

ACT 32

H. B. 296.

A Bill for an Act Relating to Extension of Period for Allowing Net Operating Loss Deductions.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Section 121-5(d) is amended to read as follows:

(d) (1) For taxable years ending before January 1, 1967, the net operating loss deductions allowed as carry-backs and carry-overs by the Internal Revenue Code shall not be allowed. In lieu thereof the net operating loss deduction shall consist of the excess of the deductions allowed by this chapter over the gross income, computed with the modifications specified in paragraphs (1) to (4) inclusive of section 172 (d) of the Internal Revenue Code, and with the further modification stated in subsection (3) hereof; and shall be allowed as a deduction in computing the taxable income of the taxpayer for the succeeding taxable year.

(2) (a) With respect to net operating loss deductions resulting from net operating losses for taxable years ending after December 31, 1966, the net operating loss deduction provisions of the Internal Revenue Code shall apply, provided that there shall be no net operating loss deduction carried back to any taxable year ending prior to January 1, 1967.

(b) In the case of a taxable year beginning in 1966 and ending in 1967, the entire amount of all net operating loss deductions carried back to such taxable year shall be limited to that portion of taxable income for such taxable year which the number of days in 1967 bears to the total days in such taxable year ending in 1967.

(c) The computation of any net operating loss deduction for a taxable year covered by this subsection will require the further modification stated in subsection (3) hereof.

(3) In computing the net operating loss deduction allowed by this subsection there shall be included in gross income the amount of interest which is excluded from gross income by subsection (a), decreased by the amount of interest paid or accrued which is disallowed as a deduction by subsection (e). In determining the amount of the net operating loss deduction under this subsection of any corporation, there shall be disregarded the net operating loss of such corporation for any taxable year for which such corporation is an electing small business corporation under Part III-A.

SECTION 2. This Act shall take effect upon approval.

(Approved April 28, 1967.)