

JAN 24 2007

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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The purpose of this Act is to exclude the  
2 salary and wages of police officers in the four county police  
3 departments from gross income, adjusted gross income, and  
4 taxable income taxes.

5           SECTION 2. Section 235-7, Hawaii Revised Statutes, is  
6 amended by amending subsection (a) to read as follows:

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

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

11           (2) Rights, benefits, and other income exempted from  
12 taxation by section 88-91, having to do with the state  
13 retirement system, and the rights, benefits, and other  
14 income, comparable to the rights, benefits, and other  
15 income exempted by section 88-91, under any other  
16 public retirement system;



- 1           (3) Any compensation received in the form of a pension for  
2           past services;
- 3           (4) Compensation paid to a patient affected with Hansen's  
4           disease employed by the State or the United States in  
5           any hospital, settlement, or place for the treatment  
6           of Hansen's disease;
- 7           (5) Except as otherwise expressly provided, payments made  
8           by the United States or this State, under an act of  
9           Congress or a law of this State, which by express  
10          provision or administrative regulation or  
11          interpretation are exempt from both the normal and  
12          surtaxes of the United States, even though not so  
13          exempted by the Internal Revenue Code itself;
- 14          (6) Any income expressly exempted or excluded from the  
15          measure of the tax imposed by this chapter by any  
16          other law of the State, it being the intent of this  
17          chapter not to repeal or supersede any such express  
18          exemption or exclusion;
- 19          (7) Income received by each member of the reserve  
20          components of the Army, Navy, Air Force, Marine Corps,  
21          or Coast Guard of the United States of America, and  
22          the Hawaii national guard as compensation for



1 performance of duty, equivalent to pay received for  
2 forty-eight drills (equivalent of twelve weekends) and  
3 fifteen days of annual duty, at an:

4 (A) E-1 pay grade after eight years of service;  
5 provided that this subparagraph shall apply to  
6 taxable years beginning after December 31, 2004;

7 (B) E-2 pay grade after eight years of service;  
8 provided that this subparagraph shall apply to  
9 taxable years beginning after December 31, 2005;

10 (C) E-3 pay grade after eight years of service;  
11 provided that this subparagraph shall apply to  
12 taxable years beginning after December 31, 2006;

13 (D) E-4 pay grade after eight years of service;  
14 provided that this subparagraph shall apply to  
15 taxable years beginning after December 31, 2007;  
16 and

17 (E) E-5 pay grade after eight years of service;  
18 provided that this subparagraph shall apply to  
19 taxable years beginning after December 31, 2008;

20 (8) Income derived from the operation of ships or aircraft  
21 if the income is exempt under the Internal Revenue  
22 Code pursuant to the provisions of an income tax



1 treaty or agreement entered into by and between the  
2 United States and a foreign country, provided that the  
3 tax laws of the local governments of that country  
4 reciprocally exempt from the application of all of  
5 their net income taxes, the income derived from the  
6 operation of ships or aircraft that are documented or  
7 registered under the laws of the United States;

8 (9) The value of legal services provided by a prepaid  
9 legal service plan to a taxpayer, the taxpayer's  
10 spouse, and the taxpayer's dependents;

11 (10) Amounts paid, directly or indirectly, by a prepaid  
12 legal service plan to a taxpayer as payment or  
13 reimbursement for the provision of legal services to  
14 the taxpayer, the taxpayer's spouse, and the  
15 taxpayer's dependents;

16 (11) Contributions by an employer to a prepaid legal  
17 service plan for compensation (through insurance or  
18 otherwise) to the employer's employees for the costs  
19 of legal services incurred by the employer's  
20 employees, their spouses, and their dependents; [and]

21 (12) Amounts received in the form of a monthly surcharge by  
22 a utility acting on behalf of an affected utility



1 under section 269-16.3 shall not be gross income,  
 2 adjusted gross income, or taxable income for the  
 3 acting utility under this chapter. Any amounts  
 4 retained by the acting utility for collection or other  
 5 costs shall not be included in this exemption[-]; and  
 6 (13) All income derived from salary and wages that is  
 7 received by a person who is a police officer employed  
 8 by the Honolulu, Hawaii, Maui, and Kauai county police  
 9 departments."

10 SECTION 3. Statutory material to be repealed is bracketed  
 11 and stricken. New statutory material is underscored.

12 SECTION 4. This Act, upon its approval, shall apply to  
 13 taxable years beginning after December 31, 2007.

14 INTRODUCED BY: \_\_\_\_\_

A handwritten signature, possibly 'J. [unclear]', is written over a horizontal line. To the right of the signature, the initials 'HK' are written.



**Report Title:**

Taxation; Honolulu Police Department; Wage and Salaries

**Description:**

Excludes salary and wages of police officers in the four county police departments from gross income, adjusted gross income, and taxable income taxes.

