
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. (a) The department of taxation shall develop a
2 plan, including proposed legislation, to implement a flat income
3 tax rate of per cent of taxable income that shall be ready
4 for implementation no later than the 2017 taxable year.

5 (b) The flat tax shall replace the income tax schedule in
6 section 235-51, Hawaii Revised Statutes, and shall dedicate
7 per cent of the income tax revenues to the State's medicaid
8 program under the department of human services. The flat tax
9 rate shall not exceed three per cent of an individual's taxable
10 income.

11 (c) The department of taxation may work with the
12 department of budget and finance, the department of human
13 services, the legislature, and other departments as necessary,
14 to develop the plan and proposed legislation.

15 (d) The plan and proposed legislation may include:

16 (1) Repealing tax deductions, exemptions, and credits, as
17 needed to implement the flat tax;



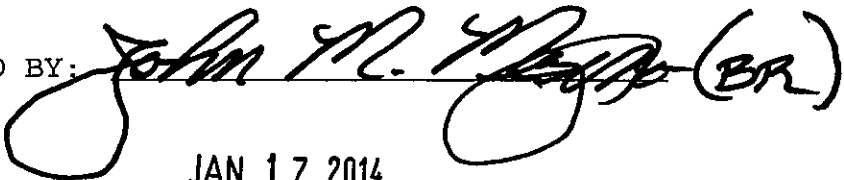
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- 1 (2) Gradual implementation until the flat tax is fully
- 2 implemented in 2017;
- 3 (3) Establishing a special fund for the receipt of income
- 4 tax revenues for the State's medicaid program; and
- 5 (4) Establishing a task force to recommend the appropriate
- 6 tax rate to generate income tax revenues comparable to
- 7 income tax revenues generated within the past five
- 8 taxable years.

9 (e) The department of taxation shall submit progress
10 reports to the legislature no later than twenty days prior to
11 the convening of the 2015 and 2016 regular sessions, and shall
12 submit proposed legislation to the legislature no later than
13 twenty days prior to the convening of the 2016 regular session
14 to implement the flat tax by the taxable year beginning after
15 December 31, 2017.

16 SECTION 2. This Act shall take effect upon its approval.

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INTRODUCED BY:  (BR)
JAN 17 2014



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Report Title:

Flat Income Tax; Medicaid

Description:

Requires the Department of Taxation to develop a plan and proposed legislation to implement a flat income tax no later than the 2017 taxable year. Dedicates a percentage of the flat income tax to medicaid.

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