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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 legislature finds that the current state  
2 tax system is more regressive than desired and often places a  
3 disproportionate financial burden on those who can least bear  
4 that burden.

5           This Act is an attempt to balance that burden to provide  
6 socioeconomic fairness and equity in the state tax system.

7           SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
8 amended by adding a new section to be appropriately designated  
9 and to read as follows:

10           "§235-    Itemized deductions; limitation.    Notwithstanding  
11 any other law to the contrary, itemized tax deductions claimed  
12 pursuant to this chapter shall not exceed income of:

13           (1) \$100,000 in the case of:

14                (A) A joint return as provided by section 235-93; or

15                (B) A surviving spouse (as defined in section 2(a) of  
16 the Internal Revenue Code);

17           (2) \$80,000 in the case of a head of household (as defined  
18 in section 2(b) of the Internal Revenue Code);



- 1        (3) \$50,000 in the case of an individual who is not
- 2                married and who is not a surviving spouse or head of
- 3                household; or
- 4        (4) \$50,000 in the case of a married individual filing a
- 5                separate return."

6                SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is  
 7 amended by amending subsection (a) to read as follows:

8                "(a) Section 63 (with respect to taxable income defined)  
 9 of the Internal Revenue Code shall be operative for the purposes  
 10 of this chapter, except that the standard deduction amount in  
 11 section 63(c) of the Internal Revenue Code shall instead mean:

- 12                (1) [~~\$4,000~~] \$4,400 in the case of:
  - 13                        (A) A joint return as provided by section 235-93; or
  - 14                        (B) A surviving spouse (as defined in section 2(a) of
  - 15                                the Internal Revenue Code);
- 16                (2) [~~\$2,920~~] \$3,210 in the case of a head of household (as
- 17                        defined in section 2(b) of the Internal Revenue Code);
- 18                (3) [~~\$2,000~~] \$2,200 in the case of an individual who is
- 19                        not married and who is not a surviving spouse or head
- 20                                of household; or
- 21                (4) [~~\$2,000~~] \$2,200 in the case of a married individual
- 22                        filing a separate return.



# H.B. NO. 1494

1 Section 63(c)(4) shall not be operative in this State.

2 Section 63(c)(5) shall be operative, except that the limitation  
3 on basic standard deduction in the case of certain dependents  
4 shall be the greater of \$500 or such individual's earned income.

5 Section 63(f) shall not be operative in this State.

6 The standard deduction amount for nonresidents shall be  
7 calculated pursuant to section 235-5."

8 SECTION 4. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 5. This Act shall take effect upon its approval  
11 and shall apply to taxable years beginning after December 31,  
12 2008.

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INTRODUCED BY:

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JAN 27 2009



**Report Title:**

Taxation; Itemized Deductions; Standard Deduction

**Description:**

Places a cap on itemized deductions claimed on state income tax returns and increases the state standard deduction.

