
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Taxation of pension income. For taxable years
5 beginning after December 31, 2013, sections 88-91, 235-7(a)(2),
6 and 235-7(a)(3) shall apply only to taxpayers with federal
7 adjusted gross income of:

8 (1) Less than \$100,000 for a taxpayer filing a single
9 return or a married person filing separately;

10 (2) Less than \$150,000 for a taxpayer filing as a head of
11 household; or

12 (3) Less than \$200,000 for a taxpayer filing a joint
13 return or as a surviving spouse."

14 SECTION 2. Section 88-91, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "§88-91 Exemption from taxation and execution. The right
17 of a person to a pension, an annuity or a retirement allowance,
18 to the return of contributions, the pension, annuity or



1 retirement allowance itself, any optional benefit or death
2 benefit, any other right accrued or accruing to any person under
3 this part and the moneys in the various funds created under this
4 part are exempted from any tax of the State, subject to the
5 limitations established in section 235- ; and, except as
6 provided in section 88-92 [~~provided~~], shall not be subject to
7 execution, garnishment or any other process and shall be
8 unassignable except as specifically provided in this part
9 [~~specifically provided~~]."

10 SECTION 3. Section 235-7, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) There shall be excluded from gross income, adjusted
13 gross income, and taxable income:

14 (1) Income not subject to taxation by the State under the
15 Constitution and laws of the United States;

16 (2) Rights, benefits, and other income exempted from
17 taxation by section 88-91, having to do with the state
18 retirement system, and the rights, benefits, and other
19 income, comparable to the rights, benefits, and other
20 income exempted by section 88-91, under any other
21 public retirement system[+], subject to the
22 limitations established in section 235- ;



- 1 (3) Any compensation received in the form of a pension for
2 past services[+], subject to the limitations
3 established in section 235- ;
- 4 (4) Compensation paid to a patient affected with Hansen's
5 disease employed by the State or the United States in
6 any hospital, settlement, or place for the treatment
7 of Hansen's disease;
- 8 (5) Except as otherwise expressly provided, payments made
9 by the United States or this State, under an act of
10 Congress or a law of this State, which by express
11 provision or administrative regulation or
12 interpretation are exempt from both the normal and
13 surtaxes of the United States, even though not so
14 exempted by the Internal Revenue Code itself;
- 15 (6) Any income expressly exempted or excluded from the
16 measure of the tax imposed by this chapter by any
17 other law of the State, it being the intent of this
18 chapter not to repeal or supersede any express
19 exemption or exclusion;
- 20 (7) Income received by each member of the reserve
21 components of the Army, Navy, Air Force, Marine Corps,
22 or Coast Guard of the United States of America, and



1 the Hawaii National Guard as compensation for
2 performance of duty, equivalent to pay received for
3 forty-eight drills (equivalent of twelve weekends) and
4 fifteen days of annual duty, at an:

5 (A) E-1 pay grade after eight years of service;
6 provided that this subparagraph shall apply to
7 taxable years beginning after December 31, 2004;

8 (B) E-2 pay grade after eight years of service;
9 provided that this subparagraph shall apply to
10 taxable years beginning after December 31, 2005;

11 (C) E-3 pay grade after eight years of service;
12 provided that this subparagraph shall apply to
13 taxable years beginning after December 31, 2006;

14 (D) E-4 pay grade after eight years of service;
15 provided that this subparagraph shall apply to
16 taxable years beginning after December 31, 2007;

17 and

18 (E) E-5 pay grade after eight years of service;
19 provided that this subparagraph shall apply to
20 taxable years beginning after December 31, 2008;

21 (8) Income derived from the operation of ships or aircraft
22 if the income is exempt under the Internal Revenue



1 Code pursuant to the provisions of an income tax
2 treaty or agreement entered into by and between the
3 United States and a foreign country; provided that the
4 tax laws of the local governments of that country
5 reciprocally exempt from the application of all of
6 their net income taxes, the income derived from the
7 operation of ships or aircraft that are documented or
8 registered under the laws of the United States;

9 (9) The value of legal services provided by a legal
10 service plan to a taxpayer, the taxpayer's spouse, and
11 the taxpayer's dependents;

12 (10) Amounts paid, directly or indirectly, by a legal
13 service plan to a taxpayer as payment or reimbursement
14 for the provision of legal services to the taxpayer,
15 the taxpayer's spouse, and the taxpayer's dependents;

16 (11) Contributions by an employer to a legal service plan
17 for compensation (through insurance or otherwise) to
18 the employer's employees for the costs of legal
19 services incurred by the employer's employees, their
20 spouses, and their dependents;

21 (12) Amounts received in the form of a monthly surcharge by
22 a utility acting on behalf of an affected utility



1 under section 269-16.3; provided that amounts retained
2 by the acting utility for collection or other costs
3 shall not be included in this exemption;

4 (13) Amounts received in the form of a cable surcharge by
5 an electric utility company acting on behalf of a
6 certified cable company under section 269-134;
7 provided that any amounts retained by that electric
8 utility company for collection or other costs shall
9 not be included in this exemption; and

10 (14) One hundred per cent of the gain realized by a fee
11 simple owner from the sale of a leased fee interest in
12 units within a condominium project, cooperative
13 project, or planned unit development to the
14 association of owners under chapter 514A or 514B, or
15 the residential cooperative corporation of the
16 leasehold units.

17 For purposes of this paragraph:

18 "Condominium project" and "cooperative project"
19 shall have the same meanings as provided under section
20 514C-1;



1 "Fee simple owner" shall have the same meaning as
2 provided under section 516-1; provided that it shall
3 include legal and equitable owners; and


4 "Legal and equitable owner", and "leased fee
5 interest" shall have the same meanings as provided
6 under section 516-1[~~;~~ and

7 ~~"Condominium project" and "cooperative project"~~
8 ~~shall have the same meanings as provided under section~~
9 ~~514C-1].~~

10 SECTION 4. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 5. This Act shall take effect upon its approval,
13 and shall apply to taxable years beginning after December 31,
14 2013; provided that the amendments made to section 235-7(a),
15 Hawaii Revised Statutes, by section 3 of this Act shall not be
16 repealed when section 235-7(a) is reenacted on January 1, 2018,
17 by section 5 of Act 220, Session Laws of Hawaii 2012.

18

INTRODUCED BY: 

JAN - 9 2014



H.B. NO. 1569

Report Title:

Taxation; Pension Income; Income Tax

Description:

Provides for the taxation of the pension income of: (1) an individual filer with federal adjusted gross income of \$100,000 or more; (2) a joint or surviving spouse filer with federal adjusted gross income of \$200,000 or more; and (3) a head of household with federal adjusted gross income of \$150,000 or more. Effective for taxable years beginning after December 31, 2013.

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

