A BILL FOR AN ACT

RELATING TO AN INCREASE IN THE STANDARD DEDUCTION.

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

1 SECTION 1. Section 235-2.4, Hawaii Revised Statutes, is 2 amended by amending subsection (a) to read as follows: 3 "§235-2.4 Operation of certain Internal Revenue Code 4 provisions; sections 63 to 530. (a) Section 63 (with respect 5 to taxable income defined) of the Internal Revenue Code shall be 6 operative for the purposes of this chapter, except that the 7 standard deduction amount in section 63(c) of the Internal 8 Revenue Code shall instead mean: 9 (1) For tax years before January 1, 2007: $[\frac{(1)}{(1)}]$ (A) \$4,000 in the case of: 10 11 $[\frac{A}{A}]$ (i) A joint return as provided by section 235-93; or 12 A surviving spouse (as defined in section [(B)] (ii) 2(a) of the Internal Revenue Code); 13 14 \$2,920 in the case of a head of household (as $[\frac{(2)}{(2)}]$ (B) 15 defined in section 2(b) of the Internal Revenue Code); $\left[\frac{3}{3}\right]$ (C) \$2,000 in the case of an individual who is not 16 17 married and who is not a surviving spouse or head of 18 household; or

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| 1 | [(4)] <u>(D)</u> | \$2,000 in the case of a married individual filing |
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| 2 | a se | parate return. |
| 3 | (2) <u>For</u> | taxable years beginning after December 31, 2006: |
| 4 | <u>(A)</u> | \$8,000 in the case of: |
| 5 | | (i) A joint return as provided by section 235- |
| 6 | | 93; or |
| 7 | | (ii) A surviving spouse (as defined in section |
| 8 | | 2(a) of the Internal Revenue Code); |
| 9 | <u>(B)</u> | \$5,840 in the case of a head of household (as |
| 10 | | defined in section 2(b) of the Internal Revenue |
| 11 | | <u>Code);</u> |
| 12 | <u>(C)</u> | \$4,000 in the case of an individual who is not |
| 13 | | married and who is not a surviving spouse or head |
| 14 | | of household; or |
| 15 | <u>(D)</u> | \$4,000 in the case of a married individual filing |
| 16 | | a separate return. |
| 17 | Section 63(c)(4) shall not be operative in this State. | |
| 18 | Section 63(c)(5) shall be operative, except that the limitation | |
| 19 | on basic standard deduction in the case of certain dependents | |
| 20 | shall be the greater of \$500 or such individual's earned income. | |
| 21 | Section 63(f) shall not be operative in this State. | |

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| 7 | 2006. |
| 6 | and shall apply to taxable years beginning after December 31, |
| 5 | SECTION 3. This Act shall take effect upon its approval |
| 4 | and stricken. New statutory material is underscored. |
| 3 | SECTION 2. Statutory material to be repealed is bracketed |
| 2 | calculated pursuant to section 235-5." |
| 1 | The standard deduction amount for nonresidents shall be |

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Report Title:

Taxation

Description:

Increases the standard deduction to eighty per cent of the 2005 federal level.