A BILL FOR AN ACT

RELATING TO TAXATION.

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

1	PART I	
2	SECTION 1. Section 235-7, Hawaii Revised Statutes, is	
3	amended by amending subsection (d) to read as follows:	
4	"(d)(1) For taxable years ending before January 1, 1967,	
5	the net operating loss deductions allowed as carrybacks and	
6	carryovers by the Internal Revenue Code shall not be allowed.	
7	In lieu thereof the net operating loss deduction shall consist	
8	of the excess of the deductions allowed by this chapter over the	
9	gross income, computed with the modifications specified in	
10	paragraphs (1) to (4) of [section] Section 172(d) of the	
11	Internal Revenue Code, and with the further modification stated	
12	in paragraph (3) hereof; and shall be allowed as a deduction in	
13	computing the taxable income of the taxpayer for the succeeding	
14	taxable year;	
15	(2) (A) With respect to net operating loss deductions	
16	resulting from net operating losses for taxable	
17	years ending after December 31, 1966, the net	
18	operating loss deduction provisions of the	

1	, I	nternal Revenue Code shall apply; provided that
2	t	here shall be no net operating loss deduction
3	d	arried back to any taxable year ending prior to
4	J	anuary 1, 1967;
5	(B) I	n the case of a taxable year beginning in 1966
6	a	nd ending in 1967, the entire amount of all net
7	0	perating loss deductions carried back to the
8	t	axable year shall be limited to that portion of
9	t	axable income for such taxable year which the
10	n	umber of days in 1967 bears to the total days in
11	t	he taxable year ending in 1967; and
12	.(C) T	he computation of any net operating loss
13	d	eduction for a taxable year covered by this
14	s	ubsection shall require the further
15	m	odifications stated in paragraphs (3), (4), and
16	(5) of this subsection;
17	(3) In com	puting the net operating loss deduction allowed
18	by thi	s subsection, there shall be included in gross
19	income	the amount of interest which is excluded from
20	gross	income by subsection (a), decreased by the
21	amount	of interest paid or accrued which is disallowed
22	as a d	eduction by subsection (e). In determining the

1		amount of the net operating loss deduction under this
2		subsection of any corporation, there shall be
3		disregarded the net operating loss of such corporation
4		for any taxable year for which the corporation is an
5		electing small business corporation;
6	(4)	No net operating loss carryback or carryover shall be
7		allowed by this chapter if not allowed under [section]
8		Section 172 of the Internal Revenue Code;
9	(5)	The election to relinquish the entire carryback period
10		with respect to a net operating loss allowed under
11		[section] Section 172(b)(3)(C) of the Internal Revenue
12		Code shall be operative for the purposes of this
13	•	chapter; provided that no taxpayer shall make such an
14		election as to a net operating loss of a business
15		where such net operating loss occurred in the
16		taxpayer's business prior to the taxpayer entering
17		business in this State; [and]
18	(6)	The five-year carryback period for net operating
19		losses for any taxable year ending during 2001 and
20		2002 in [section] Section 172(b)(1)(H) of the Internal
21		Revenue Code shall not be operative for purposes of
22		this chapter [-]; and

1	(7) Notwithstanding any law to the contrary, including
2	this section, no net operating loss carryback
3	generated in taxable year 2009 under this chapter, may
4	be claimed for taxable years 2007 and 2008, and no net
5	operating loss carryback generated in taxable year
6	2010 under this chapter, may be claimed for taxable
7	years 2008 and 2009."
8	PART II
9	SECTION 2. Chapter 235, Hawaii Revised Statutes, is
10	amended by adding a new section to be appropriately designated
11	and to read as follows:
12	"§235- Itemized deductions; limitation. (a)
13	Notwithstanding any other law to the contrary, itemized tax
14	deductions claimed pursuant to this chapter shall not exceed:
15	(1) \$100,000 in the case of:
16	(A) A joint return as provided by section 235-93; or
17	(B) A surviving spouse (as defined in Section 2(a) of
18	the Internal Revenue Code);
19	(2) \$80,000 in the case of a head of household (as defined
20	in Section 2(b) of the Internal Revenue Code);

1	(3)	\$50,000 in the case of an individual who is not	
2		married and who is not a surviving spouse or head of	
3		household; or	
4	(4)	\$50,000 in the case of a married individual filing a	
5		separate return.	
6	(b)	This section shall be repealed on December 31, 2015."	
7		PART III	
8	SECT	ION 3. The legislature finds that the current economic	
9	crisis an	d the resulting dire financial forecasts require a	
10	thorough	investigation into ways to reduce state expenses	
11	wherever	possible. Expenses that were funded in the past, when	
12	state funds were available, may now be inappropriate,		
13	consideri	ng the billion-dollar state deficit that looms ahead.	
14	The	purpose of this Act is to reduce current state expenses	
15	by removi	ng until December 31, 2015, the refunding feature of	
16	the capit	al goods excise tax credit.	
17	SECT	ION 4. Section 235-110.7, Hawaii Revised Statutes, is	
18	amended b	y amending subsection (b) to read as follows:	
19	"(b)	If the capital goods excise tax credit allowed under	
20	subsection	n (a) exceeds the taxpayer's net income tax liability,	
21	the exces	s of credit over liability shall be refunded to the	
22	taxpayer;	provided that from January 1, 2010, to December 31,	

- 1 2015, the excess credit shall not be refunded, but may be
- 2 claimed in subsequent years until exhausted; provided further
- 3 that no refunds or payment on account of the tax credit allowed
- 4 by this section shall be made for amounts less than \$1.
- 5 All claims for tax credits under this section, including
- 6 any amended claims, must be filed on or before the end of the
- 7 twelfth month following the close of the taxable year for which
- 8 the credits may be claimed. Failure to comply with the
- 9 foregoing provision shall constitute a waiver of the right to
- 10 claim the credit."
- 11 PART IV
- 12 SECTION 5. Statutory material to be repealed is bracketed
- 13 and stricken. New statutory material is underscored.
- 14 SECTION 6. This Act shall take effect on July 1, 2020, and
- 15 shall apply to taxable years beginning after December 31, 2009.

Report Title:

Net Operating Loss Deduction; Itemized Deductions - Standard Deduction; Capital Goods Excise Tax Credit

Description:

Temporarily suspends the income tax net operating loss carryback deduction for losses generated in 2009 and 2010. Places a cap on itemized deductions claimed on state income tax returns. Applies to taxable years beginning after 12/31/09 and sunsets on 12/31/15. Removes the refunding feature of the capital goods excise tax credit from 01/01/10 to 12/31/15. Effective July 1, 2020. (SB2405 HD1)

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