H.B. NO. 1820

A BILL FOR AN ACT

RELATING TO STATE INCOME TAX.

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

1   SECTION 1. The purpose of this Act is to exclude the

2 salaries and wages of police officers in the four county police

3 departments from state income taxes.

4   SECTION 2. Section 235-7, Hawaii Revised Statutes, is

5 amended by amending subsection (a) to read as follows:

6   "(a) There shall be excluded from gross income, adjusted

7 gross income, and taxable income:

8   (1) Income not subject to taxation by the State under the

9   Constitution and laws of the United States;

10   (2) Rights, benefits, and other income exempted from

11   taxation by section 88-91, having to do with the state

12   retirement system, and the rights, benefits, and other

13   income, comparable to the rights, benefits, and other

14   income exempted by section 88-91, under any other

15   public retirement system;

16   (3) Any compensation received in the form of a pension for

17   past services;

1   (4)   Compensation paid to a patient affected with Hansen's

2   disease employed by the State or the United States in

3   any hospital, settlement, or place for the treatment

4   of Hansen's disease;

5   (5)   Except as otherwise expressly provided, payments made

6   by the United States or this State, under an act of

7   Congress or a law of this State, which by express

8   provision or administrative regulation or

9   interpretation are exempt from both the normal and

10   surtaxes of the United States, even though not so

11   exempted by the Internal Revenue Code itself;

12   (6)   Any income expressly exempted or excluded from the

13   measure of the tax imposed by this chapter by any

14   other law of the State, it being the intent of this

15   chapter not to repeal or supersede any such express

16   exemption or exclusion;

17   (7)   Income received by each member of the reserve

18   components of the Army, Navy, Air Force, Marine Corps,

19   or Coast Guard of the United States of America, and

20   the Hawaii national guard as compensation for

21   performance of duty, equivalent to pay received for

1   forty-eight drills (equivalent of twelve weekends) and

2   fifteen days of annual duty, at an:

3   (A) E-1 pay grade after eight years of service;

4   provided that this subparagraph shall apply to

5   taxable years beginning after December 31, 2004;

6   (B) E-2 pay grade after eight years of service;

7   provided that this subparagraph shall apply to

8   taxable years beginning after December 31, 2005;

9   (C) E-3 pay grade after eight years of service;

10   provided that this subparagraph shall apply to

11   taxable years beginning after December 31, 2006;

12   (D) E-4 pay grade after eight years of service;

13   provided that this subparagraph shall apply to

14   taxable years beginning after December 31, 2007;

15   and

16   (E) E-5 pay grade after eight years of service;

17   provided that this subparagraph shall apply to

18   taxable years beginning after December 31, 2008;

19   (8) Income derived from the operation of ships or aircraft

20   if the income is exempt under the Internal Revenue

21   Code pursuant to the provisions of an income tax

22   treaty or agreement entered into by and between the

1   United States and a foreign country, provided that the

2   tax laws of the local governments of that country

3   reciprocally exempt from the application of all of

4   their net income taxes, the income derived from the

5   operation of ships or aircraft that are documented or

6   registered under the laws of the United States;

7   (9) The value of legal services provided by a prepaid

8   legal service plan to a taxpayer, the taxpayer's

9   spouse, and the taxpayer's dependents;

10 (10) Amounts paid, directly or indirectly, by a prepaid

11   legal service plan to a taxpayer as payment or

12   reimbursement for the provision of legal services to

13   the taxpayer, the taxpayer's spouse, and the

14   taxpayer's dependents;

15 (11) Contributions by an employer to a prepaid legal

16   service plan for compensation (through insurance or

17   otherwise) to the employer's employees for the costs

18   of legal services incurred by the employer's

19   employees, their spouses, and their dependents; [and]

20 (12) Amounts received in the form of a monthly surcharge by

21   a utility acting on behalf of an affected utility

22   under section 269-16.3 shall not be gross income,

1   adjusted gross income, or taxable income for the

2   acting utility under this chapter. Any amounts

3   retained by the acting utility for collection or other

4   costs shall not be included in this exemption[-]; and

5   (13) Notwithstanding any other law to the contrary, all

6   income received by each police officer employed by the

7   police department of the city and county of Honolulu,

8   and the counties of Hawaii, Kauai, and Maui as

9   compensation for the performance of duty as a police

10   officer."

11   SECTION 2. Statutory material to be repealed is bracketed

12   and stricken. New statutory material is underscored.

13   SECTION 3. This Act shall take effect upon its approval

14   and shall apply to the taxable year beginning after December 31,

15   2006.

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INTRODUCED BY: _____

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Report Title:
Income Tax; Exempt Police Officer Salaries and Wages

Description:
Exempts income of all police officers employed by the police departments of the four counties from the state income tax.