
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

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

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

15 (2) (A) With respect to net operating loss deductions
16 resulting from net operating losses for taxable
17 years ending after December 31, 1966, the net
18 operating loss deduction provisions of the



1 Internal Revenue Code shall apply; provided that
2 there shall be no net operating loss deduction
3 carried back to any taxable year ending prior to
4 January 1, 1967;

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

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

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



1 amount of the net operating loss deduction under this
2 subsection of any corporation, there shall be
3 disregarded the net operating loss of such corporation
4 for any taxable year for which the corporation is an
5 electing small business corporation;

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

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

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



1 2015, the excess credit shall not be refunded, but may be
2 claimed in subsequent years until exhausted; provided further
3 that no refunds or payment on account of the tax credit allowed
4 by this section shall be made for amounts less than \$1.

5 All claims for tax credits under this section, including
6 any amended claims, must be filed on or before the end of the
7 twelfth month following the close of the taxable year for which
8 the credits may be claimed. Failure to comply with the
9 foregoing provision shall constitute a waiver of the right to
10 claim the credit."

11 PART IV.

12 SECTION 5. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 6. This Act shall take effect on July 1, 2020, and
15 shall apply to taxable years beginning after December 31, 2009.



Report Title:

Net Operating Loss Deduction; Itemized Deductions - Standard Deduction; Capital Goods Excise Tax Credit

Description:

Temporarily suspends the income tax net operating loss carryback deduction for losses generated in 2009 and 2010. Places a cap on itemized deductions claimed on state income tax returns. Applies to taxable years beginning after 12/31/09 and sunsets on 12/31/15. Removes the refunding feature of the capital goods excise tax credit from 01/01/10 to 12/31/15. Effective July 1, 2020. (SB2405 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

