
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 repeal the income
2 tax exclusion for certain gross income of an in-state trust with
3 out-of-state beneficiaries.

4 SECTION 2. Section 235-4.5, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "§235-4.5 [~~Taxation of trusts, beneficiaries;~~] Resident
7 beneficiary of out-of-state trust; credit. [~~(a) There shall be~~
8 ~~excluded from gross income any intangible income, such as~~
9 ~~dividends and interest, earned by a trust sited in this State to~~
10 ~~the extent that, during the taxable year of the trust, the~~
11 ~~beneficial interest in the trust shall be held by a beneficiary~~
12 ~~or beneficiaries residing outside this State. This exclusion~~
13 ~~shall not apply to income received from real property held in a~~
14 ~~land trust formed under chapter 558.~~

15 ~~(b) If a trust sited in this State owns one hundred per~~
16 ~~cent of the stock of a foreign corporation which does not engage~~
17 ~~in an active trade or business but acts solely as a holding~~
18 ~~company receiving intangible income, such as dividends and~~



1 ~~interest, the intangible income of the foreign corporation shall~~
 2 ~~be excluded from gross income for Hawaii income tax purposes but~~
 3 ~~only to the extent that the income of the trust beneficiaries is~~
 4 ~~excluded from taxation under subsection (a). As used in this~~
 5 ~~section, foreign corporation means a corporation not created or~~
 6 ~~organized in the United States or under the laws of the United~~
 7 ~~States, Hawaii, or any other state.~~

8 (e) Any resident beneficiary of a trust with a situs in
 9 another state may claim a credit for income taxes paid by the
 10 trust to the other state on any income received [which] that is
 11 attributable to assets other than intangibles."

12 SECTION 3. Statutory material to be repealed is bracketed
 13 and stricken. New statutory material is underscored.

14 SECTION 4. This Act, upon its approval, shall apply to
 15 taxable years beginning after December 31, 2010.

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INTRODUCED BY:

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 JAN 21 2011



Report Title:

Income Tax; Exclusion of Certain Income from Out-of-State Trust

Description:

Repeals the income tax exclusion for certain gross income of an in-state trust with out-of-state beneficiaries.

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