
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 a movement to
2 exclude tips from income taxation is increasing at the federal
3 level. The legislature believes that a similar exclusion at the
4 state level would help local small businesses attract qualified
5 employees.

6 Accordingly, the purpose of this Act is to exclude from
7 state income taxes the gross income, adjusted gross income, and
8 taxable income derived from tips received by employees.

9 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§235- Tips; tax exclusion. (a) There shall be
13 excluded from gross income, adjusted gross income, and taxable
14 income tips received during the taxable year that are included
15 on the tipped employee's statements furnished to the employer
16 for purposes of title 26 United States Code section 3102.

17 (b) The director of taxation:



- 1 (1) Shall prepare forms as may be necessary for the
- 2 purposes of this section;
- 3 (2) May require evidence from any taxpayer; and
- 4 (3) Adopt rules pursuant to chapter 91 necessary for the
- 5 purposes of this section.
- 6 (c) For the purposes of this section:
- 7 "Tips" means gratuities or voluntary monetary contributions
- 8 received by an employee from a guest, patron, or customer and
- 9 that the employee reports to the employer for purposes of title
- 10 26 United States Code section 3102.
- 11 "Tipped employee" means an employee working in an
- 12 occupation in which the employee receives more than \$30 a month
- 13 in gratuities."

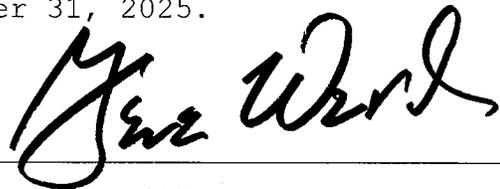
14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act, upon its approval, shall apply to

16 taxable years beginning after December 31, 2025.

17

INTRODUCED BY:



JAN 17 2025



H.B. NO. 520

Report Title:

Small Business Caucus; Income Tax; Tips; Tipped Employees

Description:

Excludes from state income taxes the gross income, adjusted gross income, and taxable income derived from tips received by employees.

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