A BILL FOR AN ACT

RELATING TO THE STANDARD DEDUCTION FOR INDIVIDUAL INCOME TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 This Act aims to provide income tax relief for 2 lower-income individuals by raising the Hawaii standard 3 deduction to approximately one-half of the 2004 federal standard 4 deduction over a three-year period. This Act shall be known as the "Tax Relief for Families Act of 2006". 5 6 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is 7 amended by amending subsection (a) to read as follows: 8 Section 63 (with respect to taxable income defined) 9 of the Internal Revenue Code shall be operative for the purposes 10 of this chapter, except that the standard deduction amount in 11 section 63(c) of the Internal Revenue Code shall instead mean: 12 (1) For taxable years before January 1, 2007: 13 $[\frac{1}{1}]$ (A) \$1,900 in the case of: 14 [-(A)] (i) A joint return as provided by section 235-15 93; or 16 [(B)] (ii) A surviving spouse (as defined in section 17 2(a) of the Internal Revenue Code); 18 $\left[\frac{(2)}{(2)}\right]$ (B) \$1,650 in the case of a head of household (as

H.B. NO. 2015

1			defined in section 2(b) of the Internal Revenue
2			Code);
3	[(3)]	<u>(C)</u>	\$1,500 in the case of an individual who is not
4			married and who is not a surviving spouse or head
5			of household; or
6	[(4)]	<u>(D)</u>	\$950 in the case of a married individual filing a
7			separate return.
8	(2)	For	any taxable year beginning after December 31, 2006
9		and	before January 1, 2008:
10		<u>(A)</u>	\$3,000 in the case of:
11			(i) A joint return as provided by section 235-
12			93; or
13			(ii) A surviving spouse (as defined in section
14			2(a) of the Internal Revenue Code);
15		(B)	\$2,300 in the case of a head of household (as
16			defined in section 2(b) of the Internal Revenue
17			<u>Code)</u> ;
18		<u>(C)</u>	\$1,500 in the case of an individual who is not
19			married and who is not a surviving spouse or head
20			of household; or
21		(D)	\$1,500 in the case of a married individual filing
22			a separate return.

1	(3)	For	any taxable year beginning after December 31, 2007
2		and	before January 1, 2009:
3		(A)	\$4,000 in the case of:
4			(i) A joint return as provided by section 235-
5			<u>93; or</u>
6			(ii) A surviving spouse (as defined in section
7			2(a) of the Internal Revenue Code);
8		<u>(B)</u>	\$3,000 in the case of a head of household (as
9			defined in section 2(b) of the Internal Revenue
10			<u>Code);</u>
11		(C)	\$2,000 in the case of an individual who is not
12			married and who is not a surviving spouse or head
13			of household; or
14		<u>(D)</u>	\$2,000 in the case of a married individual filing
15			a separate return.
16	(4)	For	any taxable year beginning after December 31,
17		2008	<u>:</u>
18		(A)	\$5,000 in the case of:
19			(i) A joint return as provided by section 235-
20			93; or
21			(ii) A surviving spouse (as defined in section
2.2.			2(a) of the Internal Revenue Code):

H.B. NO. ZOIS

1	(B)	\$3,650 in the case of a head of household (as			
2		defined in section 2(b) of the Internal Revenue			
3		<u>Code)</u> ;			
4	<u>(C)</u>	\$2,500 in the case of an individual who is not			
5		married and who is not a surviving spouse or head			
6		of household; or			
7	<u>(D)</u>	\$2,500 in the case of a married individual filing			
8		a separate return.			
9	Section 63(c)(4) shall not be operative in this State.				
10	Section 63(c)(5) shall be operative, except that the limitation				
11	on basic standard deduction in the case of certain dependents				
12	shall be the greater of \$500 or such individual's earned income.				
13	Section 63(f) shall not be operative in this State.				
14	The standard deduction amount for nonresidents shall be				
15	calculated pursuant to section 235-5."				
16	SECTION 3. Statutory material to be repealed is bracketed				
17	and stricken. New statutory material is underscored.				

1 SECTION 4. This Act shall take effect upon its approval

2 and shall apply to taxable years beginning after December 31,

3 2006.

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INTRODUCED BY:

JAN 2 0 2006

HB 2015

Report Title:

Standard Deduction for Individual Income Tax

Description:

Raises the Hawaii standard deduction over a three-year period starting in 2007.

HB HMIA 36-2006