
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Section 235-7, Hawaii Revised Statutes, is
2 amended by amending subsection (d) to read as follows:

3 "(d) (1) For taxable years ending before January 1, 1967,
4 the net operating loss deductions allowed as carrybacks and
5 carryovers by the Internal Revenue Code shall not be allowed.
6 In lieu thereof the net operating loss deduction shall consist
7 of the excess of the deductions allowed by this chapter over the
8 gross income, computed with the modifications specified in
9 paragraphs (1) to (4) of section 172(d) of the Internal Revenue
10 Code, and with the further modification stated in paragraph (3)
11 hereof; and shall be allowed as a deduction in computing the
12 taxable income of the taxpayer for the succeeding taxable year;

13 (2) (A) With respect to net operating loss deductions
14 resulting from net operating losses for taxable
15 years ending after December 31, 1966, the net
16 operating loss deduction provisions of the
17 Internal Revenue Code shall apply; provided that
18 there shall be no net operating loss deduction



1 carried back to any taxable year ending prior to
2 January 1, 1967;

3 (B) In the case of a taxable year beginning in 1966
4 and ending in 1967, the entire amount of all net
5 operating loss deductions carried back to the
6 taxable year shall be limited to that portion of
7 taxable income for such taxable year which the
8 number of days in 1967 bears to the total days in
9 the taxable year ending in 1967; and

10 (C) The computation of any net operating loss
11 deduction for a taxable year covered by this
12 subsection shall require the further
13 modifications stated in paragraphs (3), (4), and
14 (5) of this subsection;

15 (3) In computing the net operating loss deduction allowed
16 by this subsection, there shall be included in gross
17 income the amount of interest which is excluded from
18 gross income by subsection (a), decreased by the
19 amount of interest paid or accrued which is disallowed
20 as a deduction by subsection (e). In determining the
21 amount of the net operating loss deduction under this
22 subsection of any corporation, there shall be



1 disregarded the net operating loss of such corporation
2 for any taxable year for which the corporation is an
3 electing small business corporation;

4 (4) No net operating loss carryback or carryover shall be
5 allowed by this chapter if not allowed under section
6 172 of the Internal Revenue Code;

7 (5) The election to relinquish the entire carryback period
8 with respect to a net operating loss allowed under
9 section 172(b)(3)(C) of the Internal Revenue Code
10 shall be operative for the purposes of this chapter;
11 provided that no taxpayer shall make such an election
12 as to a net operating loss of a business where such
13 net operating loss occurred in the taxpayer's business
14 prior to the taxpayer entering business in this State;
15 [and]

16 (6) The five-year carryback period for net operating
17 losses for any taxable year ending during 2001 and
18 2002 in section 172(b)(1)(H) of the Internal Revenue
19 Code shall not be operative for purposes of this
20 chapter[-]; and

21 (7) Notwithstanding any law to the contrary, including
22 this section, no net operating loss carryback

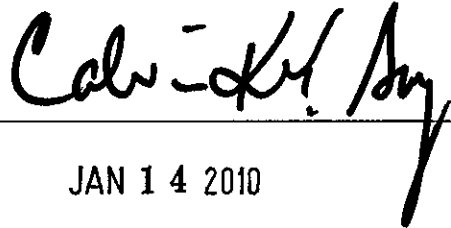


1 generated in taxable year 2009 under this chapter, may
2 be claimed for taxable years 2007 and 2008, and no net
3 operating loss generated in taxable year 2010 under
4 this chapter, may be claimed for taxable years 2008
5 and 2009."

6 SECTION 2. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 3. This Act shall take effect upon its approval
9 and shall apply to taxable years beginning after December 31,
10 2009.

11
INTRODUCED BY:



JAN 14 2010



Report Title:

Income Tax; Net Operating Loss Deduction

Description:

Temporarily suspends the income tax net operating loss carryback deduction for losses generated in 2009 and 2010.

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