HOUSE OF REPRESENTATIVES TWENTY-SEVENTH LEGISLATURE, 2014 STATE OF HAWAII

H.B. NO. 1986

A BILL FOR AN ACT

RELATING TO TAXABLE INCOME EXCLUSION.

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

1	SECT	ION 1. Section 235-7, Hawaii Revised Statutes, is
2	amended b	y amending subsection (a) to read as follows:
3	"(a)	There shall be excluded from gross income, adjusted
4	gross inc	ome, and taxable income:
5	(1)	Income not subject to taxation by the State under the
6		Constitution and laws of the United States;
7	(2)	Rights, benefits, and other income exempted from
8		taxation by section 88-91, having to do with the state
9		retirement system, and the rights, benefits, and other
10		income, comparable to the rights, benefits, and other
11		income exempted by section 88-91, under any other
12		public retirement system;
13	(3)	Any compensation received in the form of a pension for
14		past services;
15	(4)	Compensation paid to a patient affected with Hansen's
16		disease employed by the State or the United States in
17		any hospital, settlement, or place for the treatment
18		of Hansen's disease;
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1	(5)	Except as otherwise expressly provided, payments made	
2		by the United States or this State, under an act of	
3		Congress or a law of this State, which by express	
4		provision or administrative regulation or	
-5		interpretation are exempt from both the normal and	
6		surtaxes of the United States, even though not so	
7		exempted by the Internal Revenue Code itself;	
8	(6)	Any income expressly exempted or excluded from the	
9		measure of the tax imposed by this chapter by any	
10		other law of the State, it being the intent of this	
11		chapter not to repeal or supersede any express	
12		exemption or exclusion;	
13	(7)	Income received by each member of the reserve	
14		components of the Army, Navy, Air Force, Marine Corps,	
15		or Coast Guard of the United States of America, and	
16		the Hawaii national guard as compensation for	
17		performance of duty, equivalent to pay received for	
18		forty-eight drills (equivalent of twelve weekends) and	
19		fifteen days of annual duty, at an:	
20		(A) E-1 pay grade after eight years of service;	
21		provided that this subparagraph shall apply to	
22		taxable years beginning after December 31, 2004;	
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1		(B)	E-2 pay grade after eight years of service;
2			provided that this subparagraph shall apply to
3			taxable years beginning after December 31, 2005;
4		(C)	E-3 pay grade after eight years of service;
5			provided that this subparagraph shall apply to
6			taxable years beginning after December 31, 2006;
7		(D)	E-4 pay grade after eight years of service;
8			provided that this subparagraph shall apply to
9			taxable years beginning after December 31, 2007;
10			and
11		(E)	E-5 pay grade after eight years of service;
12			provided that this subparagraph shall apply to
13			taxable years beginning after December 31, 2008;
14	(8)	Inco	me derived from the operation of ships or aircraft
15		if t	he income is exempt under the Internal Revenue
16		Code	pursuant to the provisions of an income tax
17		trea	ty or agreement entered into by and between the
18		Unit	ed States and a foreign country; provided that the
19		tax	laws of the local governments of that country
20		reci	procally exempt from the application of all of
21		thei	r net income taxes, the income derived from the

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1		operation of ships or aircraft that are documented or
2		registered under the laws of the United States;
3	(9)	The value of legal services provided by a prepaid
4		legal service plan to a taxpayer, the taxpayer's
5		spouse, and the taxpayer's dependents;
6	(10)	Amounts paid, directly or indirectly, by a prepaid
7		legal service plan to a taxpayer as payment or
8		reimbursement for the provision of legal services to
9		the taxpayer, the taxpayer's spouse, and the
10		taxpayer's dependents;
11	(11)	Contributions by an employer to a prepaid legal
12		service plan for compensation (through insurance or
13		otherwise) to the employer's employees for the costs
14		of legal services incurred by the employer's
15		employees, their spouses, and their dependents;
16	(12)	Amounts received in the form of a monthly surcharge by
17		a utility acting on behalf of an affected utility
18		under section 269-16.3 shall not be gross income,
19		adjusted gross income, or taxable income for the
20		acting utility under this chapter. Any amounts
21		retained by the acting utility for collection or other
22		costs shall not be included in this exemption; [and]



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1	(13)	One hundred per cent of the gain realized by a fee
2		simple owner from the sale of a leased fee interest in
3		units within a condominium project, cooperative
4		project, or planned unit development to the
5		association of owners under chapter 514A or 514B, or
6		the residential cooperative corporation of the
7		leasehold units.
8		For purposes of this paragraph:
9		"Fee simple owner" shall have the same meaning as
10		provided under section 516-1; provided that it shall
11		include legal and equitable owners;
12		"Legal and equitable owner", and "leased fee
13		interest" shall have the same meanings as provided
14		under section 516-1; and
15		"Condominium project" and "cooperative project"
16		shall have the same meanings as provided under section
17		514C-1[-]; and
18	(14)	Income from any source received by resident taxpayers
19		who are on active military duty and serving in the
20		United States Army, Navy, Air Force, or Marine Corps
21		outside the State pursuant to military orders."

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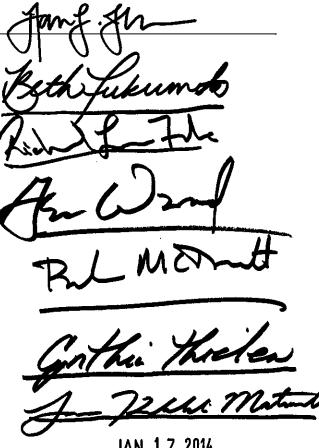
1 SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored. 2

SECTION 3. This Act shall take effect upon its approval 3 and shall apply to taxable years beginning after December 31, 4 5 2014.

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INTRODUCED BY:



JAN 1 7 2014



H.B. NO. 19

Report Title:

Income Tax Exclusion; Military

Description:

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Provides taxable income exclusion for military on active duty who are serving outside the State pursuant to orders.

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