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# A BILL FOR AN ACT

RELATING TO UNEMPLOYMENT COMPENSATION.

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

1           SECTION 1. The legislature finds that Hawaii's cost of  
2 living continues to be burdensome for island residents.  
3 According to the National Low Income Housing Coalition's "Out of  
4 Reach 2023" report, a minimum-wage employee must work one  
5 hundred seven hours per week to afford a one-bedroom rental home  
6 at fair market prices. To afford a two-bedroom residence  
7 without being cost-burdened, the National Low Income Housing  
8 Coalition estimates that a person must earn \$41.83 per hour.  
9 Hawaii's electricity prices are also the highest in the nation,  
10 while the cost of other essential items, like food and clothing,  
11 has risen significantly in recent years.

12           The legislature further finds that taxing unemployment  
13 compensation worsens the financial hardship faced by individuals  
14 who have lost their jobs. Fifteen states, including Alabama,  
15 Alaska, California, Florida, Montana, Nevada, New Hampshire, New  
16 Jersey, Pennsylvania, South Dakota, Tennessee, Texas, Virginia,  
17 Washington, and Wyoming, do not tax unemployment compensation;



1 nine of those states do not impose personal income taxes.  
2 Moreover, Hawaii was one of only thirteen states that levied its  
3 personal income tax on the first \$10,200 of unemployment income  
4 received by individuals in 2020, when the first emergency public  
5 health orders related to the COVID-19 pandemic went into effect.

6 The legislature additionally finds that on August 8, 2023,  
7 wildfires swept across Maui and killed at least one hundred  
8 persons, making it one of the nation's deadliest natural  
9 disasters. The wildfires destroyed over two thousand two  
10 hundred structures, including homes and businesses. According  
11 to a report issued by the University of Hawaii economic research  
12 organization on September 22, 2023, the unemployment rate on  
13 Maui was expected to soar above eleven per cent by the end of  
14 2023 and remain above four per cent through 2026. A total of  
15 10,448 new claims for unemployment in Maui county were filed in  
16 the four weeks following the wildfires, about nine thousand nine  
17 hundred more than in the preceding four weeks. As displaced  
18 families and workers who lost their jobs attempt to recover from  
19 the disaster, eliminating the state income tax on unemployment  
20 compensation would boost their ability to regain financial  
21 security.



1           Therefore, the purpose of this Act is to strengthen  
2 financial security for individuals who have lost their income by  
3 exempting unemployment compensation from the State's personal  
4 income tax and increasing the maximum weekly benefit a person  
5 may receive in unemployment compensation.

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

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

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

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

18           (3) Any compensation received in the form of a pension for  
19 past services;

20           (4) Compensation paid to a patient affected with Hansen's  
21 disease employed by the State or the United States in



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 such 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:



- 1 (A) E-1 pay grade after eight years of service;  
2 provided that this subparagraph shall apply to  
3 taxable years beginning after December 31, 2004;
- 4 (B) E-2 pay grade after eight years of service;  
5 provided that this subparagraph shall apply to  
6 taxable years beginning after December 31, 2005;
- 7 (C) E-3 pay grade after eight years of service;  
8 provided that this subparagraph shall apply to  
9 taxable years beginning after December 31, 2006;
- 10 (D) E-4 pay grade after eight years of service;  
11 provided that this subparagraph shall apply to  
12 taxable years beginning after December 31, 2007;  
13 and
- 14 (E) E-5 pay grade after eight years of service;  
15 provided that this subparagraph shall apply to  
16 taxable years beginning after December 31, 2008;
- 17 (8) Income derived from the operation of ships or aircraft  
18 if the income is exempt under the Internal Revenue  
19 Code pursuant to the provisions of an income tax  
20 treaty or agreement entered into by and between the  
21 United States and a foreign country[;] provided that



1 the tax laws of the local governments of that country  
2 reciprocally exempt from the application of all of  
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;

6 (9) The value of legal services provided by a legal  
7 service plan to a taxpayer, the taxpayer's spouse, and  
8 the taxpayer's dependents;

9 (10) Amounts paid, directly or indirectly, by a legal  
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 (11) Contributions by an employer to a legal service plan  
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; and

18 (12) Amounts received in the form of a monthly surcharge by  
19 a utility acting on behalf of an affected utility  
20 under section 269-16.3; provided that amounts retained



1 by the acting utility for collection or other costs  
2 shall not be included in this exemption[-]; and  
3 (13) Income received as unemployment compensation benefits  
4 under chapter 383."

5 SECTION 3. Section 383-161, Hawaii Revised Statutes, is  
6 amended by amending subsection (a) to read as follows:

7 "(a) Any agreement by an individual to waive, release, or  
8 commute the individual's rights to benefits or any other rights  
9 under this chapter shall be void, except agreements to withhold  
10 and deduct benefits for the following purposes:

- 11 (1) The payment of child support obligations as provided  
12 in section 383-163.5;
- 13 (2) The voluntary deduction and withholding of federal  
14 [~~and state~~] income tax from unemployment compensation  
15 as provided in section 383-163.6; and
- 16 (3) The repayment of uncollected overissuances of food  
17 stamp coupons as provided in section 383-163.7."

18 SECTION 4. Section 383-163, Hawaii Revised Statutes, is  
19 amended to read as follows:

20 "**§383-163 No assignment of benefits; waiver.** No  
21 assignment, pledge, or encumbrance of any right to benefits



1 which are or may become due or payable under this chapter shall  
2 be valid and the right to benefits shall not be subject to levy,  
3 execution, attachment, garnishment, or any other remedy for the  
4 collection of debt. No waiver of this section shall be valid,  
5 except that this section shall not apply to:

6 (1) Section 383-163.5 with respect to the withholding and  
7 deduction of benefits for the payment of child support  
8 obligations;

9 (2) Section 383-163.6 with respect to the voluntary  
10 withholding and deduction of benefits for payment of  
11 federal [~~and state~~] income taxes; and

12 (3) Section 383-163.7 with respect to the withholding and  
13 deduction of benefits for repayment of uncollected  
14 overissuances of food stamp coupons."

15 SECTION 5. Section 383-163.6, Hawaii Revised Statutes, is  
16 amended by amending subsection (a) to read as follows:

17 "(a) An individual filing a new claim for unemployment  
18 compensation shall, at the time of filing the claim, be advised  
19 that:

20 (1) Unemployment compensation is subject to federal [~~and~~  
21 ~~state~~] income tax;



- 1           (2) Requirements exist pertaining to estimated tax  
2            payments;
- 3           (3) The individual may elect to have federal income tax  
4           deducted and withheld from the individual's payment of  
5           unemployment compensation at the amount specified in  
6           the federal Internal Revenue Code;
- 7           ~~[(4) The individual may elect to have state income tax  
8           deducted and withheld from the individual's payment of  
9           unemployment compensation at the amount specified in  
10          section 235-69;~~
- 11          ~~-(5)]~~ (4) The individual may elect to have state and local  
12          income taxes deducted and withheld from the  
13          individual's payment of unemployment compensation for  
14          other states and localities outside this State at the  
15          percentage established by the state or locality, if  
16          the department by agreement with the other state or  
17          locality is authorized to deduct and withhold income  
18          tax; and
- 19          ~~-(6)]~~ (5) The individual shall be permitted to change a  
20          previously elected withholding status no more than  
21          once during a benefit year."



1 SECTION 6. Section 383-22, Hawaii Revised Statutes, is  
2 amended by amending subsection (b) to read as follows:

3 "(b) In the case of an individual whose benefit year  
4 begins after January 4, 1992, the individual's weekly benefit  
5 amount shall be, except as otherwise provided in this section,  
6 an amount equal to one twenty-first of the individual's total  
7 wages for insured work paid during the calendar quarter of the  
8 individual's base period in which such total wages were highest.  
9 The weekly benefit amount, if not a multiple of \$1, shall be  
10 computed to the next higher multiple of \$1. If an individual's  
11 weekly benefit amount is less than \$5, it shall be \$5. The  
12 maximum weekly benefit amount shall be determined annually as  
13 follows: On or before November 30 of each year the total  
14 remuneration paid by employers, as reported on contribution  
15 reports submitted on or before such date, with respect to all  
16 employment during the four consecutive calendar quarters ending  
17 on June 30 of the year shall be divided by the average monthly  
18 number of individuals performing services in the employment  
19 during the same four calendar quarters as reported on the  
20 contribution reports. The amount thus obtained shall be divided  
21 by fifty-two and the average weekly wage (rounded to the nearest



1 cent) thus determined. For benefit years beginning January 1,  
2 1992, but prior to January 1, 2008, and beginning again on  
3 January 1, 2012, but prior to April 1, 2012, then beginning  
4 again on January 1, 2013, but prior to January 1, 2025, seventy  
5 per cent of the average weekly wage shall constitute the maximum  
6 weekly benefit amount and shall apply to all claims for benefits  
7 filed by an individual qualifying for payment at the maximum  
8 weekly benefit amount in the benefit year commencing on or after  
9 the first day of the calendar year immediately following the  
10 determination of the maximum weekly benefit amount. For benefit  
11 years beginning January 1, 2008, and ending December 31, 2011,  
12 and beginning again on April 1, 2012, and ending December 31,  
13 2012, seventy-five per cent of the average weekly wage shall  
14 constitute the maximum weekly benefit amount and shall apply to  
15 all claims for benefits filed by an individual qualifying for  
16 payment at the maximum weekly benefit amount in the benefit year  
17 commencing on or after the first day of the calendar year  
18 immediately following the determination of the maximum weekly  
19 benefit amount. For benefit years beginning January 1, 2025,  
20 eighty-five per cent of the average weekly wage shall constitute  
21 the maximum weekly benefit amount and shall apply to all claims



1 for benefits filed by an individual qualifying for payment at  
 2 the maximum weekly benefit amount in the benefit year commencing  
 3 on or after the first day of the calendar year immediately  
 4 following the determination of the maximum weekly benefit  
 5 amount. The maximum weekly benefit amount, if not a multiple of  
 6 \$1, shall be computed to the next higher multiple of \$1.

7

8	(Column A)	(Column B)	(Column C)	(Column D)
9	High	Basic	Minimum	Maximum
10	Quarter	Weekly	Qualifying	Total Benefits
11	Wages	Benefit	Wages	in Benefit Year
12				
13	\$ 37.50 - 125.00	\$ 5.00	\$ 150.00	\$ 130.00
14	125.01 - 150.00	6.00	180.00	156.00
15	150.01 - 175.00	7.00	210.00	182.00
16	175.01 - 200.00	8.00	240.00	208.00
17	200.01 - 225.00	9.00	270.00	234.00
18	225.01 - 250.00	10.00	300.00	260.00
19	250.01 - 275.00	11.00	330.00	286.00
20	275.01 - 300.00	12.00	360.00	312.00
21	300.01 - 325.00	13.00	390.00	338.00
22	325.01 - 350.00	14.00	420.00	364.00
23	350.01 - 375.00	15.00	450.00	390.00
24	375.01 - 400.00	16.00	480.00	416.00
25	400.01 - 425.00	17.00	510.00	442.00
26	425.01 - 450.00	18.00	540.00	468.00
27	450.01 - 475.00	19.00	570.00	494.00
28	475.01 - 500.00	20.00	600.00	520.00
29	500.01 - 525.00	21.00	630.00	546.00
30	525.01 - 550.00	22.00	660.00	572.00
31	550.01 - 575.00	23.00	690.00	598.00
32	575.01 - 600.00	24.00	720.00	624.00
33	600.01 - 625.00	25.00	750.00	650.00
34	625.01 - 650.00	26.00	780.00	676.00



1	650.01 - 675.00	27.00	810.00	702.00
2	675.01 - 700.00	28.00	840.00	728.00
3	700.01 - 725.00	29.00	870.00	754.00
4	725.01 - 750.00	30.00	900.00	780.00
5	750.01 - 775.00	31.00	930.00	806.00
6	775.01 - 800.00	32.00	960.00	832.00
7	800.01 - 825.00	33.00	990.00	858.00
8	825.01 - 850.00	34.00	1020.00	884.00
9	850.01 - 875.00	35.00	1050.00	910.00
10	875.01 - 900.00	36.00	1080.00	936.00
11	900.01 - 925.00	37.00	1110.00	962.00
12	925.01 - 950.00	38.00	1140.00	988.00
13	950.01 - 975.00	39.00	1170.00	1014.00
14	975.01 -1000.00	40.00	1200.00	1040.00
15	1000.01 -1025.00	41.00	1230.00	1066.00
16	1025.01 -1050.00	42.00	1260.00	1092.00
17	1050.01 -1075.00	43.00	1290.00	1118.00
18	1075.01 -1100.00	44.00	1320.00	1144.00
19	1100.01 -1125.00	45.00	1350.00	1170.00
20	1125.01 -1150.00	46.00	1380.00	1196.00
21	1150.01 -1175.00	47.00	1410.00	1222.00
22	1175.01 -1200.00	48.00	1440.00	1248.00
23	1200.01 -1225.00	49.00	1470.00	1274.00
24	1225.01 -1250.00	50.00	1500.00	1300.00
25	1250.01 -1275.00	51.00	1530.00	1326.00
26	1275.01 -1300.00	52.00	1560.00	1352.00
27	1300.01 -1325.00	53.00	1590.00	1378.00
28	1325.01 -1350.00	54.00	1620.00	1404.00
29	1350.01 and over	55.00	1650.00	1430.00."
30				

31 SECTION 7. Section 235-69, Hawaii Revised Statutes, is  
 32 repealed.

33 ~~["§235-69] Voluntary deduction and withholding of state~~  
 34 ~~income tax from unemployment compensation. An individual~~  
 35 ~~receiving unemployment compensation benefits under chapter 383~~



1 ~~may elect to have state income tax deducted and withheld from~~  
2 ~~the individual's payment of unemployment compensation at the~~  
3 ~~rate of five per cent in accordance with section 383-163.6." ]~~

4 SECTION 8. The department of taxation shall retroactively  
5 refund any state income tax deducted and withheld from  
6 individuals for unemployment compensation benefits, as set forth  
7 under chapter 383, Hawaii Revised Statutes, during the period of  
8 January 1, 2023, through December 31, 2023.

9 SECTION 9. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 10. This Act, upon its approval, shall apply to  
12 taxable years beginning after December 31, 2022.

13

INTRODUCED BY: 



# S.B. NO. 2662

**Report Title:**

Unemployment Compensation; State Income Tax Exemption; Maximum Weekly Benefit

**Description:**

Exempts unemployment compensation from state personal income tax beginning in the 2023 tax year. Increases the maximum weekly benefit a person may receive in unemployment compensation beginning on 1/1/2025.

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

