
A BILL FOR AN ACT

RELATING TO TAXATION.

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

PART I

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

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

(2) (A) With respect to net operating loss deductions resulting from net operating losses for taxable years ending after December 31, 1966, the net 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 (7) Notwithstanding any law to the contrary, including
 2 this section, no net operating loss carryback
 3 generated in taxable year 2009 under this chapter, may
 4 be claimed for taxable years 2007 and 2008, and no net
 5 operating loss carryback generated in taxable year
 6 2010 under this chapter, may be claimed for taxable
 7 years 2008 and 2009."

PART II

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

12 "§235- Itemized deductions; limitation. (a)

13 Notwithstanding any other law to the contrary, itemized tax
 14 deductions claimed pursuant to this chapter shall not exceed:

15 (1) \$100,000 in the case of:

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

17 (B) A surviving spouse (as defined in Section 2(a) of
 18 the Internal Revenue Code);

19 (2) \$80,000 in the case of a head of household (as defined
 20 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 (b) This section shall be repealed on December 31, 2015."

7 PART III

8 SECTION 3. The legislature finds that the current economic
9 crisis and the resulting dire financial forecasts require a
10 thorough investigation into ways to reduce state expenses
11 wherever possible. Expenses that were funded in the past, when
12 state funds were available, may now be inappropriate,
13 considering the billion-dollar state deficit that looms ahead.

14 The purpose of this Act is to reduce current state expenses
15 by removing until December 31, 2015, the refunding feature of
16 the capital goods excise tax credit.

17 SECTION 4. Section 235-110.7, Hawaii Revised Statutes, is
18 amended by amending subsection (b) to read as follows:

19 "(b) If the capital goods excise tax credit allowed under
20 subsection (a) exceeds the taxpayer's net income tax liability,
21 the excess of credit over liability shall be refunded to the
22 taxpayer; provided that from January 1, 2010, to December 31,



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. (HB1907 HD1)

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