

ACT 33

S.B. NO. 2603

A Bill for an Act Relating to Taxation of Trusts.

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

SECTION 1. Section 235-4.5, Hawaii Revised Statutes, is amended to read as follows:

“**[§235-4.5] Taxation of trusts, beneficiaries; credit.** (a) There shall be excluded from gross income any intangible income, such as dividends and interest, earned by a trust sited in this State to the extent that, during the taxable year of [such] the trust, the beneficial interest in the trust shall be held by a beneficiary or beneficiaries residing outside this State. This exclusion shall not apply to income received from real property held in a land trust formed under chapter 558.

(b) If a trust sited in this State owns one hundred per cent of the stock of a foreign corporation which does not engage in an active trade or business but acts solely as a holding company receiving intangible income, such as dividends and interest, the intangible income of the foreign corporation shall be excluded from gross income for Hawaii income tax purposes but only to the extent that the income of the trust beneficiaries is excluded from taxation under subsection (a). As used in this section, foreign corporation means a corporation not created or organized in the United States or under the laws of the United States, Hawaii, or any other state.

[(b)] (c) Any resident beneficiary of a trust with a situs in another state may claim a credit for income taxes paid by the trust to [such] the other state on any income received which is attributable to assets other than intangibles.”

SECTION 2. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 3. This Act, upon its approval, shall apply to taxable years beginning after December 31, 1987.

ACT 33

(Approved May 10, 1988.)