
A BILL FOR AN ACT

RELATING TO RETIREMENT INCOME.

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

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

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

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

7 (2) Rights, benefits, and other income exempted from
8 taxation by section 88-91, having to do with the state
9 retirement system, and the rights, benefits, and other
10 income, comparable to the rights, benefits, and other
11 income exempted by section 88-91, under any other
12 public retirement system;

13 (3) Each of the following:

14 (A) Any compensation received in the form of a
15 pension for past services; and



- 1 (B) Any form of retirement income received by a
2 taxpayer who is sixty-five years of age or older,
3 regardless of the taxpayer's level of income;
- 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,



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

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

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

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

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

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



H.B. NO. 245

- 1 (8) Income derived from the operation of ships or aircraft
2 if the income is exempt under the Internal Revenue
3 Code pursuant to the provisions of an income tax
4 treaty or agreement entered into by and between the
5 United States and a foreign country; provided that the
6 tax laws of the local governments of that country
7 reciprocally exempt from the application of all of
8 their net income taxes, the income derived from the
9 operation of ships or aircraft that are documented or
10 registered under the laws of the United States;
- 11 (9) The value of legal services provided by a legal
12 service plan to a taxpayer, the taxpayer's spouse, and
13 the taxpayer's dependents;
- 14 (10) Amounts paid, directly or indirectly, by a legal
15 service plan to a taxpayer as payment or reimbursement
16 for the provision of legal services to the taxpayer,
17 the taxpayer's spouse, and the taxpayer's dependents;
- 18 (11) Contributions by an employer to a legal service plan
19 for compensation (through insurance or otherwise) to
20 the employer's employees for the costs of legal



1 services incurred by the employer's employees, their
2 spouses, and their dependents;

3 (12) Amounts received in the form of a monthly surcharge by
4 a utility acting on behalf of an affected utility
5 under section 269-16.3; provided that amounts retained
6 by the acting utility for collection or other costs
7 shall not be included in this exemption;

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

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

21 For purposes of this paragraph:



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;

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

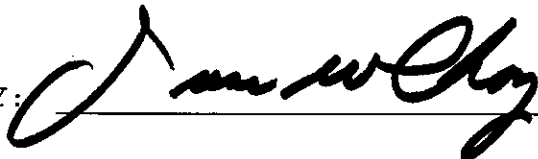
7 "Condominium project" and "cooperative project"
 8 shall have the same meanings as provided under section
 9 514C-1."

10 SECTION 2. New statutory material is underscored.

11 SECTION 3. This Act, upon its approval, shall apply to
 12 taxable years beginning after December 31, 2014; provided that
 13 the amendments made to section 235-7(a), Hawaii Revised
 14 Statutes, in section 1 of this Act shall not be repealed when
 15 that section is reenacted on January 1, 2018, pursuant to Act
 16 166, Session Laws of Hawaii 2007, as amended by Act 220, Session
 17 Laws of Hawaii 2012.

18

INTRODUCED BY:



JAN 22 2015



H.B. NO. 245

Report Title:

Retirement Income; Income Tax Exclusion

Description:

Excludes retirement income from the state income tax for all taxpayers who are 65 years of age or older.

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

