
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 there is inequity in
2 the taxation of retirement income and many seniors in Hawaii are
3 struggling to make ends meet.

4 The purpose of this Act is to address this issue by
5 excluding income received from deferred compensation retirement
6 plans from the state income tax for taxpayers who meet certain
7 income requirements.

8 SECTION 2. Section 235-7, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) There shall be excluded from gross income, adjusted
11 gross income, and taxable income:

12 (1) Income not subject to taxation by the State under the
13 Constitution and laws of the United States;

14 (2) Rights, benefits, and other income exempted from
15 taxation by section 88-91, having to do with the state
16 retirement system, and the rights, benefits, and other
17 income, comparable to the rights, benefits, and other



- 1 income exempted by section 88-91, under any other
2 public retirement system;
- 3 (3) Any compensation received in the form of a pension for
4 past services;
- 5 (4) Compensation paid to a patient affected with Hansen's
6 disease employed by the State or the United States in
7 any hospital, settlement, or place for the treatment
8 of Hansen's disease;
- 9 (5) Except as otherwise expressly provided, payments made
10 by the United States or this State, under an act of
11 Congress or a law of this State, which by express
12 provision or administrative regulation or
13 interpretation are exempt from both the normal and
14 surtaxes of the United States, even though not so
15 exempted by the Internal Revenue Code itself;
- 16 (6) Any income expressly exempted or excluded from the
17 measure of the tax imposed by this chapter by any
18 other law of the State, it being the intent of this
19 chapter not to repeal or supersede any such express
20 exemption or exclusion;



1 (7) Income received by each member of the reserve
2 components of the Army, Navy, Air Force, Marine Corps,
3 or Coast Guard of the United States of America, and
4 the Hawaii National Guard as compensation for
5 performance of duty, equivalent to pay received for
6 forty-eight drills (equivalent of twelve weekends) and
7 fifteen days of annual duty, at an:
8 (A) E-1 pay grade after eight years of service;
9 provided that this subparagraph shall apply to
10 taxable years beginning after December 31, 2004;
11 (B) E-2 pay grade after eight years of service;
12 provided that this subparagraph shall apply to
13 taxable years beginning after December 31, 2005;
14 (C) E-3 pay grade after eight years of service;
15 provided that this subparagraph shall apply to
16 taxable years beginning after December 31, 2006;
17 (D) E-4 pay grade after eight years of service;
18 provided that this subparagraph shall apply to
19 taxable years beginning after December 31, 2007;
20 and



- 1 (E) E-5 pay grade after eight years of service;
2 provided that this subparagraph shall apply to
3 taxable years beginning after December 31, 2008;
- 4 (8) Income derived from the operation of ships or aircraft
5 if the income is exempt under the Internal Revenue
6 Code pursuant to the provisions of an income tax
7 treaty or agreement entered into by and between the
8 United States and a foreign country[;] provided that
9 the tax laws of the local governments of that country
10 reciprocally exempt from the application of all of
11 their net income taxes, the income derived from the
12 operation of ships or aircraft that are documented or
13 registered under the laws of the United States;
- 14 (9) The value of legal services provided by a legal
15 service plan to a taxpayer, the taxpayer's spouse, and
16 the taxpayer's dependents;
- 17 (10) Amounts paid, directly or indirectly, by a legal
18 service plan to a taxpayer as payment or reimbursement
19 for the provision of legal services to the taxpayer,
20 the taxpayer's spouse, and the taxpayer's dependents;



- 1 (11) Contributions by an employer to a legal service plan
2 for compensation (through insurance or otherwise) to
3 the employer's employees for the costs of legal
4 services incurred by the employer's employees, their
5 spouses, and their dependents; [~~and~~]
- 6 (12) Amounts received in the form of a monthly surcharge by
7 a utility acting on behalf of an affected utility
8 under section 269-16.3; provided that amounts retained
9 by the acting utility for collection or other costs
10 shall not be included in this exemption[~~-~~]; and
- 11 (13) Compensation received from deferred compensation
12 retirement plans, including individual retirement
13 accounts, and those established under section 401(k)
14 or 403(b) of the Internal Revenue Code, or any other
15 retirement plan that defers compensation; provided
16 that this paragraph shall apply only to individuals
17 whose federal adjusted gross income is less than:
- 18 (A) \$30,000 for a taxpayer filing a single return or
19 a married person filing separately;
- 20 (B) \$45,000 for a taxpayer filing as a head of
21 household; and



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1 (C) \$60,000 for a taxpayer filing a joint return or
2 as a surviving spouse."

3 SECTION 3. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 4. This Act, upon its approval, shall apply to
6 taxable years beginning after December 31, 2022.

7

INTRODUCED BY:  _____

JAN 23 2023



H.B. NO. 825

Report Title:

Deferred Compensation Retirement Plans; Income Tax Exclusion

Description:

Excludes income received from deferred compensation retirement plans from the state income tax for taxpayers who meet certain income requirements.

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

