

JAN 24 2024

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, from July of
6 the preceding calendar year to July of the current calendar
7 year, in the United States Department of Labor's:

8 (1) Urban Hawaii Consumer Price Index for all items; or

9 (2) Chained Consumer Price Index for All Urban Consumers,
10 if the Urban Hawaii Consumer Price Index is
11 discontinued."

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

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

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



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

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

- 17 ~~(A) \$4,400 in the case of:~~
 - 18 ~~(i) A joint return as provided by section 235-~~
 - 19 ~~93; or~~
 - 20 ~~(ii) A surviving spouse (as defined in section~~
 - 21 ~~2(a) of the Internal Revenue Code);~~



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



1 (iv) \$5,000 in the case of a married individual
2 filing a separate return; and
3 (B) For each taxable year beginning after
4 December 31, 2024, the director, no later than
5 December 15 of the preceding calendar year, shall
6 recompute the standard deduction amounts by
7 multiplying the dollar amounts for the preceding
8 taxable year by the cost-of-living adjustment
9 factor, if the cost-of-living adjustment factor
10 is greater than zero, and rounding off the
11 resulting product to the nearest \$1; provided
12 that if the cost of living adjustment factor is
13 less than or equal to zero in a given year, then
14 no adjustment will occur in the following year;
15 (3) Section 63(c)(5) (limiting the basic standard
16 deduction in the case of certain dependents) of the
17 Internal Revenue Code shall be operative, except that
18 the limitation shall be the greater of \$500 or the
19 individual's earned income; and
20 (4) The standard deduction amount for nonresidents shall
21 be calculated pursuant to section 235-5."



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

2 "(c) Section 68 (with respect to the overall limitation on
3 itemized deductions) of the Internal Revenue Code shall be
4 operative; provided that ~~[the]~~:

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

9 (2) For each taxable year beginning after December 31,
10 2024, the director of taxation, no later than
11 December 15 of the preceding calendar year, shall
12 recompute the threshold amounts by multiplying the
13 dollar amounts for the preceding taxable year by the
14 cost-of-living adjustment factor, if the cost of
15 living adjustment factor is greater than zero, and
16 rounding off the resulting product to the nearest \$1;
17 provided that if the cost-of-living adjustment factor
18 is less than or equal to zero in a given year, then no
19 adjustment will occur in the following year; and

20 ~~[(2)]~~ (3) Suspension in section 68(f) shall not be
21 operative for purposes of this chapter."



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

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

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

8 (2) The deductions under section 164(a) (3) and (b) (5)
9 shall not be operative for corporate taxpayers [and
10 ~~shall be operative only for the following individual~~
11 ~~taxpayers:~~

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

15 ~~(B) A taxpayer filing as a head of household with a~~
16 ~~federal adjusted gross income of less than~~
17 ~~\$150,000; and~~

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



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

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

6 "**§235-51 Tax imposed on individuals; rates.** (a) There is
 7 hereby imposed on the taxable income of every:

8 (1) Taxpayer who files a joint return under section
 9 235-93; and

10 (2) Surviving spouse,

11 a tax determined in accordance with the following table:

12 ~~[In the case of any taxable year beginning after December~~
 13 ~~31, 2017:~~

If the taxable income is:	The tax shall be:
Not over \$4,800	1.40% of taxable income
Over \$4,800 but not over \$9,600	\$67.00 plus 3.20% of excess over \$4,800
Over \$9,600 but not over \$19,200	\$221.00 plus 5.50% of excess over \$9,600
Over \$19,200 but not over \$28,800	\$749.00 plus 6.40% of excess over \$19,200



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

17 In the case of any taxable year beginning after

18 December 31, 2023:

19	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
20	<u>Not over \$5,126</u>	<u>1.40% of taxable income</u>
21	<u>Over \$5,126 but</u>	<u>\$72.00 plus 3.20% of</u>



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1	<u>not over \$10,253</u>	<u>excess over \$5,126</u>
2	<u>Over \$10,253 but</u>	<u>\$236.00 plus 5.50% of</u>
3	<u>not over \$20,506</u>	<u>excess over \$10,253</u>
4	<u>Over \$20,506 but</u>	<u>\$800.00 plus 6.40% of</u>
5	<u>not over \$30,758</u>	<u>excess over \$20,506</u>
6	<u>Over \$30,758 but</u>	<u>\$1,456.00 plus 6.80% of</u>
7	<u>not over \$41,011</u>	<u>excess over \$30,758</u>
8	<u>Over \$41,011 but</u>	<u>\$2,153.00 plus 7.20% of</u>
9	<u>not over \$51,264</u>	<u>excess over \$41,011</u>
10	<u>Over \$51,264 but</u>	<u>\$2,891.00 plus 7.60% of</u>
11	<u>not over \$76,896</u>	<u>excess over \$51,264</u>
12	<u>Over \$76,896 but</u>	<u>\$4,839.00 plus 7.90% of</u>
13	<u>not over \$102,528</u>	<u>excess over \$76,896</u>
14	<u>Over \$102,528 but</u>	<u>\$6,864.00 plus 8.25% of</u>
15	<u>not over \$320,400</u>	<u>excess over \$102,528</u>
16	<u>Over \$320,400 but</u>	<u>\$24,838.00 plus 9.00% of</u>
17	<u>not over \$373,800</u>	<u>excess over \$320,400</u>
18	<u>Over \$373,800 but</u>	<u>\$29,644.00 plus 10.00% of</u>
19	<u>not over \$427,200</u>	<u>excess over \$373,800</u>
20	<u>Over \$427,200</u>	<u>\$34,984.00 plus 11.00% of</u>
21		<u>excess over \$427,200.</u>



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1 (b) There is hereby imposed on the taxable income of every
 2 head of a household a tax determined in accordance with the
 3 following table:

4 ~~[In the case of any taxable year beginning after December~~
 5 ~~31, 2017:~~

If the taxable income is:	The tax shall be:
Not over \$3,600	1.40% of taxable income
Over \$3,600 but not over \$7,200	\$50.00 plus 3.20% of — excess over \$3,600
Over \$7,200 but not over \$14,400	\$166.00 plus 5.50% of excess over \$7,200
Over \$14,400 but not over \$21,600	\$562.00 plus 6.40% of excess over \$14,400
Over \$21,600 but not over \$28,800	\$1,022.00 plus 6.80% of excess over \$21,600
Over \$28,800 but not over \$36,000	\$1,512.00 plus 7.20% of excess over \$28,800
Over \$36,000 but not over \$54,000	\$2,030.00 plus 7.60% of excess over \$36,000
Over \$54,000 but not over \$72,000	\$3,398.00 plus 7.90% of excess over \$54,000



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

14 (c) There is hereby imposed on the taxable income of (1)
15 every unmarried individual (other than a surviving spouse, or
16 the head of a household) and (2) on the taxable income of every
17 married individual who does not make a single return jointly
18 with the individual's spouse under section 235-93 a tax
19 determined in accordance with the following table:

20 [~~In the case of any taxable year beginning after December~~
21 ~~31, 2017:~~



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1	If the taxable income is:	The tax shall be:
2	Not over \$2,400	1.40% of taxable income
3	Over \$2,400 but	\$34.00 plus 3.20% of
4	not over \$4,800	excess over \$2,400
5	Over \$4,800 but	\$110.00 plus 5.50% of
6	not over \$9,600	excess over \$4,800
7	Over \$9,600 but	\$374.00 plus 6.40% of
8	not over \$14,400	excess over \$9,600
9	Over \$14,400 but	\$682.00 plus 6.80% of
10	not over \$19,200	excess over \$14,400
11	Over \$19,200 but	\$1,008.00 plus 7.20% of
12	not over \$24,000	excess over \$19,200
13	Over \$24,000 but	\$1,354.00 plus 7.60% of
14	not over \$36,000	excess over \$24,000
15	Over \$36,000 but	\$2,266.00 plus 7.90% of
16	not over \$48,000	excess over \$36,000
17	Over \$48,000 but	\$3,214.00 plus 8.25% of
18	not over \$150,000	excess over \$48,000
19	Over \$150,000 but	\$11,629.00 plus 9.00% of
20	not over \$175,000	excess over \$150,000
21	Over \$175,000 but	\$13,879.00 plus 10.00% of



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1	<u>Over \$51,264 but</u>	<u>\$3,432.00 plus 8.25% of</u>
2	<u>not over \$160,200</u>	<u>excess over \$51,264</u>
3	<u>Over \$160,200 but</u>	<u>\$12,419.00 plus 9.00% of</u>
4	<u>not over \$186,900</u>	<u>excess over \$160,200</u>
5	<u>Over \$186,900 but</u>	<u>\$14,822.00 plus 10.00% of</u>
6	<u>not over \$213,600</u>	<u>excess over \$186,900</u>
7	<u>Over \$213,600</u>	<u>\$17,492.00 plus 11.00% of</u>
8		<u>excess over \$213,600.</u>

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

12 In the case of any taxable year beginning after
13 December 31, 2001:

14	If the taxable income is:	The tax shall be:
15	Not over \$2,000	1.40% of taxable income
16	Over \$2,000 but	\$28.00 plus 3.20% of
17	not over \$4,000	excess over \$2,000
18	Over \$4,000 but	\$92.00 plus 5.50% of
19	not over \$8,000	excess over \$4,000
20	Over \$8,000 but	\$312.00 plus 6.40% of
21	not over \$12,000	excess over \$8,000



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

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

- 15 (1) Taxpayer's only activities in this State consist of
- 16 sales;
- 17 (2) Taxpayer does not own or rent real estate or tangible
- 18 personal property; and
- 19 (3) Taxpayer's annual gross sales in or into this State
- 20 during the tax year is not in excess of \$100,000.

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

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

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

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

11 (2) A tax of 7.25 per cent of the amount of taxable income
12 in excess of the amount determined under
13 paragraph (1).

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

16 (g) For each taxable year beginning after December 31,
17 2024, the director, no later than December 15 of the preceding
18 calendar year, shall recompute the taxable income amounts within
19 each of the income brackets in subsections (a), (b), and (c) by
20 multiplying the taxable income amounts within each income
21 bracket for the preceding taxable year by the cost-of-living



1 adjustment factor, if the cost-of-living adjustment factor is
2 greater than zero, and rounding off the resulting product to the
3 nearest \$1. If the cost-of-living adjustment factor is less
4 than or equal to zero in a given year, then no adjustment will
5 occur in the following year. Nothing in this subsection shall
6 be construed as permitting an adjustment to the rates of tax in
7 subsections (a), (b), and (c)."

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

10 **"§235-54 Exemptions.** (a) In computing the taxable income
11 of any individual, there shall be deducted, in lieu of the
12 personal exemptions allowed by the Internal Revenue Code,
13 personal exemptions computed as follows: Ascertain the number
14 of exemptions which the individual can lawfully claim under the
15 Internal Revenue Code, add an additional exemption for the
16 taxpayer or the taxpayer's spouse who is sixty-five years of age
17 or older within the taxable year, and multiply that number by
18 [~~\$1,144,~~] \$2,288, for taxable years beginning after December 31,
19 [~~1984.~~] 2023. A nonresident shall prorate the personal
20 exemptions on account of income from sources outside the State
21 as provided in section 235-5. In the case of an individual with



1 respect to whom an exemption under this section is allowable to
2 another taxpayer for a taxable year beginning in the calendar
3 year in which the individual's taxable year begins, the personal
4 exemption amount applicable to such individual under this
5 subsection for such individual's taxable year shall be zero.

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

9 (1) An estate shall be allowed a deduction of \$400.

10 (2) A trust which, under its governing instrument, is
11 required to distribute all of its income currently
12 shall be allowed a deduction of \$200.

13 (3) All other trusts shall be allowed a deduction of \$80.

14 (c) A blind person, a deaf person, and any person totally
15 disabled, in lieu of the personal exemptions allowed by the
16 Internal Revenue Code, shall be allowed, and there shall be
17 deducted in computing the taxable income of a blind person, a
18 deaf person, or a totally disabled person, instead of the
19 exemptions provided by subsection (a), the amount of \$7,000.

20 (d) For each taxable year beginning after December 31,
21 2024, the director of taxation, no later than December 15 of the

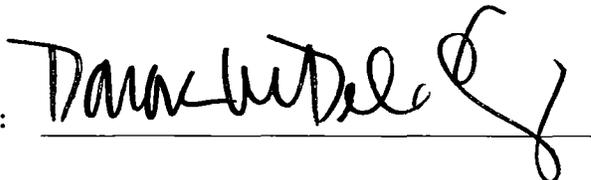


1 preceding calendar year, shall recompute the personal exemption
2 and deduction amounts in this section by multiplying the amount
3 for the preceding taxable year by the cost-of-living adjustment
4 factor, if the cost-of-living adjustment factor is greater than
5 zero, and rounding off the resulting product to the nearest \$1.
6 If the cost-of-living adjustment factor is less than or equal to
7 zero in a given year, then no adjustment will occur in the
8 following year."

9 SECTION 5. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 6. This Act, upon its approval, shall apply to
12 taxable years beginning after December 31, 2023.

13

INTRODUCED BY: 



S.B. NO. 3280

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 2024. Adjusts annually for tax years beginning after 12/31/2024, 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 12/31/2023. Defines "cost-of-living adjustment factor".

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