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# 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, upon its approval, shall apply to  
6 taxable years beginning after December 31, 2024.



**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. (SD1)

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

