ACT 58

H.B. NO. 1146

A Bill for an Act Relating to Pass-Through Entity Taxation.

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

SECTION 1. Section 235-51.5, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) Each qualified member of an electing pass-through entity whose distributive share or guaranteed payment of Hawaii taxable income is subject to tax under this section shall be entitled to a credit equal to the qualified member's share of the tax paid pursuant to this section. If the amount of the credit authorized by this subsection exceeds the qualified member's tax liability imposed pursuant to this chapter, the excess of the credit over liability may be used as a credit against the member's net income tax liability in subsequent years until exhausted. Any qualified member claiming a credit shall not be entitled to deduct from the member's Hawaii state taxable income those amounts of Hawaii state income taxes paid by the member on the qualified member's distributive share or guaranteed payment of income from the electing pass-through entity. Any qualified member claiming a credit shall add to the qualified member's taxable income the qualified member's share of taxes paid by an electing pass-through entity under this section."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2024.

(Approved May 15, 2025.)