HOUSE OF REPRESENTATIVES TWENTY-EIGHTH LEGISLATURE, 2016 STATE OF HAWAII H.B. NO. **2599** 

## A BILL FOR AN ACT

RELATING TO TAXATION.

## 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



Page 2

H.B. NO. 2599

1		any hospital, settlement, or place for the treatment
2		of Hansen's disease;
3	(5)	Except as otherwise expressly provided, payments made
4		by the United States or this State, under an act of
5		Congress or a law of this State, which by express
6		provision or administrative regulation or
7		interpretation are exempt from both the normal and
8		surtaxes of the United States, even though not so
9		exempted by the Internal Revenue Code itself;
10	(6)	Any income expressly exempted or excluded from the
11		measure of the tax imposed by this chapter by any
12		other law of the State, it being the intent of this
13		chapter not to repeal or supersede any express
14		exemption or exclusion;
15	(7)	Income received by each member of the reserve
16		components of the Army, Navy, Air Force, Marine Corps,
17		or Coast Guard of the United States of America, and
18		the Hawaii National Guard as compensation for
19		performance of duty, equivalent to pay received for
20		forty-eight drills (equivalent of twelve weekends) and
21		fifteen days of annual duty, at an:



Page 3

H.B. NO. 2599

	(A)	E-1 pay grade after eight years of service;
		provided that this subparagraph shall apply to
		taxable years beginning after December 31, 2004;
	(B)	E-2 pay grade after eight years of service;
		provided that this subparagraph shall apply to
		taxable years beginning after December 31, 2005;
	(C)	E-3 pay grade after eight years of service;
,		provided that this subparagraph shall apply to
		taxable years beginning after December 31, 2006;
	(D)	E-4 pay grade after eight years of service;
		provided that this subparagraph shall apply to
		taxable years beginning after December 31, 2007;
		and
	(E)	E-5 pay grade after eight years of service;
		provided that this subparagraph shall apply to
		taxable years beginning after December 31, 2008;
(8)	Inco	ne derived from the operation of ships or aircraft
	if t]	ne income is exempt under the Internal Revenue
	Code	pursuant to the provisions of an income tax
	treat	ry or agreement entered into by and between the
	Unite	ed States and a foreign country; provided that the
	(8)	<ul> <li>(B)</li> <li>(C)</li> <li>(D)</li> <li>(E)</li> <li>(8) Incomif the Code treat</li> </ul>



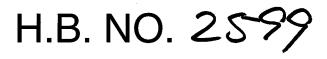
H.B. NO. 2599

1 tax laws of the local governments of that country reciprocally exempt from the application of all of 2 3 their net income taxes, the income derived from the 4 operation of ships or aircraft that are documented or 5 registered under the laws of the United States; The value of legal services provided by a legal 6 (9) 7 service plan to a taxpayer, the taxpayer's spouse, and 8 the taxpayer's dependents; 9 Amounts paid, directly or indirectly, by a legal (10)10 service plan to a taxpayer as payment or reimbursement 11 for the provision of legal services to the taxpayer, 12 the taxpayer's spouse, and the taxpayer's dependents; 13 Contributions by an employer to a legal service plan (11)14 for compensation (through insurance or otherwise) to 15 the employer's employees for the costs of legal 16 services incurred by the employer's employees, their 17 spouses, and their dependents; 18 Amounts received in the form of a monthly surcharge by (12)19 a utility acting on behalf of an affected utility 20 under section 269-16.3; provided that amounts retained



Page 4

Page 5

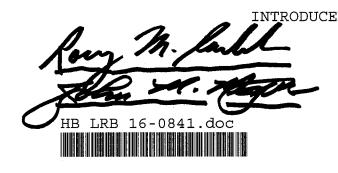


1		by the acting utility for collection or other costs
2		shall not be included in this exemption;
3	(13)	Amounts received in the form of a cable surcharge by
4		an electric utility company acting on behalf of a
5		certified cable company under section 269-134;
6		provided that any amounts retained by that electric
7		utility company for collection or other costs shall
8		not be included in this exemption; [and]
9	(14)	One hundred per cent of the gain realized by a fee
10		simple owner from the sale of a leased fee interest in
11		units within a condominium project, cooperative
12		project, or planned unit development to the
13		association of owners under chapter 514A or 514B, or
14		the residential cooperative corporation of the
15		leasehold units.
16		For purposes of this paragraph:
17		"Fee simple owner" shall have the same meaning as
18		provided under section 516-1; provided that it shall
19		include legal and equitable owners;

Page 6

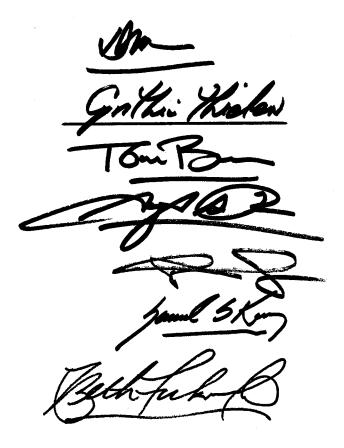
## H.B. NO. 25

1	"Legal and equitable owner", and "leased fee				
2	interest" shall have the same meanings as provided				
3	under section 516-1; and				
4	"Condominium project" and "cooperative project"				
5	shall have the same meanings as provided under section				
6	514C-1[-]; and				
7	(15) The first \$10,000 of income derived from tips received				
8	by a taxpayer who is a tipped employee, as defined in				
9	section 387-1."				
10	SECTION 2. Statutory material to be repealed is bracketed				
11	and stricken. New statutory material is underscored.				
12	SECTION 3. This Act, upon its approval, shall apply to				
13	taxable years beginning after December 31, 2015; provided that				
14	the amendments made to section 235-7(a), Hawaii Revised				
15	Statutes, by section 1 of this Act shall not be repealed when				
16	that section is reenacted on January 1, 2018, pursuant to				
17	section 3 of Act 166, Session Laws of Hawaii 2007, as amended by				
18	section 5 of Act 220, Session Laws of Hawaii 2012.				
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INTRODUCED BY: Juli Mith Junkon Po In

H.B. NO. 259



JAN 2 6 2016





Report Title: Tipped Employees; Income Tax Exemption

**Description:** Establishes an income tax exemption on the first \$10,000 of income derived from tips received by a tipped employee.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

