

ACT 60

H.B. NO. 1747

A Bill for an Act Relating to Taxation.

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

SECTION 1. Section 235-2.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) Section 63 (with respect to taxable income defined) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that the standard deduction amount in section 63(c) of the Internal Revenue Code shall instead mean:

- (1) [~~\$4,000~~] \$4,400 in the case of:
 - (A) A joint return as provided by section 235-93; or
 - (B) A surviving spouse (as defined in section 2(a) of the Internal Revenue Code);
- (2) [~~\$2,920~~] \$3,212 in the case of a head of household (as defined in section 2(b) of the Internal Revenue Code);
- (3) [~~\$2,000~~] \$2,200 in the case of an individual who is not married and who is not a surviving spouse or head of household; or
- (4) [~~\$2,000~~] \$2,200 in the case of a married individual filing a separate return.

Section 63(c)(4) shall not be operative in this State. Section 63(c)(5) shall be operative, except that the limitation on basic standard deduction in the case of certain dependents shall be the greater of \$500 or such individual’s earned income. Section 63(f) shall not be operative in this State.

The standard deduction amount for nonresidents shall be calculated pursuant to section 235-5.”

SECTION 2. Section 235-51, Hawaii Revised Statutes, is amended by amending subsections (a), (b), and (c) to read as follows:

“(a) There is hereby imposed on the taxable income of (1) every taxpayer who files a joint return under section 235-93; and (2) every surviving spouse a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is:	The tax shall be:
Not over \$4,000	1.40% of taxable income
Over \$4,000 but not over \$8,000	\$56.00 plus 3.20% of excess over \$4,000
Over \$8,000 but not over \$16,000	\$184.00 plus 5.50% of excess over \$8,000
Over \$16,000 but not over \$24,000	\$624.00 plus 6.40% of excess over \$16,000
Over \$24,000 but not over \$32,000	\$1,136.00 plus 6.80% of excess over \$24,000

Over \$32,000 but not over \$40,000	\$1,680.00 plus 7.20% of excess over \$32,000
Over \$40,000 but not over \$60,000	\$2,256.00 plus 7.60% of excess over \$40,000
Over \$60,000 but not over \$80,000	\$3,776.00 plus 7.90% of excess over \$60,000
Over \$80,000	\$5,356.00 plus 8.25% of excess over \$80,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over \$4,800	1.40% of taxable income
Over \$4,800 but not over \$9,600	\$67.00 plus 3.20% of excess over \$4,800
Over \$9,600 but not over \$19,200	\$221.00 plus 5.50% of excess over \$9,600
Over \$19,200 but not over \$28,800	\$749.00 plus 6.40% of excess over \$19,200
Over \$28,800 but not over \$38,400	\$1,363.00 plus 6.80% of excess over \$28,800
Over \$38,400 but not over \$48,000	\$2,016.00 plus 7.20% of excess over \$38,400
Over \$48,000 but not over \$72,000	\$2,707.00 plus 7.60% of excess over \$48,000
Over \$72,000 but not over \$96,000	\$4,531.00 plus 7.90% of excess over \$72,000
Over \$96,000	\$6,427.00 plus 8.25% of excess over \$96,000.

In the case of any taxable year beginning after December 31, 2008:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$4,800</u>	<u>1.40% of taxable income</u>
<u>Over \$4,800 but not over \$9,600</u>	<u>\$67.00 plus 3.20% of excess over \$4,800</u>
<u>Over \$9,600 but not over \$19,200</u>	<u>\$221.00 plus 5.50% of excess over \$9,600</u>
<u>Over \$19,200 but not over \$28,800</u>	<u>\$749.00 plus 6.40% of excess over \$19,200</u>
<u>Over \$28,800 but not over \$38,400</u>	<u>\$1,363.00 plus 6.80% of excess over \$28,800</u>
<u>Over \$38,400 but not over \$48,000</u>	<u>\$2,016.00 plus 7.20% of excess over \$38,400</u>
<u>Over \$48,000 but not over \$72,000</u>	<u>\$2,707.00 plus 7.60% of excess over \$48,000</u>
<u>Over \$72,000 but not over \$96,000</u>	<u>\$4,531.00 plus 7.90% of excess over \$72,000</u>
<u>Over \$96,000 but not over \$300,000</u>	<u>\$6,427.00 plus 8.25% of excess over \$96,000</u>
<u>Over \$300,000 but not over \$350,000</u>	<u>\$23,257.00 plus 9.00% of excess over \$300,000</u>
<u>Over \$350,000 but not over \$400,000</u>	<u>\$27,757.00 plus 10.00% of excess over \$350,000</u>
<u>Over \$400,000</u>	<u>\$32,757.00 plus 11.00% of excess over \$400,000.</u>

(b) There is hereby imposed on the taxable income of every head of a household a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is:	The tax shall be:
Not over \$3,000	1.40% of taxable income
Over \$3,000 but not over \$6,000	\$42.00 plus 3.20% of excess over \$3,000
Over \$6,000 but not over \$12,000	\$138.00 plus 5.50% of excess over \$6,000
Over \$12,000 but not over \$18,000	\$468.00 plus 6.40% of excess over \$12,000
Over \$18,000 but not over \$24,000	\$852.00 plus 6.80% of excess over \$18,000
Over \$24,000 but not over \$30,000	\$1,260.00 plus 7.20% of excess over \$24,000
Over \$30,000 but not over \$45,000	\$1,692.00 plus 7.60% of excess over \$30,000
Over \$45,000 but not over \$60,000	\$2,832.00 plus 7.90% of excess over \$45,000
Over \$60,000	\$4,017.00 plus 8.25% of excess over \$60,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over \$3,600	1.40% of taxable income
Over \$3,600 but not over \$7,200	\$50.00 plus 3.20% of excess over \$3,600
Over \$7,200 but not over \$14,400	\$166.00 plus 5.50% of excess over \$7,200
Over \$14,400 but not over \$21,600	\$562.00 plus 6.40% of excess over \$14,400
Over \$21,600 but not over \$28,800	\$1,022.00 plus 6.80% of excess over \$21,600
Over \$28,800 but not over \$36,000	\$1,512.00 plus 7.20% of excess over \$28,800
Over \$36,000 but not over \$54,000	\$2,030.00 plus 7.60% of excess over \$36,000
Over \$54,000 but not over \$72,000	\$3,398.00 plus 7.90% of excess over \$54,000
Over \$72,000	\$4,820.00 plus 8.25% of excess over \$72,000.

In the case of any taxable year beginning after December 31, 2008:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$3,600</u>	<u>1.40% of taxable income</u>
<u>Over \$3,600 but not over \$7,200</u>	<u>\$50.00 plus 3.20% of excess over \$3,600</u>
<u>Over \$7,200 but not over \$14,400</u>	<u>\$166.00 plus 5.50% of excess over \$7,200</u>
<u>Over \$14,400 but not over \$21,600</u>	<u>\$562.00 plus 6.40% of excess over \$14,400</u>
<u>Over \$21,600 but not over \$28,800</u>	<u>\$1,022.00 plus 6.80% of excess over \$21,600</u>
<u>Over \$28,800 but</u>	<u>\$1,512.00 plus 7.20% of</u>

<u>not over \$36,000</u>	<u>excess over \$28,800</u>
<u>Over \$36,000 but</u>	<u>\$2,030.00 plus 7.60% of</u>
<u>not over \$54,000</u>	<u>excess over \$36,000</u>
<u>Over \$54,000 but</u>	<u>\$3,398.00 plus 7.90% of</u>
<u>not over \$72,000</u>	<u>excess over \$54,000</u>
<u>Over \$72,000 but</u>	<u>\$4,820.00 plus 8.25% of</u>
<u>not over \$225,000</u>	<u>excess over \$72,000</u>
<u>Over \$225,000 but</u>	<u>\$17,443.00 plus 9.00% of</u>
<u>not over \$262,500</u>	<u>excess over \$225,000</u>
<u>Over \$262,500 but</u>	<u>\$20,818.00 plus 10.00% of</u>
<u>not over \$300,000</u>	<u>excess over \$262,500</u>
<u>Over \$300,000</u>	<u>\$24,568.00 plus 11.00% of</u>
	<u>excess over \$300,000.</u>

(c) There is hereby imposed on the taxable income of (1) every unmarried individual (other than a surviving spouse, or the head of a household) and (2) on the taxable income of every married individual who does not make a single return jointly with the individual's spouse under section 235-93 a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is:	The tax shall be:
Not over \$2,000	1.40% of taxable income
Over \$2,000 but not over \$4,000	\$28.00 plus 3.20% of excess over \$2,000
Over \$4,000 but not over \$8,000	\$92.00 plus 5.50% of excess over \$4,000
Over \$8,000 but not over \$12,000	\$312.00 plus 6.40% of excess over \$8,000
Over \$12,000 but not over \$16,000	\$568.00 plus 6.80% of excess over \$12,000
Over \$16,000 but not over \$20,000	\$840.00 plus 7.20% of excess over \$16,000
Over \$20,000 but not over \$30,000	\$1,128.00 plus 7.60% of excess over \$20,000
Over \$30,000 but not over \$40,000	\$1,888.00 plus 7.90% of excess over \$30,000
Over \$40,000	\$2,678.00 plus 8.25% of excess over \$40,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over \$2,400	1.40% of taxable income
Over \$2,400 but not over \$4,800	\$34.00 plus 3.20% of excess over \$2,400
Over \$4,800 but not over \$9,600	\$110.00 plus 5.50% of excess over \$4,800
Over \$9,600 but not over \$14,400	\$374.00 plus 6.40% of excess over \$9,600
Over \$14,400 but not over \$19,200	\$682.00 plus 6.80% of excess over \$14,400
Over \$19,200 but not over \$24,000	\$1,008.00 plus 7.20% of excess over \$19,200
Over \$24,000 but not over \$36,000	\$1,354.00 plus 7.60% of excess over \$24,000
Over \$36,000 but	\$2,266.00 plus 7.90% of

not over \$48,000
Over \$48,000

excess over \$36,000
\$3,214.00 plus 8.25% of
excess over \$48,000.

In the case of any taxable year beginning after December 31, 2008:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$2,400</u>	<u>1.40% of taxable income</u>
<u>Over \$2,400 but</u> <u>not over \$4,800</u>	<u>\$34.00 plus 3.20% of</u> <u>excess over \$2,400</u>
<u>Over \$4,800 but</u> <u>not over \$9,600</u>	<u>\$110.00 plus 5.50% of</u> <u>excess over \$4,800</u>
<u>Over \$9,600 but</u> <u>not over \$14,400</u>	<u>\$374.00 plus 6.40% of</u> <u>excess over \$9,600</u>
<u>Over \$14,400 but</u> <u>not over \$19,200</u>	<u>\$682.00 plus 6.80% of</u> <u>excess over \$14,400</u>
<u>Over \$19,200 but</u> <u>not over \$24,000</u>	<u>\$1,008.00 plus 7.20% of</u> <u>excess over \$19,200</u>
<u>Over \$24,000 but</u> <u>not over \$36,000</u>	<u>\$1,354.00 plus 7.60% of</u> <u>excess over \$24,000</u>
<u>Over \$36,000 but</u> <u>not over \$48,000</u>	<u>\$2,266.00 plus 7.90% of</u> <u>excess over \$36,000</u>
<u>Over \$48,000 but</u> <u>not over \$150,000</u>	<u>\$3,214.00 plus 8.25% of</u> <u>excess over \$48,000</u>
<u>Over \$150,000 but</u> <u>not over \$175,000</u>	<u>\$11,629.00 plus 9.00% of</u> <u>excess over \$150,000</u>
<u>Over \$175,000 but</u> <u>not over \$200,000</u>	<u>\$13,879.00 plus 10.00% of</u> <u>excess over \$175,000</u>
<u>Over \$200,000</u>	<u>\$16,379.00 plus 11.00% of</u> <u>excess over \$200,000."</u>

SECTION 3. Section 235-54, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) In computing the taxable income of any individual, there shall be deducted, in lieu of the personal exemptions allowed by the Internal Revenue Code, personal exemptions computed as follows: Ascertain the number of exemptions which the individual can lawfully claim under the Internal Revenue Code, add an additional exemption for the taxpayer or the taxpayer’s spouse who is sixty-five years of age or older within the taxable year, and multiply that number by ~~[\$1,040,]~~ \$1,144, for taxable years beginning after December 31, 1984. A nonresident shall prorate the personal exemptions on account of income from sources outside the State as provided in section 235-5. In the case of an individual with respect to whom an exemption under this section is allowable to another taxpayer for a taxable year beginning in the calendar year in which the individual’s taxable year begins, the personal exemption amount applicable to such individual under this subsection for such individual’s taxable year shall be zero.”

SECTION 4. Notwithstanding any other law to the contrary, no penalty or interest under Title 14, Hawaii Revised Statutes, shall be imposed because of any underpayment of tax by a taxpayer or an employer attributable to the increase in the tax rates under this measure until the later of:

- (1) Ninety days after this Act becomes law; or
- (2) Immediately, after this Act becomes law, when the taxpayer’s estimated tax payment is due.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect upon approval, provided that:

- (1) Section 2 shall apply to taxable years beginning after December 31, 2008;
- (2) Sections 1 and 3 shall apply to taxable years beginning after December 31, 2010; and
- (3) On December 31, 2015, this Act shall be repealed and sections 235-2.4(a), 235-51(a), (b), and (c), and 235-54(a), Hawaii Revised Statutes, shall be reenacted in the form in which they read on the day before the effective date of this Act.

(Vetoed by Governor and veto overridden by Legislature on May 8, 2009.)