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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Section 235-1, Hawaii Revised Statutes, is  
2 amended by adding a new definition to be appropriately inserted  
3 and to read as follows:

4           ""Cost-of-living adjustment factor" means a factor  
5 calculated by adding 1.0 to the percentage change in the  
6 Consumer Price Index for All Urban Consumers, as published by  
7 the United States Department of Labor, from July of the  
8 preceding calendar year to July of the current calendar year;  
9 provided that, if the Consumer Price Index is discontinued, the  
10 Chained Consumer Price Index for All Urban Consumers, as  
11 published by the United States Department of Labor, shall be  
12 used to calculate the cost-of-living adjustment factor."

13           SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is  
14 amended as follows:

15           1. By amending subsection (a) to read:



1           "(a) Section 63 (with respect to taxable income defined)  
2 of the Internal Revenue Code shall be operative for the purposes  
3 of this chapter, subject to the following:

4           (1) Section 63(c)(1)(B) (relating to the additional  
5 standard deduction), 63(c)(1)(C) (relating to the real  
6 property tax deduction), 63(c)(1)(D) (relating to the  
7 disaster loss deduction), 63(c)(1)(E) (relating to the  
8 motor vehicle sales tax deduction), 63(c)(4) (relating  
9 to inflation adjustments), 63(c)(7) (defining the real  
10 property tax deduction), 63(c)(8) (defining the  
11 disaster loss deduction), 63(c)(9) (defining the motor  
12 vehicle sales tax deduction), and 63(f) (relating to  
13 additional amounts for the aged or blind) of the  
14 Internal Revenue Code shall not be operative for  
15 purposes of this chapter;

16           (2) Section 63(c)(2) (relating to the basic standard  
17 deduction) of the Internal Revenue Code shall be  
18 operative ~~[, except that the standard deduction amounts~~  
19 ~~provided therein shall instead mean:~~

20           ~~(A) \$4,400 in the case of:~~



- 1                   ~~(i) A joint return as provided by section 235-~~
- 2                                   ~~93, or~~
- 3                   ~~(ii) A surviving spouse (as defined in section~~
- 4                                   ~~2(a) of the Internal Revenue Code);~~
- 5                   ~~(B) \$3,212 in the case of a head of household (as~~
- 6                                   ~~defined in section 2(b) of the Internal Revenue~~
- 7                                   ~~Code);~~
- 8                   ~~(C) \$2,200 in the case of an individual who is not~~
- 9                                   ~~married and who is not a surviving spouse or head~~
- 10                                  ~~of household; or~~
- 11                   ~~(D) \$2,200 in the case of a married individual filing~~
- 12                                  ~~a separate return;]; provided that:~~
- 13                   (A) The standard deduction amounts provided therein
- 14                                  shall instead mean:
- 15                                  (i) \$10,000 in the case of a joint return, as
- 16   provided by section 235-93, or a surviving
- 17   spouse, as defined in section 2(a) of the
- 18   Internal Revenue Code;
- 19                   (ii) \$7,500 in the case of a head of household,
- 20   as defined in section 2(b) of the Internal
- 21   Revenue Code;



1                    (iii) \$5,000 in the case of an individual who is  
2                    not married and who is not a surviving  
3                    spouse or head of household; or  
4                    (iv) \$5,000 in the case of a married individual  
5                    filing a separate return; and  
6                    (B) For each taxable year beginning after December  
7                    31, 2023, the director, no later than December 15  
8                    of the preceding calendar year, shall recompute  
9                    the standard deduction amounts by multiplying the  
10                   dollar amounts for the preceding taxable year by  
11                   the cost-of-living adjustment factor, if the  
12                   cost-of-living adjustment factor is greater than  
13                   zero, and rounding off the resulting product to  
14                   the nearest \$1; provided that if the cost-of-  
15                   living adjustment factor is less than or equal to  
16                   zero in a given year, then no adjustment will  
17                   occur in the following year;  
18                   (3) Section 63(c)(5) (limiting the basic standard  
19                   deduction in the case of certain dependents) of the  
20                   Internal Revenue Code shall be operative, except that

1 the limitation shall be the greater of \$500 or the  
2 individual's earned income; and

3 (4) The standard deduction amount for nonresidents shall  
4 be calculated pursuant to section 235-5."

5 2. By amending subsection (c) to read:

6 "(c) Section 68 (with respect to the overall limitation on  
7 itemized deductions) of the Internal Revenue Code shall be  
8 operative; provided that ~~the~~:

9 (1) ~~[Thresholds]~~ The thresholds shall be ~~[these]~~ the  
10 applicable amounts under section 68(b)(1) of the  
11 Internal Revenue Code that were operative for federal  
12 tax year ~~[2009; and]~~ 2013;

13 (2) For each taxable year beginning after December 31,  
14 2023, the director of taxation, no later than December  
15 15 of the preceding calendar year, shall recompute the  
16 threshold amounts by multiplying the dollar amounts  
17 for the preceding taxable year by the cost-of-living  
18 adjustment factor, if the cost-of-living adjustment  
19 factor is greater than zero, and rounding off the  
20 resulting product to the nearest \$1; provided that if  
21 the cost-of-living adjustment factor is less than or



1           equal to zero in a given year, then no adjustment will  
2           occur in the following year; and

3       [+2+] (3) Suspension in section 68(f) shall not be  
4           operative for purposes of this chapter."

5           3. By amending subsection (k) to read:

6           "(k) Section 164 (with respect to taxes) of the Internal  
7 Revenue Code shall be operative for the purposes of this  
8 chapter, except that:

9           (1) Section 164(b)(6)(B) (limiting the deduction for state  
10           and local taxes) shall not be operative for the  
11           purposes of this chapter;

12           (2) The deductions under section 164(a)(3) and (b)(5)  
13           shall not be operative for corporate taxpayers ~~and~~  
14           ~~shall be operative only for the following individual~~  
15           ~~taxpayers:~~

16           ~~(A) A taxpayer filing a single return or a married~~  
17           ~~person filing separately with a federal adjusted~~  
18           ~~gross income of less than \$100,000;~~

19           ~~(B) A taxpayer filing as a head of household with a~~  
20           ~~federal adjusted gross income of less than~~  
21           ~~\$150,000; and~~



1           ~~(C) A taxpayer filing a joint return or as a~~  
2           ~~surviving spouse with a federal adjusted gross~~  
3           ~~income of less than \$200,000]; and~~

4           (3) Section 164(a)(3) shall not be operative for any  
5           amounts for which the credit under section 235-55 has  
6           been claimed."

7           SECTION 3. Section 235-51, Hawaii Revised Statutes, is  
8           amended to read as follows:

9           "**§235-51 Tax imposed on individuals; rates.** (a) There is  
10          hereby imposed on the taxable income of every:

11          (1) Taxpayer who files a joint return under section 235-  
12          93; and

13          (2) Surviving spouse,

14          a tax determined in accordance with the following table:

15          ~~[In the case of any taxable year beginning after December~~  
16          ~~31, 2017:~~

17	<del>If the taxable income is:</del>	<del>The tax shall be:</del>
18	<del>Not over \$4,800</del>	<del>1.40% of taxable income</del>
19	<del>Over \$4,800 but</del>	<del>\$67.00 plus 3.20% of</del>
20	<del>not over \$9,600</del>	<del>excess over \$4,800</del>
21	<del>Over \$9,600 but</del>	<del>\$221.00 plus 5.50% of</del>



1	<del>not over \$19,200</del>	<del>excess over \$9,600</del>
2	<del>Over \$19,200 but</del>	<del>\$749.00 plus 6.40% of</del>
3	<del>not over \$28,800</del>	<del>excess over \$19,200</del>
4	<del>Over \$28,800 but</del>	<del>\$1,363.00 plus 6.80% of</del>
5	<del>not over \$38,400</del>	<del>excess over \$28,800</del>
6	<del>Over \$38,400 but</del>	<del>\$2,016.00 plus 7.20% of</del>
7	<del>not over \$48,000</del>	<del>excess over \$38,400</del>
8	<del>Over \$48,000 but</del>	<del>\$2,707.00 plus 7.60% of</del>
9	<del>not over \$72,000</del>	<del>excess over \$48,000</del>
10	<del>Over \$72,000 but</del>	<del>\$4,531.00 plus 7.90% of</del>
11	<del>not over \$96,000</del>	<del>excess over \$72,000</del>
12	<del>Over \$96,000 but</del>	<del>\$6,427.00 plus 8.25% of</del>
13	<del>not over \$300,000</del>	<del>excess over \$96,000</del>
14	<del>Over \$300,000 but</del>	<del>\$23,257.00 plus 9.00% of</del>
15	<del>not over \$350,000</del>	<del>excess over \$300,000</del>
16	<del>Over \$350,000 but</del>	<del>\$27,757.00 plus 10.00% of</del>
17	<del>not over \$400,000</del>	<del>excess over \$350,000</del>
18	<del>Over \$400,000</del>	<del>\$32,757.00 plus 11.00% of</del>
19		<del>excess over \$400,000.]</del>

20 In the case of any taxable year beginning after

21 December 31, 2022:





1	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
2	<u>Not over \$5,126</u>	<u>1.40% of taxable income</u>
3	<u>Over \$5,126 but</u>	<u>\$72.00 plus 3.20% of</u>
4	<u>not over \$10,253</u>	<u>excess over \$5,126</u>
5	<u>Over \$10,253 but</u>	<u>\$236.00 plus 5.50% of</u>
6	<u>not over \$20,506</u>	<u>excess over \$10,253</u>
7	<u>Over \$20,506 but</u>	<u>\$800.00 plus 6.40% of</u>
8	<u>not over \$30,758</u>	<u>excess over \$20,506</u>
9	<u>Over \$30,758 but</u>	<u>\$1,456.00 plus 6.80% of</u>
10	<u>not over \$41,011</u>	<u>excess over \$30,758</u>
11	<u>Over \$41,011 but</u>	<u>\$2,153.00 plus 7.20% of</u>
12	<u>not over \$51,264</u>	<u>excess over \$41,011</u>
13	<u>Over \$51,264 but</u>	<u>\$2,891.00 plus 7.60% of</u>
14	<u>not over \$76,896</u>	<u>excess over \$51,264</u>
15	<u>Over \$76,896 but</u>	<u>\$4,839.00 plus 7.90% of</u>
16	<u>not over \$102,528</u>	<u>excess over \$76,896</u>
17	<u>Over \$102,528 but</u>	<u>\$6,864.00 plus 8.25% of</u>
18	<u>not over \$320,400</u>	<u>excess over \$102,528</u>
19	<u>Over \$320,400 but</u>	<u>\$24,838.00 plus 9.00% of</u>
20	<u>not over \$373,800</u>	<u>excess over \$320,400</u>
21	<u>Over \$373,800 but</u>	<u>\$29,644.00 plus 10.00% of</u>





1	<del>not over \$54,000</del>	<del>excess over \$36,000</del>
2	<del>Over \$54,000 but</del>	<del>\$3,398.00 plus 7.90% of</del>
3	<del>not over \$72,000</del>	<del>excess over \$54,000</del>
4	<del>Over \$72,000 but</del>	<del>\$4,820.00 plus 8.25% of</del>
5	<del>not over \$225,000</del>	<del>excess over \$72,000</del>
6	<del>Over \$225,000 but</del>	<del>\$17,443.00 plus 9.00% of</del>
7	<del>not over \$262,500</del>	<del>excess over \$225,000</del>
8	<del>Over \$262,500 but</del>	<del>\$20,818.00 plus 10.00% of</del>
9	<del>not over \$300,000</del>	<del>excess over \$262,500</del>
10	<del>Over \$300,000</del>	<del>\$24,568.00 plus 11.00% of</del>
11		<del>excess over \$300,000.]</del>

12 In the case of any taxable year beginning after  
13 December 31, 2022:

14	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
15	<u>Not over \$3,845</u>	<u>1.40% of taxable income</u>
16	<u>Over \$3,845 but</u>	<u>\$54.00 plus 3.20% of</u>
17	<u>not over \$7,690</u>	<u>excess over \$3,845</u>
18	<u>Over \$7,690 but</u>	<u>\$177.00 plus 5.50% of</u>
19	<u>not over \$15,379</u>	<u>excess over \$7,690</u>
20	<u>Over \$15,379 but</u>	<u>\$600.00 plus 6.40% of</u>
21	<u>not over \$23,069</u>	<u>excess over \$15,379</u>



1	<u>Over \$23,069 but</u>	<u>\$1,092.00 plus 6.80% of</u>
2	<u>not over \$30,758</u>	<u>excess over \$23,069</u>
3	<u>Over \$30,758 but</u>	<u>\$1,615.00 plus 7.20% of</u>
4	<u>not over \$38,448</u>	<u>excess over \$30,758</u>
5	<u>Over \$38,448 but</u>	<u>\$2,169.00 plus 7.60% of</u>
6	<u>not over \$57,672</u>	<u>excess over \$38,448</u>
7	<u>Over \$57,672 but</u>	<u>\$3,630.00 plus 7.90% of</u>
8	<u>not over \$76,896</u>	<u>excess over \$57,672</u>
9	<u>Over \$76,896 but</u>	<u>\$5,149.00 plus 8.25% of</u>
10	<u>not over \$240,300</u>	<u>excess over \$76,896</u>
11	<u>Over \$240,300 but</u>	<u>\$18,630.00 plus 9.00% of</u>
12	<u>not over \$280,350</u>	<u>excess over \$240,300</u>
13	<u>Over \$280,350 but</u>	<u>\$22,234.00 plus 10.00% of</u>
14	<u>not over \$320,400</u>	<u>excess over \$280,350</u>
15	<u>Over \$320,400</u>	<u>\$26,239.00 plus 11.00% of</u>
16		<u>excess over \$320,400.</u>

17 (c) There is hereby imposed on the taxable income of (1)  
18 every unmarried individual (other than a surviving spouse, or  
19 the head of a household) and (2) on the taxable income of every  
20 married individual who does not make a single return jointly



1 with the individual's spouse under section 235-93 a tax  
2 determined in accordance with the following table:

3 ~~[In the case of any taxable year beginning after December~~  
4 ~~31, 2017:~~

5	<del>If the taxable income is:</del>	<del>The tax shall be:</del>
6	<del>Not over \$2,400</del>	<del>1.40% of taxable income</del>
7	<del>Over \$2,400 but</del>	<del>\$34.00 plus 3.20% of</del>
8	<del>not over \$4,800</del>	<del>excess over \$2,400</del>
9	<del>Over \$4,800 but</del>	<del>\$110.00 plus 5.50% of</del>
10	<del>not over \$9,600</del>	<del>excess over \$4,800</del>
11	<del>Over \$9,600 but</del>	<del>\$374.00 plus 6.40% of</del>
12	<del>not over \$14,400</del>	<del>excess over \$9,600</del>
13	<del>Over \$14,400 but</del>	<del>\$682.00 plus 6.80% of</del>
14	<del>not over \$19,200</del>	<del>excess over \$14,400</del>
15	<del>Over \$19,200 but</del>	<del>\$1,008.00 plus 7.20% of</del>
16	<del>not over \$24,000</del>	<del>excess over \$19,200</del>
17	<del>Over \$24,000 but</del>	<del>\$1,354.00 plus 7.60% of</del>
18	<del>not over \$36,000</del>	<del>excess over \$24,000</del>
19	<del>Over \$36,000 but</del>	<del>\$2,266.00 plus 7.90% of</del>
20	<del>not over \$48,000</del>	<del>excess over \$36,000</del>
21	<del>Over \$48,000 but</del>	<del>\$3,214.00 plus 8.25% of</del>





1	<u>Over \$25,632 but</u>	<u>\$1,446.00 plus 7.60% of</u>
2	<u>not over \$38,448</u>	<u>excess over \$25,632</u>
3	<u>Over \$38,448 but</u>	<u>\$2,420.00 plus 7.90% of</u>
4	<u>not over \$51,264</u>	<u>excess over \$38,448</u>
5	<u>Over \$51,264 but</u>	<u>\$3,432.00 plus 8.25% of</u>
6	<u>not over \$160,200</u>	<u>excess over \$51,264</u>
7	<u>Over \$160,200 but</u>	<u>\$12,419.00 plus 9.00% of</u>
8	<u>not over \$186,900</u>	<u>excess over \$160,200</u>
9	<u>Over \$186,900 but</u>	<u>\$14,822.00 plus 10.00% of</u>
10	<u>not over \$213,600</u>	<u>excess over \$186,900</u>
11	<u>Over \$213,600</u>	<u>\$17,492.00 plus 11.00% of</u>
12		<u>excess over \$213,600.</u>

13 (d) The tax imposed by section 235-2.45 on estates and  
14 trusts shall be determined in accordance with the following  
15 table:

16 In the case of any taxable year beginning after December  
17 31, 2001:

18	If the taxable income is:	The tax shall be:
19	Not over \$2,000	1.40% of taxable income
20	Over \$2,000 but	\$28.00 plus 3.20% of
21	not over \$4,000	excess over \$2,000



1	Over \$4,000 but	\$92.00 plus 5.50% of
2	not over \$8,000	excess over \$4,000
3	Over \$8,000 but	\$312.00 plus 6.40% of
4	not over \$12,000	excess over \$8,000
5	Over \$12,000 but	\$568.00 plus 6.80% of
6	not over \$16,000	excess over \$12,000
7	Over \$16,000 but	\$840.00 plus 7.20% of
8	not over \$20,000	excess over \$16,000
9	Over \$20,000 but	\$1,128.00 plus 7.60% of
10	not over \$30,000	excess over \$20,000
11	Over \$30,000 but	\$1,888.00 plus 7.90% of
12	not over \$40,000	excess over \$30,000
13	Over \$40,000	\$2,678.00 plus 8.25% of
14		excess over \$40,000.

15 (e) Any taxpayer, other than a corporation, acting as a  
16 business entity in more than one state who is required by this  
17 chapter to file a return may elect to report and pay a tax of .5  
18 per cent of the taxpayer's annual gross sales if the:

19 (1) Taxpayer's only activities in this State consist of  
20 sales;





1 (2) Taxpayer does not own or rent real estate or tangible  
2 personal property; and

3 (3) Taxpayer's annual gross sales in or into this State  
4 during the tax year is not in excess of \$100,000.

5 (f) If a taxpayer has a net capital gain for any taxable  
6 year to which this subsection applies, then the tax imposed by  
7 this section shall not exceed the sum of:

8 (1) The tax computed at the rates and in the same manner  
9 as if this subsection had not been enacted on the  
10 greater of:

11 (A) The taxable income reduced by the amount of net  
12 capital gain, or

13 (B) The amount of taxable income taxed at a rate  
14 below 7.25 per cent, plus

15 (2) A tax of 7.25 per cent of the amount of taxable income  
16 in excess of the amount determined under paragraph

17 (1).

18 This subsection shall apply to individuals, estates, and  
19 trusts for taxable years beginning after December 31, 1986.

20 (g) For each taxable year beginning after December 31,  
21 2023, the director, no later than December 15 of the preceding



1 calendar year, shall recompute the taxable income amounts within  
2 each of the income brackets in subsections (a), (b), and (c) by  
3 multiplying the taxable income amounts within each income  
4 bracket for the preceding taxable year by the cost-of-living  
5 adjustment factor, if the cost-of-living adjustment factor is  
6 greater than zero, and rounding off the resulting product to the  
7 nearest \$1. If the cost-of-living adjustment factor is less  
8 than or equal to zero in a given year, then no adjustment will  
9 occur in the following year. Nothing in this subsection shall  
10 be construed as permitting an adjustment to the rates of tax in  
11 subsections (a), (b), and (c)."

12 SECTION 4. Section 235-54, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 "**§235-54 Exemptions.** (a) In computing the taxable income  
15 of any individual, there shall be deducted, in lieu of the  
16 personal exemptions allowed by the Internal Revenue Code,  
17 personal exemptions computed as follows: Ascertain the number  
18 of exemptions which the individual can lawfully claim under the  
19 Internal Revenue Code, add an additional exemption for the  
20 taxpayer or the taxpayer's spouse who is sixty-five years of age  
21 or older within the taxable year, and multiply that number by



1 [~~\$1,144,~~] \$2,288, for taxable years beginning after December 31,  
2 [~~1984,~~] 2022. A nonresident shall prorate the personal  
3 exemptions on account of income from sources outside the State  
4 as provided in section 235-5. In the case of an individual with  
5 respect to whom an exemption under this section is allowable to  
6 another taxpayer for a taxable year beginning in the calendar  
7 year in which the individual's taxable year begins, the personal  
8 exemption amount applicable to such individual under this  
9 subsection for such individual's taxable year shall be zero.

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

- 13 (1) An estate shall be allowed a deduction of \$400.  
14 (2) A trust which, under its governing instrument, is  
15 required to distribute all of its income currently  
16 shall be allowed a deduction of \$200.  
17 (3) All other trusts shall be allowed a deduction of \$80.

18 (c) A blind person, a deaf person, and any person totally  
19 disabled, in lieu of the personal exemptions allowed by the  
20 Internal Revenue Code, shall be allowed, and there shall be  
21 deducted in computing the taxable income of a blind person, a



1 deaf person, or a totally disabled person, instead of the  
2 exemptions provided by subsection (a), the amount of \$7,000.

3 (d) For each taxable year beginning after December 31,  
4 2023, the director of taxation, no later than December 15 of the  
5 preceding calendar year, shall recompute the personal exemption  
6 and deduction amounts in this section by multiplying the amount  
7 for the preceding taxable year by the cost-of-living adjustment  
8 factor, if the cost-of-living adjustment factor is greater than  
9 zero, and rounding off the resulting product to the nearest \$1.  
10 If the cost-of-living adjustment factor is less than or equal to  
11 zero in a given year, then no adjustment will occur in the  
12 following year."

13 SECTION 5. Section 235-55.75, Hawaii Revised Statutes, is  
14 amended by amending subsection (a) to read as follows:

15 "(a) Each qualifying individual taxpayer may claim a  
16 refundable earned income tax credit. The tax credit, for the  
17 appropriate taxable year, shall be [~~twenty~~] \_\_\_\_ per cent of the  
18 federal earned income tax credit allowed and properly claimed  
19 under section 32 of the Internal Revenue Code and reported as  
20 such on the individual's federal income tax return."



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

3           SECTION 7. This Act shall take effect on June 30, 3000,  
4 and shall apply to taxable years beginning after December 31,  
5 2022.



**Report Title:**

Income Tax; Income Tax Brackets; Personal Exemption; Standard Deduction; Cost-of-living Adjustment; Earned Income Tax Credit; Amount

**Description:**

Increases the amounts for the income tax brackets and personal exemption and standard deduction amounts for tax year 2023. Adjusts annually for tax years beginning after December 31, 2023, the income tax brackets and personal exemption, and standard deduction amounts by a cost-of-living adjustment factor. Amends the taxable income brackets and income tax rates for each filing status for taxable years beginning after 12/31/2022. Changes the amount of the state earned income tax credit to an unspecified percentage of the federal earned income tax credit allowed based on an individual's federal income tax return. Effective 6/30/3000. (HD2)

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

