House printshops, respectively. Bills and acts are also accessible via the Internet on the State capitol website at <http://www.capitol.hawaii.gov>.

KEY TO ABBREVIATIONS:

SB	=	Senate bill
SD	=	Senate draft
HB	=	House bill
HD	=	House draft
CD	=	Conference draft
SSCR	=	Senate standing committee report
HSCR	=	House standing committee report
CCR	=	Conference committee report
SECT. AFF.	=	Section(s) of the Hawaii Revised Statutes affected by the bill's provisions
HRS	=	Hawaii Revised Statutes
HAR	=	Hawaii Administrative Rules
SLH	=	Session Laws of Hawaii

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ADMINISTRATIVE TAX MEASURES

ACT 033

SB 2942

RELATING TO THE GENERAL FUND EXPENDITURE CEILING REPORTING DATES.

SSCR 2226; HSCR 1336

SECT. AFF: 37-94, 37-113.1

- * Changes the dates on which the Council of Revenues must report its estimates of total state personal income (i.e., from July 20 and October 20 to August 05 and November 05).
- * Makes corresponding changes to the dates on which the Director of Budget and Finance must determine estimates of the state growth and expenditure ceiling (i.e., from August 01 and November 01 to August 15 and November 15) to allow the Council to have access to additional economic information prepared by the U.S. Bureau of Economic Analysis (released on July 27 and October 26) prior to the Council's forecast reporting dates.

EFFECTIVE: April 20, 2000

ACT 175

SB 2939, SD1

RELATING TO THE INTEGRATED TAX INFORMATION MANAGEMENT SYSTEMS ACQUISITION BY THE DEPARTMENT OF TAXATION.

SSCR 2435; HSCR 1616

SECT. AFF: ACT 155, SLH 1999

Amends ACT 155, SLH 1999, by adjusting the amounts appropriated from the ITIMS special fund for FY 1999-2000 and FY 2000-2001, to more accurately reflect contract costs.

EFFECTIVE: June 29, 2000

ACT 199

SB 2946, SD1, HD1, CD1

RELATING TO TAXATION APPEALS.

SSCR 2436; HSCR 1327

SECT. AFF: 232-24, 235-114, 237-42, 237D-11, 238-8, 243-14.5, 244D-12, 245-10,
247-4.5, 251-10

Eliminates requirement of paying assessed tax prior to appealing the assessment to the district boards of review. Requires the assessed tax be paid together with interest when the decision by the Board is appealed by the taxpayer or the decision by the Board in favor of the Department of Taxation is not appealed.

EFFECTIVE: For appeals filed on or after June 08, 2000.

SB 2941

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 3, OF THE STATE CONSTITUTION TO PROVIDE FOR THE APPOINTMENT OF A TAX REVIEW COMMISSION EVERY TEN YEARS.

SSCR 2191; SSCR 2642; HSCR 0961; HSCR 1459

SECT. AFF: ART VII SEC 3

Proposes a constitutional amendment to provide for the appointment of a Tax Review Commission every ten years instead of every five years.

EFFECTIVE: Upon compliance with article XVII, section 3 of the Hawaii State Constitution.

GENERAL EXCISE TAX / USE TAX MEASURES

ACT 027

SB 2289, SD2

RELATING TO PREPAID TELEPHONE CALLING SERVICE.

SSCR 2141; SSCR 2533; HSCR 1042; HSCR 1439

SECT. AFF: 237- (1 sec), 238-1

Adds a new section to Chapter 237 to clarify that the general excise tax is imposed on the sale of prepaid telephone calling services at the point of sale; in lieu of taxation under the public service company tax. General excise tax provisions apply to gross income and gross proceeds of sales received after August 31, 2000; use tax provisions apply to all taxes accruing after August 31, 2000.

EFFECTIVE: September 01, 2000.

ACT 034

SB 2947

RELATING TO DISCLOSURE OF TAX INFORMATION.

SSCR 2465; HSCR 1337

SECT. AFF: 237-34, 238-13

Allows disclosure of general excise / use tax return and return information to a person contractually obligated to pay these taxes assessed against another.

EFFECTIVE: April 20, 2000 and applies to discussions after April 20, 2000 regarding the assessment of additional taxes.

ACT 198

SB 2945, SD1, HD3

RELATING TO TAXATION.

SSCR 2746; HSCR 0893; HSCR 1064; HSCR 1388

SECT. AFF: 237-4, 237-6, 237-13, 237-13.3, 237-16, 237-29.53, 238-1, 238-2, 238-2.3, 238-3, 238-5, 238-6, 238-9, 239-5, 239-6

- * Makes technical amendments to Acts 70 and 71, SLH 1999;
- * Imposes the use tax on imported contracting;
- * Provides "pyramiding" relief from the general excise tax for the sale of amusements;
- * Provides that beginning January 01, 2000, the sale of telecommunications services by a public utility to an interstate telecommunications provider who is

subject to the general excise tax and who resells the services to retail customers is subject to a 5.5% public service company tax rate, reduced by 0.5% each January 1st until a 0.5% rate is fully phased-in on January 01, 2007; and

- * Provides that beginning January 01, 2000, the gross income received by a motor carrier for transportation services provided to a construction industry contractor is subject to the public service company tax rate of 3.5%, reduced by 0.5% each January 1st until a 0.5% rate is fully phased-in on January 01, 2006.

EFFECTIVE: June 08, 2000. General excise tax provisions apply to gross income or gross proceeds received beginning January 01, 2000; public service company tax provisions take effect for January 01, 2001 filings.

ACT 262
SB 2160, SD1, HD1
RELATING TO GENERAL EXCISE TAX.
SSCR 2446; HSCR 0916; HSCR 1437
SECT. AFF: 237-3

Allows contractors to report the general excise tax on a cash basis provided the contractors notify the department of the basis upon which the general excise tax is to be reported.

EFFECTIVE: Applies to gross proceeds or gross income arising after January 01, 2001.

ACT 271
SB 2716, SD1, HD1, CD1
RELATING TO TAXATION.
SSCR 2664; HSCR 0918; HSCR 1407; CCR 109
SECT. AFF: 237-4, 238-2

Provides a general excise and use tax rate of 0.5% on sales by a printer to a publisher or imports by a publisher of printed materials containing advertisements for distribution without charge.

EFFECTIVE: Applies to gross income or gross proceeds received, or gross value accruing, after June 30, 2000.

HIGH TECH TAX MEASURES

ACT 118

SB 2779, SD1, HD2, CD1

RELATING TO STATE ENTERPRISE ZONES.

SSCR 2176; SSCR 2549; HSCR 1021; HSCR 1381; CCR 059
SECT. AFF: 209E-2, 209E-9, 209E-11

Expands the enterprise zones law to include businesses engaged in research, development, sale, or production of all types of genetically-engineered medical, agricultural, or maritime biotechnology products; call centers; and businesses that repair assisted technology equipment.

EFFECTIVE: May 22, 2000.

ACT 195

SB 2781, SD2, HD2, CD1

RELATING TO TAXATION.

SSCR 2177; SSCR 2615; HSCR 1033; HSCR 1399; CCR 117
SECT. AFF: 235-___ (1 sec), 237-___ (1 sec), 239-___ (1 sec)

- * Exempts from the general excise tax and public service company tax amounts received by a telecommunications common carrier from a call center.
- * Exempts from the general excise tax the gross income received by a call center for customer services and support.

EFFECTIVE: June 08, 2000. General excise tax provisions apply to gross income or gross proceeds received beginning July 01, 2000 and before July 01, 2010. Public service company tax provisions for FY taxpayers apply to FYs beginning July 01, 2001 through July 01, 2010 filings (gross income FYE June 30, 2001 through FYE June 30, 2010). For CY, 2002 through 2011 filings (gross income CY 2001 through 2010).

- * Provides a refundable 4% income tax credit for qualified hotel construction and remodeling costs.

EFFECTIVE: June 08, 2000. Applies to taxable years beginning after December 31, 1998 and before January 01, 2003.

ACT 297

HB 2901, HD2, SD2, CD1

RELATING TO THE NEW ECONOMY.

HSCR 0421; HSCR 0722; SSCR 3019; SSCR 3334; CCR 161

SECT. AFF: 27-42, 36-27, 36-30, 84-17, 88-119, 201B-7, 206M-____ (4 secs), 206M-1, 206M-2, 206M-2.5, 206M-3, 206M-15.5, 210-3, 211F-3, 227D-2, 211F-____ (3 secs) THE HAWAII TECHNOLOGY INVESTMENT PROGRAM, 235-____ (1 sec), 235-1, 235-2.4, 235-2.45, 235-7.3, 235-9.5, 235-110.9, 235-110.91,

Expands several tax incentives that were enacted in Act 178, SLH 1999 (Act 178), and adds other tax incentives:

- * Allows the sale of unused net operating loss carryover (NOLs) provided the sale is approved by the Department, the sale is for an amount equal to at least 75% of the amount of the surrendered tax benefit and the sale does not exceed \$500,000 per year. Applies only to NOLs occurring in the two taxable years preceding the year in which the sale of the NOL occurs and applies to sales of NOLs after December 31, 2000, and before January 01, 2004.
- * Extends the 5 year capital loss carryover period for qualified high technology businesses to 15 years.
- * Act 178 excluded royalties and income derived from patents and copyrights received by an individual or qualified high technology businesses from gross income for income tax purposes. Act 297 expands the exclusion to include income derived from trade secrets and performing arts products.
- * Act 178 provided an income tax exemption for stock options for employees of qualified high technology businesses. Act 297 expands the exemption to include stock options received by an officer, director, or investor who qualifies for the high technology business investment tax credit.
- * Act 178 enacted a 10% nonrefundable income tax credit to encourage investment in high technology companies up to a maximum allowed credit of \$500,000 per year per investor. Act 297 eases the requirements to qualify for the credit.
- * Act 178 conformed Hawaii income tax law to the federal research and development income tax credit in section 41 of the Internal Revenue Code (which is based upon a percentage of certain research expenses) except that the research must be done in Hawaii and the State credit is nonrefundable. Act 297 specifies that the State credit is available for tax years 2000-2005 even if the federal credit is repealed prior to January 01, 2006; increases the State tax credit to 20% to match the federal credit; and makes the State credit refundable.

EFFECTIVE: July 05, 2000. Applies to taxable years beginning after December 31, 1999.

INCOME TAX MEASURES

ACT 090

HB 2760, HD2, SD1

RELATING TO THE COLLEGE SAVINGS PROGRAM.

HSCR 0291; HSCR 0863; SSCR 2956; SSCR 3333

SECT. AFF: 256-1, 256-3, 256-4, 256-5, 256-6

Clarifies the implementation of the Hawaii College Savings Program (Program) and conforms certain penalty provisions of the Program to the safe harbor provisions of the Internal Revenue Code.

EFFECTIVE: May 02, 2000.

ACT 174

SB 2938, SD1, HD1

RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE.

SSCR 2224; HSCR 1326

SECT. AFF: 235-___ (1 sec), 235-2.3, 235-2.4, 235-110.91

Among other things:

- * Conforms to IRC section 7525 which extended the attorney-client privilege to communications between a taxpayer and any "federally authorized tax practitioner" (which includes attorneys, certified public accountants, enrolled agents, and enrolled actuaries) with respect to "tax advice," to the extent the communication would be considered a privileged communication if it were between a taxpayer and an attorney.
- * Amends section 235-110.91, HRS, to ensure that if Congress repeals or terminates the tax credit for increasing research activities in IRC section 41, State law will continue to allow the credit to be claimed for tax years beginning before January 01, 2006.

EFFECTIVE: June 06, 2000. Applies to taxable years beginning after December 31, 1999.

ACT 289

SB 2221, SD1, HD2, CD1

RELATING TO ETHANOL.

SSCR 2036; SSCR 2484; HSCR 0932; HSCR 1371; CCR 116

SECT. AFF: 235-___ (1 sec), 237-27.1

- * Provides a refundable income tax credit for investment in a qualifying ethanol production facility. Requires that the facility be in production on or before January 01, 2012. Establishes a 16 step investment tax credit schedule based on gallons produced, with the investment tax credit capped at the lesser of 30% of the investment or a specified dollar amount for each step.
- * Repeals the Hawaii general excise tax alcohol fuels exemption on December 31, 2006.

EFFECTIVE: June 30, 2000. Applies to taxable years beginning after December 31, 2001.

OTHER TAX MEASURES

ACT 038

HB 1691, HD1

RELATING TO TAXATION.

HSCR 0031; SSCR 2885; SSCR 3205

SECT. AFF: 237-24.3, 237D-3, 238-1

Exempts from the general excise tax and transient accommodations tax amounts received from foreign diplomats and consular officials and exempts from the use tax the use of property, services, or contracting imported by foreign diplomats and consular officials.

EFFECTIVE: July 01, 2000.

ACT 085

HB 2584

RELATING TO THE FUEL TAX.

HSCR 0218; HSCR 0569; SSCR 3304

SECT. AFF: 243-10

Amends fuel tax provisions by repealing the requirements that fuel distributors submit information on the total number of gallons of fuel imported and information on the fuel distributors' inventory.

EFFECTIVE: April 27, 2000.

ACT 148

HB 2432, HD1, SD1

RELATING TO LOW-INCOME HOUSING TAX CREDIT.

HSCR 0135; HSCR 0706; SSCR 3010; SSCR 3204

SECT. AFF: 235-2.4, 235-2.45, 235-110.8

Allows partnership investors to claim the state low-income housing tax credit without regard to the federal rules under section 704(b) requiring allocation of credit items per interest in the partnership.

EFFECTIVE: May 30, 2000. Applies to taxable years beginning after December 31, 1999.

ACT 160

SB 2166, HD2

RELATING TO WIND FARMS.

SSCR 2239; SSCR 2606; HSCR 1056; HSCR 1423

SECT. AFF: 209E-2

Authorizes wind farms engaged in producing electric power from wind energy for sale primarily to a public utility company for resale to the public to qualify for state enterprise zone benefits.

EFFECTIVE: June 05, 2000.

ACT 184

SB 2056, SD1, HD1, CD1

RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNT CONTRIBUTION TAX CREDITS.

SSCR 2432; HSCR 0870; HSCR 1435; CCR 090

SECT. AFF: 235-___ (1 sec), 257-10, ACT 160, SLH 1999

Adds a new section to Chapter 235, establishing a nonrefundable individual development account contribution tax credit equal to 50% of the amount contributed by a taxpayer to a fiduciary organization (total amount of certified contributions capped at \$1 million over a 5 year period between January 1, 2000 and December 31, 2004).

EFFECTIVE: June 07, 2000. Applies to taxable years beginning after December 31, 1999 and before January 01, 2005; section 3 retroactive to June 28, 1999.

ACT 249

SB 2486, SD2, HD2, CD1

RELATING TO TAXATION.

SSCR 2070; SSCR 2764; HSCR 1073; HSCR 1376; CCR 098

SECT. AFF: 245-___ (22 secs) STAMPING OF CIGARETTES, 245-1, 245-3, 245-5, 245-6, 245-7, 245-8, 245-9, 245-15, 712A-5, 712A-16

Cigarette Tax Stamp Act. Establishes a mandatory cigarette tax stamp system as a means to assess, collect, and enforce the cigarette tax.

* Provides that the cigarette tax shall be imposed and collected through the use of stamps purchased by licensees (wholesalers and dealers), and affixed to cigarette packages.

- * Includes provisions for civil and criminal penalties, and for forfeiture of cigarettes, to be enforced by the Department of the Attorney General.
- * Requires the Director of Taxation to submit findings and recommendations to the legislature for the 2006 Regular Session on effectiveness of Act 249.
- * Appropriates \$35,000 to the Department of Taxation for start-up costs.
- * Appropriates \$200,000 to the Department of the Attorney General for enforcement purposes.

EFFECTIVE:

- *Licensees may apply to the Department of Taxation to purchase stamps: December 15, 2000.*
- *Licensees must begin affixing stamps: January 01, 2001.*
- *Cigarette packages without stamps cannot be sold: April 01, 2001.*
- *Cigarette packages without stamps cannot be placed/stored in vending machines: April 01, 2001.*
- *Act 249 is effective on June 19, 2000 and is repealed on June 30, 2006.*

VETOED MEASURES

SB 2409, SD1, HD2, CD1 (VETOED: May 23, 2000)

RELATING TO TAXATION.

SSCR 2240; SSCR 2551; HSCR 1020; HSCR 1406; CCR 119

SECT. AFF: 237-___ (1 sec), 239-___ (1 sec), 235D-1, 235D-2, 235D-3, 235D-4

- * Exempts certain activities of call centers from general excise and public service company taxes.
- * Specifies terms and conditions and amount of nonrefundable qualified improvement tax credits (4%, 10%, 15%, and 20%) for the construction and renovation of property in resort districts.

EFFECTIVE: Upon approval; various effective dates for specific sections.

SB 2706, SD1, HD2, CD1 (VETOED: June 05, 2000)

RELATING TO TAXATION.

SSCR 2680; HSCR 0894; HSCR 1427; CCR 111

SECT. AFF: 235-___ (1 sec)

Provides a refundable income tax credit to a lessee that leases stage 3 aircraft under an aircraft operating lease.

EFFECTIVE: Upon approval. Applies to taxable years beginning after December 31, 1999 and applies to lease rent paid after June 30, 2000.

HB 2023, HD2, SD2, CD1 (VETOED: June 13, 2000)

RELATING TO AGRICULTURAL INFRASTRUCTURE.

HSCR 0050; HSCR 0801; SSCR 2906; SSCR 3379; CCR 156

SECT. AFF: 235-___ (2 secs)

Establishes a nonrefundable agricultural infrastructure improvement income tax credit of 10% of the cost of agricultural infrastructure improvements over \$200,000, and a nonrefundable income tax credit of 10% of the cost of construction of a new water storage facility or the reconstruction or improvement of any existing water storage facility.

EFFECTIVE: Upon approval. Applies to taxable years beginning after December 31, 1999 and before January 01, 2005.

TABLE SHOWING EFFECT OF ACTS
Twentieth State Legislature - 2000 Regular Session

KEY:	Am	=	Amended	R	=	Repealed
	N	=	New	___	=	Chapter or section number to be assigned in HRS Supplement

SECTION NO.	EFFECT	ACT NO.	BILL NO.
27-42	Am	ACT 297	HB 2901, HD2, SD2, CD1
36-27, 30	Am	ACT 297	HB 2901, HD2, SD2, CD1
37-94, 113.1	Am	ACT 033	SB 2942
84-17	Am	ACT 297	HB 2901, HD2, SD2, CD1
88-119	Am	ACT 297	HB 2901, HD2, SD2, CD1
201B-7	Am	ACT 297	HB 2901, HD2, SD2, CD1
206M-___ (4 secs)	N	ACT 297	HB 2901, HD2, SD2, CD1
206M-1	Am	ACT 297	HB 2901, HD2, SD2, CD1
206M-2	Am	ACT 297	HB 2901, HD2, SD2, CD1
206M-2.5	Am	ACT 297	HB 2901, HD2, SD2, CD1
206M-3	Am	ACT 297	HB 2901, HD2, SD2, CD1
206M-15.5	Am	ACT 297	HB 2901, HD2, SD2, CD1
209E-2	Am	ACT 118	SB 2779, SD1, HD2, CD1
209E-2	Am	ACT 160	SB 2166, HD2
209E-9, 11	Am	ACT 118	SB 2779, SD1, HD2, CD1
210-3	Am	ACT 297	HB 2901, HD2, SD2, CD1
211F-___ (3 secs, pt ___) The Hawaii Technology Investment Program	N	ACT 297	HB 2901, HD2, SD2, CD1
211F-3	Am	ACT 297	HB 2901, HD2, SD2, CD1
227D-2	Am	ACT 297	HB 2901, HD2, SD2, CD1
232-24	Am	ACT 199	SB 2946, SD1, HD1, CD1
235-___ (1 sec)	N	ACT 174	SB 2938, SD1, HD1
235-___ (1 sec)	N	ACT 184	SB 2056, SD1, HD1, CD1
235-___ (1 sec)	N	ACT 195	SB 2781, SD2, HD2, CD1
235-___ (1 sec)	N	ACT 289	SB 2221, SD1, HD2, CD1
235-___ (1 sec)	N	ACT 297	HB 2901, HD2, SD2, CD1
235-1	Am	ACT 297	HB 2901, HD2, SD2, CD1
235-2.3	Am	ACT 174	SB 2938, SD1, HD1
235-2.4	Am	ACT 148	HB 2432, HD1, SD1

TABLE SHOWING EFFECT OF ACTS

SECTION NO.	EFFECT	ACT NO.	BILL NO.
235-2.4	Am	ACT 174	SB 2938, SD1, HD1
235-2.4	Am	ACT 297	HB 2901, HD2, SD2, CD1
235-2.45	N	ACT 148	HB 2432, HD1, SD1
235-2.45	N	ACT 297	HB 2901, HD2, SD2, CD1
235-7.3, 9.5	Am	ACT 297	HB 2901, HD2, SD2, CD1
235-110.8	Am	ACT 148	HB 2432, HD1, SD1
235-110.9	Am	ACT 297	HB 2901, HD2, SD2, CD1
235-110.91	Am	ACT 174	SB 2938, SD1, HD1
235-110.91	Am	ACT 297	HB 2901, HD2, SD2, CD1
235-114	Am	ACT 199	SB 2946, SD1, HD1, CD1
237-_____ (1 sec)	N	ACT 027	SB 2289, SD2
237-_____ (1 sec)	N	ACT 195	SB 2781, SD2, HD2, CD1
237-3	Am	ACT 262	SB 2160, SD1, HD1
237-4	Am	ACT 271	SB 2716, SD1, HD1, CD1
237-4	Am	ACT 198	SB 2945, SD1, HD3
237-6, 13, 13.3, 16	Am	ACT 198	SB 2945, SD1, HD3
237-24.3	Am	ACT 038	HB 1691, HD1
237-27.1	Am	ACT 289	SB 2221, SD1, HD2, CD1
237-29.53	Am	ACT 198	SB 2945, SD1, HD3
237-34	Am	ACT 034	SB 2947
237-42	Am	ACT 199	SB 2946, SD1, HD1, CD1
237D-3	Am	ACT 038	HB 1691, HD1
237D-11	Am	ACT 199	SB 2946, SD1, HD1, CD1
238-1	Am	ACT 027	SB 2289, SD2
238-1	Am	ACT 038	HB 1691, HD1
238-1	Am	ACT 198	SB 2945, SD1, HD3
238-2	Am	ACT 198	SB 2945, SD1, HD3
238-2	Am	ACT 271	SB 2716, SD1, HD1, CD1
238-2.3, 3, 5, 6	Am	ACT 198	SB 2945, SD1, HD3
238-8	Am	ACT 199	SB 2946, SD1, HD1, CD1
238-9	Am	ACT 198	SB 2945, SD1, HD3
238-13	Am	ACT 034	SB 2947

TABLE SHOWING EFFECT OF ACTS

SECTION NO.	EFFECT	ACT NO.	BILL NO.
239-_____ (1 sec)	N	ACT 195	SB 2781, SD2, HD2, CD1
239-5, 6	Am	ACT 198	SB 2945, SD1, HD3
243-10	Am	ACT 085	HB 2584
243-14.5	Am	ACT 199	SB 2946, SD1, HD1, CD1
244D-12	Am	ACT 199	SB 2946, SD1, HD1, CD1
C 245, pt I (heading)	N	ACT 249	SB 2486, SD2, HD2, CD1
245-_____ (22 secs, pt _____) Stamping of Cigarettes	N	ACT 249	SB 2486, SD2, HD2, CD1
245-1, 3, 5 to 9	Am	ACT 249	SB 2486, SD2, HD2, CD1
245-10	Am	ACT 199	SB 2946, SD1, HD1, CD1
245-15	Am	ACT 249	SB 2486, SD2, HD2, CD1
247-4.5	Am	ACT 199	SB 2946, SD1, HD1, CD1
251-10	Am	ACT 199	SB 2946, SD1, HD1, CD1
256-1, 3 to 6	Am	ACT 090	HB 2760, HD2, SD1
257-10	Am	ACT 184	SB 2056, SD1, HD1, CD1
712A-5, 16	Am	ACT 249	SB 2486, SD2, HD2, CD1
Act 155, SLH 1999	Am	ACT 175	SB 2939, SD1
Act 160, SLH 1999	Am	ACT 184	SB 2056, SD1, HD1, CD1
Art. VII, Sec. 3	Am	Con Am	SB 2941

DIGEST OF THE IRS TAX RELIEF ACT OF 1999
P. L. 106-170

(NOTE: Only amendments or additions to Internal Revenue Code Sections contained in subtitle A, chapter 1, and certain 6000 series sections of the Internal Revenue Code of 1986, as amended, are applicable for this Digest.)

CODE SECTION

DESCRIPTION OF PROVISION

The following provisions are operative for Hawaii income tax purposes

Noncode provision	Makes federal farm production payments taxable in the year of receipt.
Noncode provision	Authorizes the postponement of certain tax-related deadlines because of year 2000 computer failures.

The following section is NOT operative for Hawaii income tax purposes.

IRC 26(a)	Allows nonrefundable personal tax credits to count against the alternative minimum tax.
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The following sections are operative for Hawaii income tax purposes.

IRC 41(h)(1)	Extends the research tax credit for an additional 5 years from June 30, 1999 until June 30, 2004.
IRC 41(c)(4)	Increases the alternative incremental research credit by one percentage point for each step.

The following sections are NOT operative for Hawaii income tax purposes.

IRC 45(c)	Extends the credit for electricity produced from wind and closed-loop biomass facilities, expanded to include energy produced from poultry waste.
IRC 45C(b)(1)(D)	For purposes of the orphan drug credit, extends the research tax credits for an additional five years until June 30, 2004. Current law with respect to the period after
IRC 51(c)(4)(B)	Extends work opportunity & welfare-to-work tax credits.

The following sections are operative for Hawaii income tax purposes.

IRC 127(d)	Extends the exclusion for employer-provided undergraduate education assistance programs to December 31, 2001.
IRC 170(f)	Denies a charitable deduction and contribution for transfers associated with split-dollar life insurance arrangements and imposes an excise tax on a charitable organization that engages in this transaction.

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IRC 198(h)	Extends the deduction for certain environmental remediation measures of qualified contaminated industrial sites, known as brownfields, to December 31, 2001.
IRC 420(b)(5)	Allows employers to transfer excess defined benefit plan assets to a special account to pay the health benefits of retirees.
IRC 453(a)	Repeals the installment method of accounting for most accrual basis taxpayers and adjusts installment sale pledge rules

The following section is NOT operative for Hawaii income tax purposes

IRC 613A(c)(6)	Extends the temporary suspension of 100% income limitation on percentage depletion for marginal oil and gas wells.
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The following sections are operative for Hawaii income tax purposes

IRC 732	Reduces basis in assets of a corporation if the stock in that corporation is distributed by a partnership to a corporate partner.
Various parts of IRC 852, 856, 857	Among other provisions, prohibits a real estate investment trust (REIT) from owning more than 10 percent of the vote or value of another entity while permitting a REIT ownership of a “taxable REIT subsidiary” engaged in certain activities, to exceed this amount. Also provides that year-end dividends received by a 10-percent owner of a closely-held REIT must be accelerated for that person's estimated tax purposes. The provision is effective for estimated tax payments due on or after December 15, 1999.

The following sections are NOT operative for Hawaii income tax purposes

IRC 953(e)(10) IRC 954(h)(9)	Extends the exemption from Subpart F (Controlled Foreign Corporations IRC sections 951-964) for certain active financing income.
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The following sections are operative for Hawaii income tax purposes.

IRC 1221	Clarifies the tax treatment of income and loss on derivatives.
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IRC 1260 Adds a new section that limits the amount of long-term capital gains a taxpayer can recognize from derivative transactions with certain pass-through entities to the amount of gain the taxpayer would have had if the taxpayer owned a direct interest in the pass-through entity during the term of the derivative contract. (From S. 1792 and included in the Tax Relief Extension Act of 1999 Conference Agreement).

The following sections are NOT operative for Hawaii income tax purposes.

IRC 1397E(e)(1) Extends authority to issue qualified zone academy bonds which help finance construction and repair of public schools.

IRC 1400(C)(i) Extends the tax credit for first-time District of Columbia home buyers.

IRC 4083 Delays the requirement that registered motor fuel terminals offer dyed kerosene as a condition of registration

IRC 4132(a)(1) Adds Streptococcus pneumoniae to the list of taxable vaccines.

IRC 6654(d)(1)(C) Increases the individual estimated tax safe harbor from 106% to 108.6% for tax year 2000 and 110 % for tax year 2001.

IRC 6050P(c) Expands reporting of cancellation of indebtedness income by nonbank financial institutions.

IRC 6103(b) Bars disclosure of advanced pricing agreements between the IRS and multinational corporations.

IRC 7652(f)(1) Increases the rum excise tax cover over rate for Puerto Rico and the Virgin Islands.

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