

1 "§235- Taxation of pension income. For taxable years
2 beginning after December 31, 2010, sections 88-91, 235-7(a) (2),
3 and 235-7(a) (3) shall apply only to taxpayers with federal
4 adjusted gross income of:
5 (1) Less than \$100,000 for a taxpayer filing a single
6 return or a married person filing separately;
7 (2) Less than \$150,000 for a taxpayer filing as a head of
8 household; or
9 (3) Less than \$200,000 for a taxpayer filing a joint
10 return or as a surviving spouse."

11 SECTION 3. Section 88-91, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "§88-91 Exemption from taxation and execution. The right
14 of a person to a pension, an annuity, or a retirement allowance,
15 to the return of contributions, the pension, annuity, or
16 retirement allowance itself, any optional benefit or death
17 benefit, any other right accrued or accruing to any person under
18 this part, and the moneys in the various funds created under
19 this part are exempted from any tax of the State, subject to the
20 limitations established in section 235- ; and, except as
21 provided in section 88-92 [provided], shall not be subject to
22 execution, garnishment, or any other process and shall be



1 unassignable except as specifically provided in this part
2 [~~specifically provided~~]."

3 SECTION 4. Section 235-7, Hawaii Revised Statutes, is
4 amended by amending subsection (a) to read as follows:

5 "(a) There shall be excluded from gross income, adjusted
6 gross income, and taxable income:

7 (1) Income not subject to taxation by the State under the
8 Constitution and laws of the United States;

9 (2) Rights, benefits, and other income exempted from
10 taxation by section 88-91, [~~having to do with~~
11 relating to the state retirement system, and the
12 rights, benefits, and other income[+] comparable to
13 the rights, benefits, and other income exempted by
14 section 88-91[+] under any other public retirement
15 system[+], subject to the limitations established in
16 section 235- ;

17 (3) Any compensation received in the form of a pension for
18 past services[+], subject to the limitations
19 established in section 235- ;

20 (4) Compensation paid to a patient affected with Hansen's
21 disease employed by the State or the United States in



1 any hospital, settlement, or place for the treatment
2 of Hansen's disease;

3 (5) Except as otherwise expressly provided, payments made
4 by the United States or this State, under an act of
5 Congress or a law of this State, [~~which~~] that by
6 express provision or administrative regulation or
7 interpretation are exempt from both the normal and
8 surtaxes of the United States, even though not so
9 exempted by the Internal Revenue Code itself;

10 (6) Any income expressly exempted or excluded from the
11 measure of the tax imposed by this chapter by any
12 other law of the State, it being the intent of this
13 chapter not to repeal or supersede any express
14 exemption or exclusion;

15 (7) Income received by each member of the reserve
16 components of the Army, Navy, Air Force, Marine Corps,
17 or Coast Guard of the United States of America, and
18 the Hawaii national guard as compensation for
19 performance of duty, equivalent to pay received for
20 forty-eight drills (equivalent of twelve weekends) and
21 fifteen days of annual duty, at an:



- 1 (A) E-1 pay grade after eight years of service;
2 provided that this subparagraph shall apply to
3 taxable years beginning after December 31, 2004;
- 4 (B) E-2 pay grade after eight years of service;
5 provided that this subparagraph shall apply to
6 taxable years beginning after December 31, 2005;
- 7 (C) E-3 pay grade after eight years of service;
8 provided that this subparagraph shall apply to
9 taxable years beginning after December 31, 2006;
- 10 (D) E-4 pay grade after eight years of service;
11 provided that this subparagraph shall apply to
12 taxable years beginning after December 31, 2007;
13 and
- 14 (E) E-5 pay grade after eight years of service;
15 provided that this subparagraph shall apply to
16 taxable years beginning after December 31, 2008;
- 17 (8) Income derived from the operation of ships or aircraft
18 if the income is exempt under the Internal Revenue
19 Code pursuant to the provisions of an income tax
20 treaty or agreement entered into by and between the
21 United States and a foreign country; provided that the
22 tax laws of the local governments of that country



- 1 reciprocally exempt from the application of all of
2 their net income taxes, the income derived from the
3 operation of ships or aircraft that are documented or
4 registered under the laws of the United States;
- 5 (9) The value of legal services provided by a prepaid
6 legal service plan to a taxpayer, the taxpayer's
7 spouse, and the taxpayer's dependents;
- 8 (10) Amounts paid, directly or indirectly, by a prepaid
9 legal service plan to a taxpayer as payment or
10 reimbursement for the provision of legal services to
11 the taxpayer, the taxpayer's spouse, and the
12 taxpayer's dependents;
- 13 (11) Contributions by an employer to a prepaid legal
14 service plan for compensation (through insurance or
15 otherwise) to the employer's employees for the costs
16 of legal services incurred by the employer's
17 employees, their spouses, and their dependents;
- 18 (12) Amounts received in the form of a monthly surcharge by
19 a utility acting on behalf of an affected utility
20 under section 269-16.3 shall not be gross income,
21 adjusted gross income, or taxable income for the
22 acting utility under this chapter. Any amounts



1 retained by the acting utility for collection or other
2 costs shall not be included in this exemption; and
3 (13) One hundred per cent of the gain realized by a fee
4 simple owner from the sale of a leased fee interest in
5 units within a condominium project, cooperative
6 project, or planned unit development to the
7 association of owners under chapter 514A or 514B, or
8 the residential cooperative corporation of the
9 leasehold units.

10 For purposes of this paragraph:

11 "Condominium project" and "cooperative project"
12 shall have the same meanings as provided under section
13 514C-1.

14 "Fee simple owner" shall have the same meaning as
15 provided under section 516-1; provided that it shall
16 include legal and equitable owners[~~7~~].

17 "Legal and equitable owner"[~~7~~] and "leased fee
18 interest" shall have the same meanings as provided
19 under section 516-1[~~7~~ and

20 ~~"Condominium project" and "cooperative project" shall~~
21 ~~have the same meanings as provided under section 514C-~~

22 ~~1~~].



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

PART III

SECTION 5. Section 235-2.4, Hawaii Revised Statutes, is amended by amending subsection (h) to read as follows:

"(h) Section 164 (with respect to taxes) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that ~~sections~~:

- (1) Sections 164(a)(6) and 164(b)(6) shall not be operative for the purposes of this chapter[-]; and
- (2) The deductions under sections 164(a)(3) and 164(b)(5) shall not be operative for corporate taxpayers and shall be operative only for the following individual taxpayers:
 - (A) A taxpayer filing a single return or a married person filing separately with a federal adjusted gross income of less than \$75,000;
 - (B) A taxpayer filing as a head of household with a federal adjusted gross income of less than \$112,500; and
 - (C) A taxpayer filing a joint return or as a surviving spouse with a federal adjusted gross income of less than \$150,000."



1
2
3
4
5
6
7
8
9
10

PART IV

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

SECTION 7. This Act shall take effect upon its approval, and shall apply to taxable years beginning after December 31, 2010; provided that the amendments made to section 235-7(a), Hawaii Revised Statutes, by section 4 of this Act shall not be repealed when that section is reenacted on January 1, 2013, by section 3 of Act 166, Session Laws of Hawaii 2007.



Report Title:

Taxation; Tax Improvement

Description:

Provides for the taxation of the pension income of: (1) An individual filer with federal adjusted gross income of \$100,000 or more; (2) A head of household with federal adjusted gross income of \$150,000 or more; and (3) A joint or surviving spouse filer with federal adjusted gross income of \$200,000 or more. Makes the deduction for state taxes paid inoperative for the same taxpayers. Effective upon its approval and applicable to taxpayer years beginning after December 31, 2010. (SD1)

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

