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# A BILL FOR AN ACT

RELATING TO TAX EXEMPTIONS.

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

1           SECTION 1. Section 235-54, Hawaii Revised Statutes, is  
2 amended to read as follows:  
3           "**§235-54 Exemptions.** (a) In computing the taxable income  
4 of any individual, there shall be deducted, in lieu of the  
5 personal exemptions allowed by the Internal Revenue Code[7] of  
6 1986, as amended, and except as provided in subsection (c),  
7 personal exemptions computed as follows: Ascertain the number  
8 of exemptions which the individual can lawfully claim under the  
9 Internal Revenue Code, add an additional exemption for the  
10 taxpayer or the taxpayer's spouse who is sixty-five years of age  
11 or older within the taxable year, and multiply that number by  
12 \$1,040, for taxable years beginning after December 31, 1984. A  
13 nonresident shall prorate the personal exemptions on account of  
14 income from sources outside the State as provided in section  
15 235-5. In the case of an individual with respect to whom an  
16 exemption under this section is allowable to another taxpayer  
17 for a taxable year beginning in the calendar year in which the  
18 individual's taxable year begins, the personal exemption amount

1 applicable to such individual under this subsection for such  
2 individual's taxable year shall be zero.

3 (b) In computing the taxable income of an estate or trust  
4 there shall be allowed, in lieu of the deductions allowed under  
5 subsection (a), the following:

6 (1) An estate shall be allowed a deduction of \$400.

7 (2) A trust which, under its governing instrument, is  
8 required to distribute all of its income currently  
9 shall be allowed a deduction of \$200.

10 (3) All other trusts shall be allowed a deduction of \$80.

11 (c) The phaseout under Section 151(d)(3) of the Internal  
12 Revenue Code of 1986, as amended, shall apply to this section;  
13 provided that the threshold income amounts under Section  
14 151(d)(3)(C) of the Internal Revenue Code of 1986, as amended,  
15 shall be reduced by twenty-five per cent for the purposes of  
16 this subsection; provided further that the threshold income  
17 amounts under Section 151(d)(3)(c) of the Internal Revenue Code  
18 of 1986, as amended, used to determine the twenty-five per cent  
19 reduction under this subsection shall be maintained at the  
20 amounts in place on July 1, 2008.

21 [~~e~~] (d) A blind person, a deaf person and any person  
22 totally disabled, in lieu of the personal exemptions allowed by

1 the Internal Revenue Code, shall be allowed, and there shall be  
2 deducted in computing the taxable income of a blind person, a  
3 deaf person, or a totally disabled person, instead of the  
4 exemptions provided by subsection (a), the amount of \$7,000."

5 SECTION 2. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 3. This Act shall take effect on January 1, 2050,  
8 and apply to taxable years beginning after December 31, 2008;  
9 provided that this Act shall be repealed on June 30, 2015, and  
10 section 235-54, Hawaii Revised Statutes, shall be reenacted in  
11 the form in which it read on the day before the approval of this  
12 Act.

**Report Title:**

Taxation; Exemptions; Phaseout

**Description:**

Conforms state tax exemptions to federal phaseout provisions under section 151(d)(3) of the IRC. Ties threshold to amounts in place in 2008. (HB1544 SD1)