

JAN 22 2021

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that the coronavirus
2 disease 2019 (COVID-19) pandemic has created a financial crisis
3 in many households in Hawaii. The State's unemployment rate,
4 which was 2.4 per cent in March 2020, surged to 22.3 per cent in
5 April 2020, resulting in more than 350,000 individuals filing
6 unemployment insurance benefit claims that month. For many
7 people, it was their first time filing for unemployment
8 insurance benefits.

9 The statewide stay-at-home orders and mandatory fourteen-
10 day quarantine for travelers decimated the State's tourism and
11 service industry, and as of January 2021, more than three
12 thousand businesses remain closed. According to the Bank of
13 Hawaii Foundation, Hawaii residents are struggling to pay for
14 basic necessities such as housing, utilities, and
15 transportation, and are relying on public and private support to
16 navigate these difficult times. One in three residents are
17 delinquent in paying at least some of their bills, and more than



1 one in four residents experienced issues with food security
2 since the start of the pandemic. More than forty thousand
3 Hawaii residents lost their private health insurance coverage
4 during the pandemic, and many residents who did not qualify for
5 coverage under government plans were required to purchase plans
6 themselves despite their financial hardship.

7 The legislature also finds that even with the federal
8 economic relief package including stimulus payments and
9 additional unemployment aid, approximately six in ten Americans
10 currently do not have the financial flexibility to handle an
11 unexpected \$1,000 expense such as an emergency medical bill or
12 car repair.

13 The legislature finds that currently, six states – Alabama,
14 California, Montana, New Jersey, Pennsylvania, and Virginia –
15 exempt unemployment insurance benefits from income taxes; nine
16 states – Alaska, Florida, Nevada, New Hampshire, South Dakota,
17 Tennessee, Texas, Washington, and Wyoming – do not have income
18 taxes, and therefore, do not collect tax on unemployment
19 insurance benefits; and two states – Indiana and Wisconsin –
20 make partial exemptions on unemployment insurance benefits.



1 Meanwhile, Hawaii treats unemployment insurance benefits as
2 fully taxable income.

3 The purpose of this bill is to alleviate the financial
4 strain on many struggling households in Hawaii by exempting
5 unemployment insurance benefits received during the period of
6 March 1, 2020, through December 31, 2020, from state income tax.

7 SECTION 2. Notwithstanding sections 235-69 and 383-163.6,
8 Hawaii Revised Statutes, to the contrary, unemployment
9 compensation received by an individual during the period of
10 March 1, 2020, through December 31, 2020, shall be exempt from
11 state income tax. The department of taxation shall
12 retroactively refund state income tax deducted and withheld from
13 individuals for unemployment compensation during the period of
14 March 1, 2020, through December 31, 2020.

15 SECTION 3. This Act shall take effect upon its approval.

16

INTRODUCED BY: Rosalyn H. Beh



S.B. NO. 614

Report Title:

Department of Taxation; State Income Tax Exemption; Unemployment Benefits; Retroactive Application

Description:

Retroactively exempts from state income tax, unemployment compensation received from March 1, 2020, to December 31, 2020. Requires the department of taxation to retroactively refund state income tax deducted and withheld from individuals for unemployment compensation during that time period.

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