
A BILL FOR AN ACT

RELATING TO CONFORMITY TO THE INTERNAL REVENUE CODE.

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

1 SECTION 1. The purpose of this Act is to conform Hawaii
2 income and estate and generation-skipping transfer tax laws to
3 the Internal Revenue Code.

4 SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§235-2.3 Conformance to the federal Internal Revenue**
7 **Code; general application.** (a) For all taxable years beginning
8 after December 31, [~~2024~~,] 2025, as used in this chapter, except
9 as provided in this section and sections 235-2.35, 235-2.4, and
10 235-2.45, "Internal Revenue Code" means subtitle A, chapter 1,
11 of the federal Internal Revenue Code of 1986, as amended as of
12 December 31, [~~2024~~,] 2025, as it applies to the determination of
13 gross income, adjusted gross income, ordinary income and loss,
14 and taxable income, except those provisions of the Internal
15 Revenue Code which, pursuant to this chapter, do not apply or
16 are otherwise limited in application.



1 Sections 9672(1) (relating to tax treatment of targeted
2 EIDL advances) and 9673(1) (relating to tax treatment of
3 restaurant revitalization grants) of Public Law 117-2 shall be
4 operative for purposes of this chapter. No amount received
5 under section 9601 (relating to 2021 recovery rebates to
6 individuals) of Public Law 117-2 shall be included in gross
7 income for purposes of this chapter.

8 Sections 276(b)(1) (relating to subsequent paycheck
9 protection program loans), 277 (relating to emergency financial
10 aid grants), 278(b)(1) (relating to emergency EIDL grants and
11 targeted EIDL advances), 278(c)(1) (relating to subsidy for
12 certain loan payments), and 278(d)(1) (relating to grants for
13 shuttered venue operators) of Division N of Public Law 116-260
14 shall be operative for purposes of this chapter. Sections 213
15 (relating to modification of limitations on charitable
16 contributions) and 214 (relating to temporary special rules for
17 health and dependent care flexible spending arrangements) of
18 Division EE of Public Law 116-260 shall be operative for
19 purposes of this chapter. Sections 301, 302, and 304 (relating
20 to disaster tax relief) of Division EE of Public Law 116-260
21 shall be operative for purposes of this chapter. No amount



1 received under section 272 (relating to additional 2020 recovery
2 rebates for individuals) of Division N of Public Law 116-260
3 shall be included in gross income for purposes of this chapter.

4 Sections 1106(i) (relating to exclusion of loan forgiveness
5 from gross income), 2202(b) (relating to loans from retirement
6 plans), and 2205 (relating to charitable contributions) of
7 Public Law 116-136 shall be operative for purposes of this
8 chapter. No amount received under section 2201 (relating to
9 recovery rebates) of Public Law 116-136 shall be included in
10 gross income for purposes of this chapter.

11 Section 2202(a) (relating to tax-favored withdrawals from
12 retirement plans) of Public Law 116-136 shall be operative for
13 purposes of this chapter and shall apply to taxable years
14 beginning after December 31, 2019.

15 Prior law shall continue to be used to determine:

- 16 (1) The basis of property, if a taxpayer first determined
17 the basis of property in a taxable year to which prior
18 law applies; and
- 19 (2) Gross income, adjusted gross income, ordinary income
20 and loss, and taxable income for a taxable year to
21 which prior law applies.



1 (b) The following Internal Revenue Code subchapters, parts
2 of subchapters, sections, subsections, and parts of subsections
3 shall not be operative for the purposes of this chapter, unless
4 otherwise provided:

5 (1) Subchapter A (sections 1 to 59A) (with respect to
6 determination of tax liability), except section
7 1(h)(2) (relating to net capital gain reduced by the
8 amount taken into account as investment income),
9 except sections 2(a), 2(b), and 2(c) (with respect to
10 the definition of "surviving spouse" and "head of
11 household"), except section 41 (with respect to the
12 credit for increasing research activities), except
13 section 42 (with respect to low-income housing
14 credit), except sections 47 and 48, as amended, as of
15 December 31, 1984 (with respect to certain depreciable
16 tangible personal property), and except section
17 48(d)(3), as amended, as of February 17, 2009 (with
18 respect to the treatment of United States Department
19 of Treasury grants made under section 1603 of the
20 American Recovery and Reinvestment Tax Act of 2009).



- 1 For treatment, see sections 235-110.91, 235-110.7, and
2 235-110.8;
- 3 (2) Section 78 (with respect to dividends received from
4 certain foreign corporations by domestic corporations
5 choosing foreign tax credit);
- 6 (3) Section 86 (with respect to social security and tier 1
7 railroad retirement benefits);
- 8 (4) Section 91 (with respect to certain foreign branch
9 losses transferred to specified 10-percent owned
10 foreign corporations);
- 11 (5) Section 103 (with respect to interest on state and
12 local bonds). For treatment, see section 235-7(b);
- 13 (6) Section 114 (with respect to extraterritorial income).
14 For treatment, any transaction as specified in the
15 transitional rule for 2005 and 2006 as specified in
16 the American Jobs Creation Act of 2004 section 101(d)
17 and any transaction that has occurred pursuant to a
18 binding contract as specified in the American Jobs
19 Creation Act of 2004 section 101(f) are inoperative;



- 1 (7) Section 120 (with respect to amounts received under
2 qualified group legal services plans). For treatment,
3 see section 235-7(a)(9) to (11);
- 4 (8) Section 122 (with respect to certain reduced uniformed
5 services retirement pay). For treatment, see section
6 235-7(a)(3);
- 7 (9) Section 135 (with respect to income from United States
8 savings bonds used to pay higher education tuition and
9 fees). For treatment, see section 235-7(a)(1);
- 10 (10) Section 139C (with respect to COBRA premium
11 assistance);
- 12 (11) Section 139K (with respect to scholarships for
13 qualified elementary or secondary education expenses
14 of eligible students);
- 15 (12) Section 139L (with respect to interest on loans
16 secured by rural or agricultural real property);
- 17 [~~(11)~~] (13) Subchapter B (sections 141 to 150) (with respect
18 to tax exemption requirements for state and local
19 bonds);



- 1 [~~(12)~~] (14) Section 151 (with respect to allowance of
2 deductions for personal exemptions). For treatment,
3 see section 235-54;
- 4 (15) Section 174A (with respect to domestic research or
5 experimental expenditures);
- 6 [~~(13)~~] (16) Section 179B (with respect to expensing of
7 capital costs incurred in complying with Environmental
8 Protection Agency sulphur regulations);
- 9 [~~(14)~~] (17) Section 181 (with respect to special rules for
10 certain film and television productions);
- 11 [~~(15)~~] (18) Section 196 (with respect to deduction for
12 certain unused investment credits);
- 13 [~~(16)~~] (19) Section 199 (with respect to the U.S. production
14 activities deduction);
- 15 [~~(17)~~] (20) Section 199A (with respect to qualified business
16 income);
- 17 [~~(18)~~] (21) Section 222 (with respect to qualified tuition
18 and related expenses);
- 19 (22) Section 225 (with respect to qualified overtime
20 compensation);



- 1 [~~(19)~~] (23) Sections 241 to 247 (with respect to special
2 deductions for corporations). For treatment, see
3 section 235-7(c);
- 4 [~~(20)~~] (24) Section 250 (with respect to foreign-derived
5 intangible income and global intangible low-taxed
6 income);
- 7 [~~(21)~~] (25) Section 267A (with respect to certain related
8 party amounts paid or accrued in hybrid transactions
9 or with hybrid entities);
- 10 [~~(22)~~] (26) Section 280C (with respect to certain expenses
11 for which credits are allowable). For treatment, see
12 section 235-110.91;
- 13 [~~(23)~~] (27) Section 291 (with respect to special rules
14 relating to corporate preference items);
- 15 [~~(24)~~] (28) Section 367 (with respect to foreign
16 corporations);
- 17 [~~(25)~~] (29) Section 501(c)(12), (15), (16) (with respect to
18 exempt organizations); except that section 501(c)(12)
19 shall be operative for companies that provide potable
20 water to residential communities that lack any access
21 to public utility water services;



- 1 [~~26~~] (30) Section 515 (with respect to taxes of foreign
2 countries and possessions of the United States);
- 3 [~~27~~] (31) Subchapter G (sections 531 to 565) (with respect
4 to corporations used to avoid income tax on
5 shareholders);
- 6 [~~28~~] (32) Subchapter H (sections 581 to 597) (with respect
7 to banking institutions), except section 584 (with
8 respect to common trust funds). For treatment, see
9 chapter 241;
- 10 [~~29~~] (33) Section 642(a) and (b) (with respect to special
11 rules for credits and deductions applicable to
12 trusts). For treatment, see sections 235-54(b) and
13 235-55;
- 14 [~~30~~] (34) Section 646 (with respect to tax treatment of
15 electing Alaska Native settlement trusts);
- 16 [~~31~~] (35) Section 668 (with respect to interest charge on
17 accumulation distributions from foreign trusts);
- 18 [~~32~~] (36) Subchapter L (sections 801 to 848) (with respect
19 to insurance companies). For treatment, see sections
20 431:7-202 and 431:7-204;



- 1 ~~[(46)]~~ (51) Section 1400R (with respect to employment
2 relief);
- 3 ~~[(47)]~~ (52) Section 1400T (with respect to special rules for
4 mortgage revenue bonds);
- 5 ~~[(48)]~~ (53) Section 1400U-1 (with respect to allocation of
6 recovery zone bonds);
- 7 ~~[(49)]~~ (54) Section 1400U-2 (with respect to recovery zone
8 economic development bonds); and
- 9 ~~[(50)]~~ (55) Section 1400U-3 (with respect to recovery zone
10 facility bonds)."

11 SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§235-2.4 Operation of certain Internal Revenue Code**

14 **provisions; sections 63 to 530.** (a) Section 63 (with respect
15 to taxable income defined) of the Internal Revenue Code shall be
16 operative for the purposes of this chapter, subject to the
17 following:

- 18 (1) Section 63(c)(1)(B) (relating to the additional
19 standard deduction), ~~[63(c)(1)(C) (relating to the~~
20 ~~real property tax deduction), 63(c)(1)(D) (relating to~~
21 ~~the disaster loss deduction), 63(c)(1)(E) (relating to~~



1 ~~the motor vehicle sales tax deduction),]~~ 63(c) (4)
2 (relating to inflation adjustments), 63(c) (7)
3 [~~defining the real property tax deduction), 63(e) (8)~~
4 ~~defining the disaster loss deduction), 63(e) (9)~~
5 ~~defining the motor vehicle sales tax deduction),]~~
6 (relating to special rules for taxable years beginning
7 after 2017), and 63(f) (relating to additional amounts
8 for the aged or blind) of the Internal Revenue Code
9 shall not be operative for purposes of this chapter;
10 (2) Section 63(c) (2) (relating to the basic standard
11 deduction) of the Internal Revenue Code shall be
12 operative, except that the standard deduction amounts
13 provided therein shall instead mean:
14 (A) \$4,400 in the case of:
15 (i) A joint return as provided by section 235-
16 93; or
17 (ii) A surviving spouse (as defined in section
18 2(a) of the Internal Revenue Code);
19 (B) \$3,212 in the case of a head of household (as
20 defined in section 2(b) of the Internal Revenue
21 Code);



- 1 (C) \$2,200 in the case of an individual who is not
2 married and who is not a surviving spouse or head
3 of household;
- 4 (D) \$2,200 in the case of a married individual filing
5 a separate return;
- 6 (E) For taxable years beginning after December 31,
7 2023:
- 8 (i) \$8,800 in the case of a joint return as
9 provided by section 235-93 or a surviving
10 spouse (as defined in section 2(a) of the
11 Internal Revenue Code);
- 12 (ii) \$6,424 in the case of a head of household
13 (as defined in section 2(b) of the Internal
14 Revenue Code);
- 15 (iii) \$4,400 in the case of an individual who is
16 not married and who is not a surviving
17 spouse or head of household; or
- 18 (iv) \$4,400 in the case of a married individual
19 filing a separate return;
- 20 (F) For taxable years beginning after December 31,
21 2025:



- 1 (i) \$16,000 in the case of a joint return as
- 2 provided by section 235-93 or a surviving
- 3 spouse (as defined in section 2(a) of the
- 4 Internal Revenue Code);
- 5 (ii) \$12,000 in the case of a head of household
- 6 (as defined in section 2(b) of the Internal
- 7 Revenue Code);
- 8 (iii) \$8,000 in the case of an individual who is
- 9 not married and who is not a surviving
- 10 spouse or head of household; or
- 11 (iv) \$8,000 in the case of a married individual
- 12 filing a separate return;
- 13 (G) For taxable years beginning after December 31,
- 14 2027:
- 15 (i) \$18,000 in the case of a joint return as
- 16 provided by section 235-93 or a surviving
- 17 spouse (as defined in section 2(a) of the
- 18 Internal Revenue Code);
- 19 (ii) \$13,500 in the case of a head of household
- 20 (as defined in section 2(b) of the Internal
- 21 Revenue Code);



- 1 (iii) \$9,000 in the case of an individual who is
- 2 not married and who is not a surviving
- 3 spouse or head of household; or
- 4 (iv) \$9,000 in the case of a married individual
- 5 filing a separate return;
- 6 (H) For taxable years beginning after December 31,
- 7 2029:
- 8 (i) \$20,000 in the case of a joint return as
- 9 provided by section 235-93 or a surviving
- 10 spouse (as defined in section 2(a) of the
- 11 Internal Revenue Code);
- 12 (ii) \$15,000 in the case of a head of household
- 13 (as defined in section 2(b) of the Internal
- 14 Revenue Code);
- 15 (iii) \$10,000 in the case of an individual who is
- 16 not married and who is not a surviving
- 17 spouse or head of household; or
- 18 (iv) \$10,000 in the case of a married individual
- 19 filing a separate return; and
- 20 (I) For taxable years beginning after December 31,
- 21 2030:



- 1 (i) \$24,000 in the case of a joint return as
2 provided by section 235-93 or a surviving
3 spouse (as defined in section 2(a) of the
4 Internal Revenue Code);
- 5 (ii) \$18,000 in the case of a head of household
6 (as defined in section 2(b) of the Internal
7 Revenue Code);
- 8 (iii) \$12,000 in the case of an individual who is
9 not married and who is not a surviving
10 spouse or head of household; or
- 11 (iv) \$12,000 in the case of a married individual
12 filing a separate return;
- 13 (3) Section 63(c)(5) (limiting the basic standard
14 deduction in the case of certain dependents) of the
15 Internal Revenue Code shall be operative, except that
16 the limitation shall be the greater of \$500 or the
17 individual's earned income; and
- 18 (4) The standard deduction amount for nonresidents shall
19 be calculated pursuant to section 235-5.
- 20 ~~[(b) Section 67 (with respect to the 2-percent floor on~~
21 ~~miscellaneous itemized deductions) of the Internal Revenue Code~~



1 ~~shall be operative for purposes of this chapter, except that the~~
2 ~~suspension in section 67(g) shall not be operative for purposes~~
3 ~~of this chapter.~~

4 ~~(e)]~~ (b) Section 68 (with respect to the overall
5 limitation on itemized deductions) of the Internal Revenue Code
6 shall be operative~~+] in the form that it existed as of December~~
7 ~~31, 2024; provided that the[+~~

8 ~~(1) Thresholds]~~ thresholds shall be those that were
9 operative for federal tax year 2009~~+] and~~

10 ~~(2) Suspension in section 68(f) shall not be operative for~~
11 ~~purposes of this chapter].~~

12 ~~[(d)]~~ (c) Section 72 (with respect to annuities; certain
13 proceeds of endowment and life insurance contracts) of the
14 Internal Revenue Code shall be operative for purposes of this
15 chapter and be interpreted with due regard to section 235-7(a),
16 except that the ten per cent additional tax on early
17 distributions from retirement plans in section 72(t) shall not
18 be operative for purposes of this chapter.

19 ~~[(e)]~~ (d) Section 85 (with respect to unemployment
20 compensation) of the Internal Revenue Code shall be operative



1 for purposes of this chapter, except that section 85(c) shall
2 not be operative for purposes of this chapter.

3 ~~[(f)]~~ (e) Section 108 (with respect to income from
4 discharge of indebtedness) of the Internal Revenue Code shall be
5 operative for purposes of this chapter, except that section
6 108(i) (relating to deferral and ratable inclusion of income
7 arising from business indebtedness discharged by the
8 reacquisition of a debt instrument) shall not be operative for
9 purposes of this chapter.

10 ~~[(g)]~~ (f) Section 121 (with respect to exclusion of gain
11 from sale of principal residence) of the Internal Revenue Code
12 shall be operative for purposes of this chapter, except that for
13 the election under section 121(f), a reference to section 1034
14 treatment means a reference to section 235-2.4(n) in effect for
15 taxable year 1997.

16 ~~[(h)]~~ (g) Section 132 (with respect to certain fringe
17 benefits) of the Internal Revenue Code shall be operative for
18 purposes of this chapter, except that:

19 (1) The ~~[suspensions]~~ suspension in section ~~[132(f)-(8)-~~
20 ~~and]~~ 132(g) (2) shall not be operative for purposes of
21 this chapter; and



1 (2) Section 132(n) shall not apply to United States
2 Department of Defense Homeowners Assistance Program
3 payments authorized by the American Recovery and
4 Reinvestment Act of 2009.

5 [~~(i)~~] (h) Section 162 (with respect to trade or business
6 expenses) of the Internal Revenue Code shall be operative for
7 the purposes of this chapter, except that sections 162(f)(2),
8 (3), and (4) (all of which relate to exceptions to the general
9 rule, established in section 162(f)(1), that no deduction is
10 allowed for the payment of fines or penalties) shall not be
11 operative for purposes of this chapter.

12 [~~(j)~~] (i) Section 163 (with respect to interest) of the
13 Internal Revenue Code shall be operative for the purposes of
14 this chapter, except that the following provisions shall not be
15 operative for the purposes of this chapter:

16 (1) Section 163(d)(4)(B) (defining net investment income
17 to exclude dividends);

18 (2) Section 163(e)(5)(F) (suspension of applicable high-
19 yield discount obligation (AHYDO) rules);

20 (3) Section 163(h)(3)(F) (limiting mortgage interest);

21 [and]



1 (4) Section 163(h) (4) (qualified passenger vehicle loan
2 interest); and

3 [~~4~~] (5) Section 163(i) (1) as it applies to debt
4 instruments issued after January 1, 2010 (defining
5 AHYDO).

6 [~~k~~] (j) Section 164 (with respect to taxes) of the
7 Internal Revenue Code shall be operative for the purposes of
8 this chapter, except that:

9 (1) Section 164(b) (6) (B) (limiting the deduction for state
10 and local taxes) and (b) (7) (with respect to
11 applicable limitation amount) shall not be operative
12 for the purposes of this chapter;

13 (2) The deductions under section 164(a) (3) and (b) (5)
14 shall not be operative for corporate taxpayers and
15 shall be operative only for the following individual
16 taxpayers:

17 (A) A taxpayer filing a single return or a married
18 person filing separately with a federal adjusted
19 gross income of less than \$100,000;



1 (B) A taxpayer filing as a head of household with a
2 federal adjusted gross income of less than
3 \$150,000; and

4 (C) A taxpayer filing a joint return or as a
5 surviving spouse with a federal adjusted gross
6 income of less than \$200,000; and

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

10 [~~(1)~~] (k) Section 165 (with respect to losses) of the
11 Internal Revenue Code shall be operative for purposes of this
12 chapter, except that:

13 (1) The amount prescribed by section 165(h)(1) (relating
14 to the limitation per casualty) of the Internal
15 Revenue Code shall be a \$100 limitation per casualty;

16 (2) Section 165(h)(3)(A) and (B) (both of which relate to
17 special rules for personal casualty gains and losses
18 in federally declared disasters) of the Internal
19 Revenue Code shall not be operative for the purposes
20 of this chapter;



1 ~~[(3) Section 165(h)(5) (relating to the limitation on the~~
2 ~~deductibility of personal casualty losses that are not~~
3 ~~attributable to federally declared disasters) shall~~
4 ~~not be operative for purposes of this chapter;]~~ and

5 ~~[(4)]~~ (3) Section 165 as operative for this chapter shall
6 also apply to losses sustained from the sale of stocks
7 or other interests issued through the exercise of the
8 stock options or warrants granted by a qualified high
9 technology business as defined in section 235-7.3.

10 ~~[(m)]~~ (1) Section 168 (with respect to the accelerated
11 cost recovery system) of the Internal Revenue Code shall be
12 operative for purposes of this chapter, except that sections
13 168(j) (relating to property on Indian reservations), 168(k)
14 (relating to the special allowance for certain property acquired
15 during the period specified therein), ~~[and]~~ 168(m) (relating to
16 the special allowance for certain reuse and recycling property),
17 and 168(n) (relating to the special allowance for qualified
18 production property) of the Internal Revenue Code shall not be
19 operative for purposes of this chapter.

20 ~~[(n)]~~ (m) Section 172 (with respect to net operating loss
21 deductions) of the Internal Revenue Code shall be operative for



1 purposes of this chapter in the form that it existed as of
2 December 31, 2019, and as further provided in section 235-7(d).

3 (n) Section 174 (with respect to amortization of research
4 and experimental expenditures) of the Internal Revenue Code
5 shall be operative for purposes of this chapter in the form that
6 it existed as of December 31, 2024.

7 (o) Section 179 (with respect to the election to expense
8 certain depreciable business assets) of the Internal Revenue
9 Code shall be operative for purposes of this chapter, except as
10 provided in this subsection:

11 (1) The aggregate cost provided in section 179(b)(1),
12 which may be taken into account under section 179(a)
13 for any taxable year, shall not exceed \$25,000;

14 (2) The amount at which the reduction in limitation
15 provided in section 179(b)(2) begins shall exceed
16 \$200,000 for any taxable year; and

17 (3) The following shall not be operative for purposes of
18 this chapter:

19 (A) Defining section 179 property to include computer
20 software in section 179(d)(1);



1 (B) Inflation adjustments in section [~~179(b)(5)~~]
2 179(b)(6); and

3 (C) Irrevocable election in section 179(c)(2) [~~;~~ and

4 ~~(D) Special rules for qualified disaster assistance~~
5 ~~property in section 179(e)] .~~

6 (p) Section 198A (with respect to the expensing of
7 qualified disaster assistance expenses) of the Internal Revenue
8 Code shall not be operative for purposes of this chapter.

9 (q) Section 217 (with respect to moving expenses) of the
10 Internal Revenue Code shall be operative for purposes of this
11 chapter, except that the suspension in section 217(k) shall not
12 be operative for purposes of this chapter.

13 (r) Section 219 (with respect to retirement savings) of
14 the Internal Revenue Code shall be operative for the purpose of
15 this chapter. For the purpose of computing the limitation on
16 the deduction for active participants in certain pension plans
17 for state income tax purposes, adjusted gross income as used in
18 section 219 as operative for this chapter means federal adjusted
19 gross income.

20 (s) Section 220 (with respect to medical savings accounts)
21 of the Internal Revenue Code shall be operative for the purpose



1 of this chapter, but only with respect to medical services
2 accounts that have been approved by the Secretary of the
3 Treasury of the United States.

4 (t) Section 265 (with respect to expenses and interest
5 relating to tax-exempt income) of the Internal Revenue Code
6 shall be operative for purposes of this chapter; except that
7 section 265(b) (3) (G) and (7) shall not be operative and section
8 265 shall not apply to expenses for royalties and other income
9 derived from any patents, copyrights, and trade secrets by an
10 individual or a qualified high technology business as defined in
11 section 235-7.3. These expenses shall be deductible.

12 ~~[(u) Section 274 (with respect to the disallowance of~~
13 ~~certain entertainment, etc., expenses) of the Internal Revenue~~
14 ~~Code shall be operative for this chapter in the form that it~~
15 ~~existed as of December 21, 2017.~~

16 ~~(v)]~~ (u) Section 280E (with respect to expenditures in
17 connection with the illegal sale of drugs) of the Internal
18 Revenue Code shall be operative for the purposes of this
19 chapter, except that section 280E shall not be operative with
20 respect to the production and sale of medical cannabis and
21 manufactured cannabis products by dispensaries licensed under



1 chapter 329D and their subcontractors, as defined in section
2 329D-1.

3 ~~[(w)]~~ (v) Section 382 (with respect to limitation on net
4 operating loss carryforwards and certain built-in losses
5 following ownership change) of the Internal Revenue Code shall
6 be operative for the purposes of this chapter, except that
7 section 382(n) shall not be operative for purposes of this
8 chapter.

9 ~~[(x)]~~ (w) Section 408A (with respect to Roth Individual
10 Retirement Accounts) of the Internal Revenue Code shall be
11 operative for the purposes of this chapter, except that section
12 408A(d)(3)(A)(iii) shall not be operative for purposes of this
13 chapter. For the purposes of determining the aggregate amount
14 of contributions to a Roth Individual Retirement Account or
15 qualified rollover contribution to a Roth Individual Retirement
16 Account from an individual retirement plan other than a Roth
17 Individual Retirement Account, adjusted gross income as used in
18 section 408A as operative for this chapter means federal
19 adjusted gross income.

20 ~~[(y)]~~ (x) In administering the provisions of sections 410
21 to 417 (with respect to special rules relating to pensions,



1 profit sharing, stock bonus plans, etc.), sections 418 to 418E
2 (with respect to special rules for multiemployer plans), and
3 sections 419 and 419A (with respect to treatment of welfare
4 benefit funds) of the Internal Revenue Code, the department of
5 taxation shall adopt rules under chapter 91 relating to the
6 specific requirements under those sections and to other
7 administrative requirements under those sections as may be
8 necessary for the efficient administration of sections 410 to
9 419A.

10 In administering sections 401 to 419A (with respect to
11 deferred compensation) of the Internal Revenue Code, Public Law
12 93-406, section 1017(i), shall be operative for the purposes of
13 this chapter.

14 In administering section 402 (with respect to the
15 taxability of beneficiary of employees' trust) of the Internal
16 Revenue Code, the tax imposed on lump sum distributions by
17 section 402(e) of the Internal Revenue Code shall be operative
18 for the purposes of this chapter and the tax imposed therein is
19 hereby imposed by this chapter at the rate determined under this
20 chapter.



1 ~~[(z)]~~ (y) In administering section 403 (with respect to
2 taxation of employee annuities) of the Internal Revenue Code,
3 any funds that represent pre-tax employee deferrals or
4 contributions that are distributed from the annuity and used
5 solely to obtain retirement credits under the state employees'
6 retirement system shall not be treated as a rollover for
7 purposes of section 403(b)(8)(A) of the Internal Revenue Code,
8 and those funds shall be subject to income tax under this
9 chapter.

10 ~~[(aa)]~~ (z) Section 451 (which provides general rules for
11 taxable year of inclusion) of the Internal Revenue Code shall be
12 operative, except that section 451(k)(3) and (6), as it relates
13 to a qualified electric utility, shall not be operative for
14 purposes of this chapter.

15 ~~[(bb)]~~ (aa) In administering section 457 (with respect to
16 compensation plans of state and local governments and tax-exempt
17 organizations) of the Internal Revenue Code, any funds that
18 represent pre-tax employee deferrals or contributions that are
19 distributed from the deferred compensation plan and used solely
20 to obtain retirement credits under the state employees'
21 retirement system shall not be treated as a rollover for



1 purposes of section 457(e)(16)(A) of the Internal Revenue Code
2 and those funds shall be subject to income tax under this
3 chapter.

4 ~~[(cc) Section 461 (with respect to the general rule for~~
5 ~~taxable year of deduction) of the Internal Revenue Code, shall~~
6 ~~be operative for purposes of this chapter in the form that it~~
7 ~~existed as of December 31, 2019.~~

8 ~~(dd)]~~ (bb) Section 468B (with respect to special rules for
9 designated settlement funds) of the Internal Revenue Code shall
10 be operative for the purposes of this chapter and the tax
11 imposed therein is hereby imposed by this chapter at a rate
12 equal to the maximum rate in effect for the taxable year imposed
13 on estates and trusts under section 235-51.

14 ~~[(ee)]~~ (cc) Section 469 (with respect to passive
15 activities and credits limited) of the Internal Revenue Code
16 shall be operative for the purposes of this chapter. For the
17 purpose of computing the offset for rental real estate
18 activities for state income tax purposes, adjusted gross income
19 as used in section 469 as operative for this chapter means
20 federal adjusted gross income.



1 [~~ff~~] (dd) Sections 512 to 514 (with respect to taxation
2 of business income of certain exempt organizations) of the
3 Internal Revenue Code shall be operative for the purposes of
4 this chapter as provided in this subsection.

5 "Unrelated business taxable income" means the same as in
6 the Internal Revenue Code, except that:

7 (1) In the computation of unrelated business taxable
8 income, sections 235-3 to 235-5, and 235-7 (except
9 subsection (c)), shall apply;

10 (2) In the determination of the net operating loss
11 deduction there shall not be taken into account any
12 amount of income or deduction that is excluded in
13 computing the unrelated business taxable income; and

14 (3) Unrelated business taxable income shall not include
15 any income from a legal service plan.

16 For a person described in section 401 or 501 of the
17 Internal Revenue Code, as modified by section 235-2.3, the tax
18 imposed by section 235-51 or 235-71 shall be imposed upon the
19 person's unrelated business taxable income.

20 [~~gg~~] (ee) Section 521 (with respect to cooperatives) and
21 subchapter T (sections 1381 to 1388, with respect to



1 cooperatives and their patrons) of the Internal Revenue Code
2 shall be operative for the purposes of this chapter as to any
3 cooperative fully meeting the requirements of section 421-23,
4 except that Internal Revenue Code section 521 cooperatives need
5 not be organized in Hawaii.

6 [~~hh~~] (ff) Sections 527 (with respect to political
7 organizations) and 528 (with respect to certain homeowners
8 associations) of the Internal Revenue Code shall be operative
9 for the purposes of this chapter and the taxes imposed in each
10 section are hereby imposed by this chapter at the rates
11 determined under section 235-71.

12 [~~ii~~] (gg) Section 529 (with respect to qualified tuition
13 programs) shall be operative for the purposes of this chapter,
14 except that sections 529(c)(6), 529(c)(7), and 529(e)(3)(A)(iii)
15 shall not be operative.

16 [~~jj~~] (hh) Section 529A (with respect to qualified ABLE
17 programs) shall be operative for the purposes of this chapter,
18 except that section 529A(c)(3) (with respect to additional tax
19 for distributions not used for disability expenses) shall not be
20 operative.



1 [~~(kk)~~] (ii) Section 530 (with respect to Coverdell
2 education savings accounts) of the Internal Revenue Code shall
3 be operative for the purposes of this chapter. For the purpose
4 of determining the maximum amount that a contributor could make
5 to an education individual retirement account for state income
6 tax purposes, modified adjusted gross income as used in section
7 530 as operative for this chapter means federal modified
8 adjusted gross income as defined in section 530."

9 SECTION 4. Section 235-2.45, Hawaii Revised Statutes, is
10 amended by amending subsection (e) to read as follows:

11 "(e) Section 1202 (with respect to partial exclusion for
12 gain from certain small business stock) of the Internal Revenue
13 Code shall be operative for purposes of this chapter~~[7]~~ in the
14 form that it existed as of December 31, 2024, except that
15 section 1202(a) (3) and (4) shall not be operative for purposes
16 of this chapter."

17 SECTION 5. Section 236E-3, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§236E-3 Conformance to the Internal Revenue Code; general**
20 **application.** For all decedents dying, or transfers occurring,
21 after December 31, [~~2024,~~] 2025, as used in this chapter,



1 "Internal Revenue Code" means subtitle B of the federal Internal
2 Revenue Code of 1986, as amended as of December 31, [~~2024,~~
3 2025, as it applies to the determination of gross estate,
4 adjusted gross estate, federal taxable estate, and generation-
5 skipping transfers, except those provisions of the Internal
6 Revenue Code and federal public laws that, pursuant to this
7 chapter, do not apply or are otherwise limited in application."

8 SECTION 6. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 7. This Act shall take effect on July 1, 3000;
11 provided that:

- 12 (1) Sections 2, 3, and 4 shall apply to taxable years
13 beginning after December 31, 2025; and
14 (2) Section 5 shall apply to decedents dying or taxable
15 transfers occurring after December 31, 2025.



Report Title:

Conformity to the Internal Revenue Code for 2025; Income Tax;
Estate and Generation-Skipping Transfer Tax

Description:

Conforms Hawaii income and estate and generation-skipping
transfer tax laws to the Internal Revenue Code of 1986, as
amended as of December 31, 2025. Effective 7/1/3000. (HD1)

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

