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**A BILL FOR AN ACT**

RELATING TO CONFORMITY TO THE INTERNAL REVENUE CODE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The purpose of this Act is to conform Hawaii  
2 income and estate and generation-skipping transfer tax laws to  
3 the Internal Revenue Code.

4           SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is  
5 amended by amending subsection (a) to read as follows:

6           "(a) For all taxable years beginning after December 31,  
7 [~~2022~~] 2023, as used in this chapter, except as provided in  
8 this section and sections 235-2.35, 235-2.4, and 235-2.45,  
9 "Internal Revenue Code" means subtitle A, chapter 1, of the  
10 federal Internal Revenue Code of 1986, as amended as of December  
11 31, [~~2022~~] 2023, as it applies to the determination of gross  
12 income, adjusted gross income, ordinary income and loss, and  
13 taxable income, except those provisions of the Internal Revenue  
14 Code which, pursuant to this chapter, do not apply or are  
15 otherwise limited in application.

16           Sections 9672(1) (relating to tax treatment of targeted  
17 EIDL advances) and 9673(1) (relating to tax treatment of  
18 restaurant revitalization grants) of Public Law 117-2 shall be

S.B. NO. 3173

1 operative for purposes of this chapter. No amount received  
2 under section 9601 (relating to 2021 recovery rebates to  
3 individuals) of Public Law 117-2 shall be included in gross  
4 income for purposes of this chapter.

5 Sections 276(b)(1) (relating to subsequent paycheck  
6 protection program loans), 277 (relating to emergency financial  
7 aid grants), 278(b)(1) (relating to emergency EIDL grants and  
8 targeted EIDL advances), 278(c)(1) (relating to subsidy for  
9 certain loan payments), and 278(d)(1) (relating to grants for  
10 shuttered venue operators) of Division N of Public Law 116-260  
11 shall be operative for purposes of this chapter. Sections 213  
12 (relating to modification of limitations on charitable  
13 contributions) and 214 (relating to temporary special rules for  
14 health and dependent care flexible spending arrangements) of  
15 Division EE of Public Law 116-260 shall be operative for  
16 purposes of this chapter. Sections 301, 302, and 304 (relating  
17 to disaster tax relief) of Division EE of Public Law 116-260  
18 shall be operative for purposes of this chapter. No amount  
19 received under section 272 (relating to additional 2020 recovery  
20 rebates for individuals) of Division N of Public Law 116-260  
21 shall be included in gross income for purposes of this chapter.

S.B. NO. 3173

1           Sections 1106(i) (relating to exclusion of loan forgiveness  
2 from gross income), 2202(b) (relating to loans from retirement  
3 plans), and 2205 (relating to charitable contributions) of  
4 Public Law 116-136 shall be operative for purposes of this  
5 chapter. No amount received under section 2201 (relating to  
6 recovery rebates) of Public Law 116-136 shall be included in  
7 gross income for purposes of this chapter.

8           Section 2202(a) (relating to tax-favored withdrawals from  
9 retirement plans) of Public Law 116-136 shall be operative for  
10 purposes of this chapter and shall apply to taxable years  
11 beginning after December 31, 2019.

12           Prior law shall continue to be used to determine:

13           (1) The basis of property, if a taxpayer first determined  
14           the basis of property in a taxable year to which prior  
15           law applies; and

16           (2) Gross income, adjusted gross income, ordinary income  
17           and loss, and taxable income for a taxable year to  
18           which prior law applies."

19           SECTION 3. Section 236E-3, Hawaii Revised Statutes, is  
20 amended to read as follows:

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# S.B. NO. 3173

**Report Title:**

Conformity to the Internal Revenue Code for 2023; Income Tax; Estate and Generation-Skipping Transfer Tax

**Description:**

Conforms Hawaii income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of December 31, 2023.

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

JUSTIFICATION SHEET

**SB. NO. 3173**

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO CONFORMITY TO THE INTERNAL REVENUE CODE.

PURPOSE: To amend Hawaii's income and estate and generation-skipping transfer tax laws to conform to changes made to the Internal Revenue Code in calendar year 2023.

MEANS: Amend sections 235-2.3(a) and 236E-3, Hawaii Revised Statutes (HRS).

JUSTIFICATION: Sections 235-2.5(c) and 236E-4(c), HRS, mandate that the Department of Taxation submit to each regular session of the Legislature a bill that amends Hawaii's income and estate and generation-skipping transfer tax laws to conform to changes in the Internal Revenue Code.

This bill amends section 235-2.3(a) and section 236E-3, HRS, by changing the date when Hawaii adopts the Internal Revenue Code to December 31, 2023.

These changes adopt income and estate and generation-skipping transfer tax law changes made in the 2023 calendar year.

Impact on the public:  
Conforming to all amendment provisions of the Internal Revenue Code will minimize the taxpayers' burdens in complying with Hawaii's income and estate and generation-skipping transfer tax laws and simplify their filing of returns.

Impact on the department and other agencies:  
Conforming Hawaii's income and estate and generation-skipping transfer tax laws to those of the Internal Revenue Code will increase consistency between the state and federal jurisdictions.

# SB. NO. 3173

GENERAL FUND: Indeterminate.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: None.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: Upon approval; income tax changes shall apply to taxable years beginning after December 31, 2023, and estate and generation-skipping transfer tax changes shall apply to decedents dying or taxable transfers occurring after December 31, 2023.