A BILL FOR AN ACT

RELATING TO PASS-THROUGH ENTITY TAXATION.

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

1   SECTION 1. Section 235-51.5, Hawaii Revised Statutes, is

2 amended by amending subsection (e) to read as follows:

3   "(e) Each qualified member of an electing pass-through

4 entity whose distributive share or guaranteed payment of Hawaii

5 taxable income is subject to tax under this section shall be

6 entitled to a credit equal to the qualified member's share of

7 the tax paid pursuant to this section. If the amount of the

8 credit authorized by this subsection exceeds the qualified

9 member's tax liability imposed pursuant to this chapter, the

10 excess of the credit over liability may be used as a credit

11 against the member's net income tax liability in subsequent

12 years until exhausted. Any qualified member claiming a credit

13 shall not be entitled to deduct from the member's Hawaii state

14 taxable income those amounts of Hawaii state income taxes paid

15 by the member on the qualified member's distributive share or

16 guaranteed payment of income from the electing pass-through

17 entity. Any qualified member claiming a credit shall add to the

1   qualified member's taxable income the qualified member's share

2   of taxes paid by an electing pass-through entity under this

3   section."

4   SECTION 2. New statutory material is underscored.

5   SECTION 3. This Act shall take effect on July 1, 3000;

6   provided that section 1 shall apply to taxable years beginning

7   after December 31, 2024.

H.B. NO. 1146 H.D. 1

Report Title:
Taxation; Pass-Through Entities; S Corporations; Partnerships

Description:
Requires all qualified members claiming a credit for pass-through entity taxation to adjust their income to include the qualified member's share of taxes paid by an electing pass-through entity for taxable years beginning after December 31, 2024. Effective 7/1/3000. (HD1)

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