
A BILL FOR AN ACT

RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE
INTERNAL REVENUE CODE.

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

1 SECTION 1. Section 235-2.3, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:
3 "(a) For all taxable years beginning after December 31,
4 [~~2006,~~] 2007, as used in this chapter, "Internal Revenue Code"
5 means subtitle A, chapter 1, of the federal Internal Revenue
6 Code of 1986, as amended as of December 31, [~~2006,~~] 2007, as it
7 applies to the determination of gross income, adjusted gross
8 income, ordinary income and loss, and taxable income, except
9 those provisions of the Internal Revenue Code and federal public
10 laws which, pursuant to this chapter, do not apply or are
11 otherwise limited in application and except for the provisions
12 of Public Law 109-001 which apply to section 170 of the Internal
13 Revenue Code. The provisions of Public Law 109-001 to
14 accelerate the deduction for charitable cash contributions for
15 the relief of victims of the 2004 Indian Ocean tsunami are
16 applicable for the calendar year that ended December 31, 2004,
17 and the calendar year ending December 31, 2005.



1 Sections 235-2, 235-2.1, and 235-2.2 shall continue to be
2 used to determine:

3 (1) The basis of property, if a taxpayer first determined
4 the basis of property in a taxable year to which such
5 sections apply, and if such determination was made
6 before January 1, 1978; and

7 (2) Gross income, adjusted gross income, ordinary income
8 and loss, and taxable income for a taxable year to
9 which such sections apply where such taxable year
10 begins before January 1, 1978."

11 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is
12 amended by amending subsection (g) to read as follows:

13 "(g) Section 179 (with respect to the election to expense
14 certain depreciable business assets) of the Internal Revenue Code
15 shall be operative for purposes of this chapter, except that
16 provisions relating to:

17 (1) The increase of the maximum deduction to \$100,000 for
18 taxable years beginning after 2002 and before 2008, and
19 the increase of the maximum deduction to \$125,000 for
20 taxable years beginning after 2006 and before 2011, in
21 section 179(b)(1);



1 (2) The increase of the qualifying investment amount to
2 \$400,000 for taxable years beginning after 2002 and
3 before 2008, and the increase of the qualifying
4 investment amount to \$500,000 for taxable years
5 beginning after 2006 and before 2011, in section
6 179(b) (2);

7 (3) Defining section 179 property to include computer
8 software in section 179(d) (1);

9 (4) Inflation adjustments in section 179(b) (5); and

10 (5) Irrevocable election in section 179(c) (2);

11 shall not be operative for the purposes of this chapter."

12 SECTION 3. Section 235-2.45, Hawaii Revised Statutes, is
13 amended by amending subsection (g) to read as follows:

14 "(g) Section 1400N (with respect to tax benefits for Gulf
15 Opportunity Zone) of the Internal Revenue Code shall be operative
16 for the purposes of this chapter, except that sections 1400N(a)
17 (with respect to tax-exempt bond financing); 1400N(b) (with
18 respect to advance refundings of certain tax-exempt bonds);
19 1400N(c) (with respect to the low income housing credit; 1400N(d)
20 (with respect to special allowance for certain property acquired
21 on or after August 28, 2005); 1400N(e) (with respect to increase
22 in expensing under section 179); 1400N(h) (with respect to



1 increase in rehabilitation credit); 1400N(l) (with respect to
2 credit to holders of Gulf tax credit bonds); 1400N(m) (with
3 respect to application of new markets tax credit to investments
4 in community development entities serving Gulf Opportunity Zone);
5 1400N(n) (with respect to treatment of representations regarding
6 income eligibility for purposes of qualified residential rental
7 project requirements) shall not be operative for purposes of this
8 chapter."

9 SECTION 4. Section 235-55.91, Hawaii Revised Statutes, is
10 amended by amending subsection (c) to read as follows:

11 "(c) For purposes of this section:

12 "Hiring date" means the day the vocational rehabilitation
13 referral is hired by the employer.

14 "Qualified first-year wages" means, with respect to any
15 vocational rehabilitation referral, qualified wages attributable
16 to service rendered during the one-year period beginning with the
17 day the individual begins work for the employer.

18 "Qualified wages" means the wages paid or incurred by the
19 employer during the taxable year to an individual who is a
20 vocational rehabilitation referral and more than one-half of the
21 wages paid or incurred for such an individual is for services
22 performed in a trade or business of the employer.



1 "Vocational rehabilitation referral" means any individual
2 who is certified by the department of human services vocational
3 rehabilitation and services for the blind division in
4 consultation with the Hawaii state employment service of the
5 department of labor and industrial relations as:

6 (1) Having a physical or mental disability which, for such
7 individual, constitutes or results in a substantial
8 handicap to employment; and

9 (2) Having been referred to the employer upon completion of
10 (or while receiving) rehabilitative services pursuant
11 to:

12 (A) An individualized written rehabilitation plan
13 under the State's plan for vocational
14 rehabilitation services approved under the
15 Rehabilitation Act of 1973, as amended; [~~or~~]

16 (B) A program of vocational rehabilitation carried out
17 under chapter 31 of [~~title~~] Title 38, United
18 States Code[~~-~~]; or

19 (C) An individual work plan developed and implemented
20 by an employment network pursuant to subsection
21 (g) of section 1148 of the Social Security Act, as



1 amended, with respect to which the requirements of
2 such subsection are met.

3 "Wages" has the meaning given to such term by section
4 3306(b) of the Internal Revenue Code (determined without regard
5 to any dollar limitation contained in the Internal Revenue Code
6 section). "Wages" shall not include:

7 (1) Amounts paid or incurred by an employer for any period
8 to any vocational rehabilitation referral for whom the
9 employer receives state or federally funded payments
10 for on-the-job training of the individual for the
11 period;

12 (2) Amounts paid to an employer (however utilized by the
13 employer) for any vocational rehabilitation referral
14 under a program established under section 414 of the
15 Social Security Act; and

16 (3) If the principal place of employment is at a plant or
17 facility, and there is a strike or lockout involving
18 vocational rehabilitation referrals at the plant or
19 facility, amounts paid or incurred by the employer to
20 the vocational rehabilitation referral for services
21 which are the same as, or substantially similar to,
22 those services performed by employees participating in,



1 or affected by, the strike or lockout during the period
2 of strike or lockout."

3 SECTION 5. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 6. This Act shall take effect upon its approval and
6 shall apply to taxable years beginning after December 31, 2007;
7 provided that the retroactive and prospective effective dates
8 contained in the congressional acts relating to the Internal
9 Revenue Code and enacted during 2007 shall be operative for
10 chapter 235, Hawaii Revised Statutes.



Report Title:

Conforms the Hawaii Income Tax Law to the Internal Revenue Code

Description:

Amends Hawaii's income tax law to conform with changes to the Internal Revenue Code. (HB3191 HD1).

