
A BILL FOR AN ACT

RELATING TO UNEMPLOYMENT COMPENSATION.

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

1 SECTION 1. The legislature finds that unemployed persons
2 spend all or most of the unemployment compensation within the
3 local economy. The legislature also finds that the benefit of
4 those expenditures will be maximized by temporarily exempting
5 unemployment benefits from income taxation.

6 The purpose of this Act is to promote economic
7 revitalization by temporarily exempting income from unemployment
8 compensation from state income taxation.

9 SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is
10 amended by amending subsection (b) to read as follows:

11 "(b) The following Internal Revenue Code subchapters,
12 parts of subchapters, sections, subsections, and parts of
13 subsections shall not be operative for the purposes of this
14 chapter, unless otherwise provided:

15 (1) Subchapter A (sections 1 to 59A) (with respect to
16 determination of tax liability), except section
17 1(h)(2) (relating to net capital gain reduced by the
18 amount taken into account as investment income),



1 except sections 2(a), 2(b), and 2(c) (with respect to
2 the definition of "surviving spouse" and "head of
3 household"), except section 41 (with respect to the
4 credit for increasing research activities), except
5 section 42 (with respect to low-income housing
6 credit), except sections 47 and 48, as amended, as of
7 December 31, 1984 (with respect to certain depreciable
8 tangible personal property), and except section
9 48(d)(3), as amended, as of February 17, 2009 (with
10 respect to the treatment of United States Department
11 of Treasury grants made under section 1603 of the
12 American Recovery and Reinvestment Tax Act of 2009).
13 For treatment, see sections 235-110.91, 235-110.7, and
14 235-110.8;

15 (2) Section 78 (with respect to dividends received from
16 certain foreign corporations by domestic corporations
17 choosing foreign tax credit);

18 (3) Section 85 (with respect to unemployment
19 compensation);

20 [+3+] (4) Section 86 (with respect to social security and
21 tier 1 railroad retirement benefits);



- 1 ~~[(4)]~~ (5) Section 103 (with respect to interest on state
2 and local bonds). For treatment, see section 235-
3 7(b);
- 4 ~~[(5)]~~ (6) Section 114 (with respect to extraterritorial
5 income). For treatment, any transaction as specified
6 in the transitional rule for 2005 and 2006 as
7 specified in the American Jobs Creation Act of 2004
8 section 101(d) and any transaction that has occurred
9 pursuant to a binding contract as specified in the
10 American Jobs Creation Act of 2004 section 101(f) are
11 inoperative;
- 12 ~~[(6)]~~ (7) Section 120 (with respect to amounts received
13 under qualified group legal services plans). For
14 treatment, see section 235-7(a)(9) to (11);
- 15 ~~[(7)]~~ (8) Section 122 (with respect to certain reduced
16 uniformed services retirement pay). For treatment,
17 see section 235-7(a)(3);
- 18 ~~[(8)]~~ (9) Section 135 (with respect to income from United
19 States savings bonds used to pay higher education
20 tuition and fees). For treatment, see section 235-
21 7(a)(1);



- 1 ~~[(9)]~~ (10) Section 139C (with respect to COBRA premium
2 assistance);
- 3 ~~[(10)]~~ (11) Subchapter B (sections 141 to 150) (with respect
4 to tax exemption requirements for state and local
5 bonds);
- 6 ~~[(11)]~~ (12) Section 151 (with respect to allowance of
7 deductions for personal exemptions). For treatment,
8 see section 235-54;
- 9 ~~[(12)]~~ (13) Section 179B (with respect to expensing of
10 capital costs incurred in complying with Environmental
11 Protection Agency sulphur regulations);
- 12 ~~[(13)]~~ (14) Section 181 (with respect to special rules for
13 certain film and television productions);
- 14 ~~[(14)]~~ (15) Section 196 (with respect to deduction for
15 certain unused investment credits);
- 16 ~~[(15)]~~ (16) Section 199 (with respect to the U.S. production
17 activities deduction);
- 18 ~~[(16)]~~ (17) Section 222 (with respect to qualified tuition
19 and related expenses);
- 20 ~~[(17)]~~ (18) Sections 241 to 247 (with respect to special
21 deductions for corporations). For treatment, see
22 section 235-7(c);



- 1 [~~18~~] (19) Section 280C (with respect to certain expenses
2 for which credits are allowable). For treatment, see
3 section 235-110.91;
- 4 [~~19~~] (20) Section 291 (with respect to special rules
5 relating to corporate preference items);
- 6 [~~20~~] (21) Section 367 (with respect to foreign
7 corporations);
- 8 [~~21~~] (22) Section 501(c)(12), (15), (16) (with respect to
9 exempt organizations);
- 10 [~~22~~] (23) Section 515 (with respect to taxes of foreign
11 countries and possessions of the United States);
- 12 [~~23~~] (24) Subchapter G (sections 531 to 565) (with respect
13 to corporations used to avoid income tax on
14 shareholders);
- 15 [~~24~~] (25) Subchapter H (sections 581 to 597) (with respect
16 to banking institutions), except section 584 (with
17 respect to common trust funds). For treatment, see
18 chapter 241;
- 19 [~~25~~] (26) Section 642(a) and (b) (with respect to special
20 rules for credits and deductions applicable to
21 trusts). For treatment, see sections 235-54(b) and
22 235-55;



- 1 [~~(26)~~] (27) Section 646 (with respect to tax treatment of
2 electing Alaska Native settlement trusts);
- 3 [~~(27)~~] (28) Section 668 (with respect to interest charge on
4 accumulation distributions from foreign trusts);
- 5 [~~(28)~~] (29) Subchapter L (sections 801 to 848) (with respect
6 to insurance companies). For treatment, see sections
7 431:7-202 and 431:7-204;
- 8 [~~(29)~~] (30) Section 853 (with respect to foreign tax credit
9 allowed to shareholders). For treatment, see section
10 235-55;
- 11 [~~(30)~~] (31) Section 853A (with respect to credits from tax
12 credit bonds allowed to shareholders);
- 13 [~~(31)~~] (32) Subchapter N (sections 861 to 999) (with respect
14 to tax based on income from sources within or without
15 the United States), except sections 985 to 989 (with
16 respect to foreign currency transactions). For
17 treatment, see sections 235-4, 235-5, and 235-7(b),
18 and 235-55;
- 19 [~~(32)~~] (33) Section 1042(g) (with respect to sales of stock
20 in agricultural refiners and processors to eligible
21 farm cooperatives);



- 1 ~~[(33)]~~ (34) Section 1055 (with respect to redeemable ground
2 rents);
- 3 ~~[(34)]~~ (35) Section 1057 (with respect to election to treat
4 transfer to foreign trust, etc., as taxable exchange);
- 5 ~~[(35)]~~ (36) Sections 1291 to 1298 (with respect to treatment
6 of passive foreign investment companies);
- 7 ~~[(36)]~~ (37) Subchapter Q (sections 1311 to 1351) (with
8 respect to readjustment of tax between years and
9 special limitations);
- 10 ~~[(37)]~~ (38) Subchapter R (sections 1352 to 1359) (with
11 respect to election to determine corporate tax on
12 certain international shipping activities using per
13 ton rate);
- 14 ~~[(38)]~~ (39) Subchapter U (sections 1391 to 1397F) (with
15 respect to designation and treatment of empowerment
16 zones, enterprise communities, and rural development
17 investment areas). For treatment, see chapter 209E;
- 18 ~~[(39)]~~ (40) Subchapter W (sections 1400 to 1400C) (with
19 respect to District of Columbia enterprise zone);
- 20 ~~[(40)]~~ (41) Section 14000 (with respect to education tax
21 benefits);



- 1 [~~(41)~~] (42) Section 1400P (with respect to housing tax
- 2 benefits);
- 3 [~~(42)~~] (43) Section 1400R (with respect to employment
- 4 relief);
- 5 [~~(43)~~] (44) Section 1400T (with respect to special rules for
- 6 mortgage revenue bonds);
- 7 [~~(44)~~] (45) Section 1400U-1 (with respect to allocation of
- 8 recovery zone bonds);
- 9 [~~(45)~~] (46) Section 1400U-2 (with respect to recovery zone
- 10 economic development bonds); and
- 11 [~~(46)~~] (47) Section 1400U-3 (with respect to recovery zone
- 12 facility bonds)."

13 SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is
 14 amended to read as follows:

15 "**§235-2.4 Operation of certain Internal Revenue Code**
 16 **provisions; sections 63 to 530.** (a) Section 63 (with respect
 17 to taxable income defined) of the Internal Revenue Code shall be
 18 operative for the purposes of this chapter, subject to the
 19 following:

- 20 (1) Sections 63(c)(1)(B) (relating to the additional
- 21 standard deduction), 63(c)(1)(C) (relating to the real
- 22 property tax deduction), 63(c)(1)(D) (relating to the



1 disaster loss deduction), 63(c)(1)(E) (relating to the
2 motor vehicle sales tax deduction), 63(c)(4) (relating
3 to inflation adjustments), 63(c)(7) (defining the real
4 property tax deduction), 63(c)(8) (defining the
5 disaster loss deduction), 63(c)(9) (defining the motor
6 vehicle sales tax deduction), and 63(f) (relating to
7 additional amounts for the aged or blind) of the
8 Internal Revenue Code shall not be operative for
9 purposes of this chapter;

10 (2) [~~+~~] *Paragraph effective until December 31, 2012. For*
11 *paragraph effective January 1, 2013, see below.* [~~+~~]

12 Section 63(c)(2) (relating to the basic standard
13 deduction) of the Internal Revenue Code shall be
14 operative, except that the standard deduction amounts
15 provided therein shall instead mean:

16 (A) \$4,000 in the case of:

17 (i) A joint return as provided by section 235-
18 93; or

19 (ii) A surviving spouse (as defined in section
20 2(a) of the Internal Revenue Code);



- 1 (B) \$2,920 in the case of a head of household (as
2 defined in section 2(b) of the Internal Revenue
3 Code);
- 4 (C) \$2,000 in the case of an individual who is not
5 married and who is not a surviving spouse or head
6 of household; or
- 7 (D) \$2,000 in the case of a married individual filing
8 a separate return;
- 9 (2) *[+] Paragraph effective January 1, 2013. For paragraph*
10 *effective until December 31, 2012, see above. [+]*
11 Section 63(c)(2) (relating to the basic standard
12 deduction) of the Internal Revenue Code shall be
13 operative, except that the standard deduction amounts
14 provided therein shall instead mean:
- 15 (A) \$4,400 in the case of:
- 16 (i) A joint return as provided by section 235-
17 93; or
- 18 (ii) A surviving spouse (as defined in section
19 2(a) of the Internal Revenue Code);
- 20 (B) \$3,212 in the case of a head of household (as
21 defined in section 2(b) of the Internal Revenue
22 Code);



1 (C) \$2,200 in the case of an individual who is not
2 married and who is not a surviving spouse or head
3 of household; or

4 (D) \$2,200 in the case of a married individual filing
5 a separate return;

6 (3) Section 63(c)(5) (limiting the basic standard
7 deduction in the case of certain dependents) of the
8 Internal Revenue Code shall be operative, except that
9 the limitation shall be the greater of \$500 or such
10 individual's earned income; and

11 (4) The standard deduction amount for nonresidents shall
12 be calculated pursuant to section 235-5.

13 (b) Section 68 (with respect to the overall limitation on
14 itemized deductions) of the Internal Revenue Code shall be
15 operative, except that sections 68(f) and 68(g) shall not be
16 operative; provided that the thresholds shall be those that were
17 operative for federal tax year 2009.

18 (c) Section 72 (with respect to annuities; certain
19 proceeds of endowment and life insurance contracts) of the
20 Internal Revenue Code shall be operative for purposes of this
21 chapter and be interpreted with due regard to section 235-7(a),
22 except that the ten per cent additional tax on early



1 distributions from retirement plans in section 72(t) shall not
2 be operative for purposes of this chapter.

3 ~~[(d) Section 85 (with respect to unemployment~~
4 ~~compensation) of the Internal Revenue Code shall be operative~~
5 ~~for purposes of this chapter, except that section 85(c) shall~~
6 ~~not be operative for purposes of this chapter.~~

7 ~~(e)]~~ (d) Section 108 (with respect to income from
8 discharge of indebtedness) of the Internal Revenue Code shall be
9 operative for purposes of this chapter, except that section
10 108(i) (relating to deferral and ratable inclusion of income
11 arising from business indebtedness discharged by the
12 reacquisition of a debt instrument) shall not be operative for
13 purposes of this chapter.

14 ~~[(f)]~~ (e) Section 121 (with respect to exclusion of gain
15 from sale of principal residence) of the Internal Revenue Code
16 shall be operative for purposes of this chapter, except that for
17 the election under section 121(f), a reference to section 1034
18 treatment means a reference to section 235-2.4(s) in effect for
19 taxable year 1997.

20 ~~[(g)]~~ (f) Section 132 (with respect to certain fringe
21 benefits) of the Internal Revenue Code shall be operative for
22 purposes of this chapter, except that the provision in section



1 132(f)(2) that equalizes the dollar amounts for sections
2 132(f)(2)(A) and (B) after February 17, 2009, until January 1,
3 2011, shall not be operative and except that section 132(n)
4 shall not apply to United States Department of Defense
5 Homeowners Assistance Program payments authorized by the
6 American Recovery and Reinvestment Act of 2009.

7 ~~[(h)]~~ (g) Section 163 (with respect to interest) of the
8 Internal Revenue Code shall be operative for the purposes of
9 this chapter, except that provisions in section 163(d)(4)(B)
10 (defining net investment income to exclude dividends), section
11 163(e)(5)(F) (suspension of applicable high-yield discount
12 obligation (AHYDO) rules) and section 163(i)(1) as it applies to
13 debt instruments issued after January 1, 2010, (defining AHYDO)
14 shall not be operative for the purposes of this chapter.

15 ~~[(i)]~~ (h) Section 164 (with respect to taxes) of the
16 Internal Revenue Code shall be operative for the purposes of
17 this chapter, except that:

- 18 (1) Sections 164(a)(6), 164(b)(5), and 164(b)(6) shall not
19 be operative for the purposes of this chapter; and
20 (2) The deductions under sections 164(a)(3) and 164(b)(5)
21 shall not be operative for corporate taxpayers and



1 shall be operative only for the following individual
2 taxpayers:

3 (A) A taxpayer filing a single return or a married
4 person filing separately with a federal adjusted
5 gross income of less than \$100,000;

6 (B) A taxpayer filing as a head of household with a
7 federal adjusted gross income of less than
8 \$150,000; and

9 (C) A taxpayer filing a joint return or as a
10 surviving spouse with a federal adjusted gross
11 income of less than \$200,000.

12 [~~(j)~~] (i) Section 165 (with respect to losses) of the
13 Internal Revenue Code shall be operative for purposes of this
14 chapter, except that the amount prescribed by sections 165(h)(1)
15 (relating to the limitation per casualty) of the Internal
16 Revenue Code shall be a \$100 limitation per casualty, and
17 sections 165(h)(3)(A) and 165(h)(3)(B) (both of which relate to
18 special rules for personal casualty gains and losses in
19 federally declared disasters) of the Internal Revenue Code shall
20 not be operative for the purposes of this chapter. Section 165
21 as operative for this chapter shall also apply to losses
22 sustained from the sale of stocks or other interests issued



1 through the exercise of the stock options or warrants granted by
2 a qualified high technology business as defined in section 235-
3 7.3.

4 ~~[(k)]~~ (j) Section 168 (with respect to the accelerated
5 cost recovery system) of the Internal Revenue Code shall be
6 operative for purposes of this chapter, except that sections
7 168(j) (relating to property on Indian reservations), 168(k)
8 (relating to the special allowance for certain property acquired
9 during the period specified therein), 168(m) (relating to the
10 special allowance for certain reuse and recycling property), and
11 168(n) (relating to the special allowance for qualified disaster
12 assistance property) of the Internal Revenue Code shall not be
13 operative for purposes of this chapter.

14 ~~[(l)]~~ (k) Section 172 (with respect to net operating loss
15 deductions) of the Internal Revenue Code shall be operative for
16 purposes of this chapter, as further provided in section 235-
17 7(d), except that sections 172(b)(1)(J) and 172(j) (both of
18 which relate to qualified disaster losses) of the Internal
19 Revenue Code shall not be operative for purposes of this
20 chapter.

21 ~~[(m)]~~ (l) Section 179 (with respect to the election to
22 expense certain depreciable business assets) of the Internal



1 Revenue Code shall be operative for purposes of this chapter,
2 except as provided in this subsection:

3 (1) The aggregate cost provided in section 179(b)(1) which
4 may be taken into account under section 179(a) for any
5 taxable year shall not exceed \$25,000;

6 (2) The amount at which the reduction in limitation
7 provided in section 179(b)(2) begins shall exceed
8 \$200,000 for any taxable year; and

9 (3) The following shall not be operative for purposes of
10 this chapter:

11 (A) Defining section 179 property to include computer
12 software in section 179(d)(1);

13 (B) Inflation adjustments in section 179(b)(5);

14 (C) Irrevocable election in section 179(c)(2); and

15 (D) Special rules for qualified disaster assistance
16 property in section 179(e).

17 [~~(n)~~] (m) Section 198A (with respect to the expensing of
18 qualified disaster assistances expenses) of the Internal Revenue
19 Code shall not be operative for purposes of this chapter.

20 [~~(o)~~] (n) Section 219 (with respect to retirement savings)
21 of the Internal Revenue Code shall be operative for the purpose
22 of this chapter. For the purpose of computing the limitation on



1 the deduction for active participants in certain pension plans
2 for state income tax purposes, adjusted gross income as used in
3 section 219 as operative for this chapter means federal adjusted
4 gross income.

5 [~~(p)~~] (o) Section 220 (with respect to medical savings
6 accounts) of the Internal Revenue Code shall be operative for
7 the purpose of this chapter, but only with respect to medical
8 services accounts that have been approved by the Secretary of
9 the Treasury of the United States.

10 [~~(p)~~] (p) Section 265 (with respect to expenses and
11 interest relating to tax-exempt income) of the Internal Revenue
12 Code shall be operative for purposes of this chapter; except
13 that sections 265(b)(3)(G) and 265(b)(7) shall not be operative
14 and that section 265 shall not apply to expenses for royalties
15 and other income derived from any patents, copyrights, and trade
16 secrets by an individual or a qualified high technology business
17 as defined in section 235-7.3. Such expenses shall be
18 deductible.

19 [~~(p)~~] (q) Section 382 (with respect to limitation on net
20 operating loss carryforwards and certain built-in losses
21 following ownership change) of the Internal Revenue Code shall
22 be operative for the purposes of this chapter, except that



1 section 382(n) shall not be operative for purposes of this
2 chapter.

3 [~~(s)~~] (r) Section 408A (with respect to Roth Individual
4 Retirement Accounts) of the Internal Revenue Code shall be
5 operative for the purposes of this chapter, except that section
6 408A(d)(3)(A)(iii) shall not be operative for purposes of this
7 chapter. For the purposes of determining the aggregate amount
8 of contributions to a Roth Individual Retirement Account or
9 qualified rollover contribution to a Roth Individual Retirement
10 Account from an individual retirement plan other than a Roth
11 Individual Retirement Account, adjusted gross income as used in
12 section 408A as operative for this chapter means federal
13 adjusted gross income.

14 [~~(t)~~] (s) In administering the provisions of sections 410
15 to 417 (with respect to special rules relating to pensions,
16 profit sharing, stock bonus plans, etc.), sections 418 to 418E
17 (with respect to special rules for multiemployer plans), and
18 sections 419 and 419A (with respect to treatment of welfare
19 benefit funds) of the Internal Revenue Code, the department of
20 taxation shall adopt rules under chapter 91 relating to the
21 specific requirements under such sections and to such other
22 administrative requirements under those sections as may be



1 necessary for the efficient administration of sections 410 to
2 419A.

3 In administering sections 401 to 419A (with respect to
4 deferred compensation) of the Internal Revenue Code, Public Law
5 93-406, section 1017(i), shall be operative for the purposes of
6 this chapter.

7 In administering section 402 (with respect to the
8 taxability of beneficiary of employees' trust) of the Internal
9 Revenue Code, the tax imposed on lump sum distributions by
10 section 402(e) of the Internal Revenue Code shall be operative
11 for the purposes of this chapter and the tax imposed therein is
12 hereby imposed by this chapter at the rate determined under this
13 chapter.

14 [~~(u)~~] (t) In administering section 403 (with respect to
15 taxation of employee annuities) of the Internal Revenue Code,
16 any funds that represent pre-tax employee deferrals or
17 contributions that are distributed from the annuity and used
18 solely to obtain retirement credits under the state employees'
19 retirement system shall not be treated as a rollover for
20 purposes of section 403(b)(8)(A) of the Internal Revenue Code,
21 and such funds shall be subject to income tax under this
22 chapter.



1 ~~(v)~~ (u) Section 451 (which provides general rules for
2 taxable year of inclusion) of the Internal Revenue Code shall be
3 operative, except that the provisions of sections 451(i)(3) and
4 451(i)(6), as they relate to a qualified electric utility, shall
5 not be operative for purposes of this chapter.

6 ~~(w)~~ (v) In administering section 457 (with respect to
7 compensation plans of state and local governments and tax-exempt
8 organizations) of the Internal Revenue Code, any funds that
9 represent pre-tax employee deferrals or contributions that are
10 distributed from the deferred compensation plan and used solely
11 to obtain retirement credits under the state employees'
12 retirement system shall not be treated as a rollover for
13 purposes of section 457(e)(16)(A) of the Internal Revenue Code
14 and such funds shall be subject to income tax under this
15 chapter.

16 ~~(x)~~ (w) Section 468B (with respect to special rules for
17 designated settlement funds) of the Internal Revenue Code shall
18 be operative for the purposes of this chapter and the tax
19 imposed therein is hereby imposed by this chapter at a rate
20 equal to the maximum rate in effect for the taxable year imposed
21 on estates and trusts under section 235-51.



1 ~~(y)~~ (x) Section 469 (with respect to passive activities
2 and credits limited) of the Internal Revenue Code shall be
3 operative for the purposes of this chapter. For the purpose of
4 computing the offset for rental real estate activities for state
5 income tax purposes, adjusted gross income as used in section
6 469 as operative for this chapter means federal adjusted gross
7 income.

8 ~~(z)~~ (y) Sections 512 to 514 (with respect to taxation of
9 business income of certain exempt organizations) of the Internal
10 Revenue Code shall be operative for the purposes of this chapter
11 as provided in this subsection.

12 "Unrelated business taxable income" means the same as in
13 the Internal Revenue Code, except that in the computation
14 thereof sections 235-3 to 235-5, and 235-7 (except subsection
15 (c)), shall apply, and in the determination of the net operating
16 loss deduction there shall not be taken into account any amount
17 of income or deduction that is excluded in computing the
18 unrelated business taxable income. Unrelated business taxable
19 income shall not include any income from a prepaid legal service
20 plan.

21 For a person described in section 401 or 501 of the
22 Internal Revenue Code, as modified by section 235-2.3, the tax



1 imposed by section 235-51 or 235-71 shall be imposed upon the
2 person's unrelated business taxable income.

3 ~~(aa)~~ (z) Section 521 (with respect to cooperatives) and
4 subchapter T (sections 1381 to 1388, with respect to
5 cooperatives and their patrons) of the Internal Revenue Code
6 shall be operative for the purposes of this chapter as to any
7 cooperative fully meeting the requirements of section 421-23,
8 except that Internal Revenue Code section 521 cooperatives need
9 not be organized in Hawaii.

10 ~~(bb)~~ (aa) Sections 527 (with respect to political
11 organizations) and 528 (with respect to certain homeowners
12 associations) of the Internal Revenue Code shall be operative
13 for the purposes of this chapter and the taxes imposed in each
14 section are hereby imposed by this chapter at the rates
15 determined under section 235-71.

16 ~~(ee)~~ (bb) Section 529 (with respect to qualified tuition
17 programs) shall be operative for the purposes of this chapter,
18 except that sections 529(c)(6) and 529(e)(3)(A)(iii) shall not
19 be operative.

20 ~~(dd)~~ (cc) Section 530 (with respect to education
21 individual retirement accounts) of the Internal Revenue Code
22 shall be operative for the purposes of this chapter. For the



1 purpose of determining the maximum amount that a contributor
2 could make to an education individual retirement account for
3 state income tax purposes, modified adjusted gross income as
4 used in section 530 as operative for this chapter means federal
5 modified adjusted gross income as defined in section 530."

6 SECTION 4. Section 383-163.6, Hawaii Revised Statutes, is
7 amended to read as follows:

8 " ~~[+]§383-163.6[+]~~ **Voluntary deduction and withholding of**
9 **federal and other state or local income taxes.** (a) An

10 individual filing a new claim for unemployment compensation
11 shall, at the time of filing the claim, be advised that:

12 (1) Unemployment compensation is subject to federal ~~[and~~
13 ~~state]~~ income tax~~[+]~~ and may be subject to another
14 state's or locality's income tax;

15 (2) Requirements exist pertaining to estimated tax
16 payments;

17 (3) The individual may elect to have federal income tax
18 deducted and withheld from the individual's payment of
19 unemployment compensation at the amount specified in
20 the federal Internal Revenue Code;

21 ~~[-(4) The individual may elect to have state income tax~~
22 ~~deducted and withheld from the individual's payment of~~



1 ~~unemployment compensation at the amount specified in~~
2 ~~section 235-69,~~

3 ~~(5)]~~ (4) The individual may elect to have state and local
4 income taxes deducted and withheld from the
5 individual's payment of unemployment compensation for
6 other states and localities outside this State at the
7 percentage established by the state or locality, if
8 the department by agreement with the other state or
9 locality is authorized to deduct and withhold income
10 tax; and

11 ~~[(6)]~~ (5) The individual shall be permitted to change a
12 previously elected withholding status no more than
13 once during a benefit year.

14 (b) Amounts deducted and withheld from unemployment
15 compensation shall remain in the unemployment compensation fund
16 until transferred to the federal~~[,]~~ tax authority or the tax
17 authority of another state~~[,]~~ or ~~[local taxing authority]~~
18 locality as a payment of income tax.

19 (c) The director shall follow all procedures specified by
20 the United States Department of Labor~~[,]~~ and the ~~[federal]~~
21 Internal Revenue Service~~[, and the state department of~~



1 ~~taxation,~~] pertaining to the deducting and withholding of income
2 tax.

3 (d) Amounts shall be deducted and withheld under this
4 section only after any other amounts allowed under chapter 383
5 are deducted and withheld."

6 SECTION 5. Section 235-69, Hawaii Revised Statutes, is
7 repealed.

8 ["~~§235-69~~ ~~Voluntary deduction and withholding of state~~
9 ~~income tax from unemployment compensation.~~ An individual
10 ~~receiving unemployment compensation benefits under chapter 383~~
11 ~~may elect to have state income tax deducted and withheld from~~
12 ~~the individual's payment of unemployment compensation at the~~
13 ~~rate of five per cent in accordance with section 383-163.6."]~~

14 SECTION 6. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 7. This Act shall take effect on July 1, 2112, and
17 shall apply to taxable years beginning after December 31, 2010;
18 provided that on January 1, 2016, this Act shall be repealed and
19 sections 235-2.3(b), 235-2.4, 235-69, and 383-163.6, Hawaii
20 Revised Statutes, shall be reenacted in the form in which they
21 read on the day before the effective date of this Act.



Report Title:

Unemployment Compensation; Income Tax Exemption

Description:

Temporarily exempts unemployment compensation from the Hawaii income tax. (HB812 HD1)

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

