
A BILL FOR AN ACT

RELATING TO INCOME TAX.

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

1 SECTION 1. The legislature finds that a team of three
2 authors, Terrance Jalbert of the University of Hawaii at Hilo,
3 Gary Fleischmann at Texas Tech University, and Mercedes Jalbert
4 of the Institute for Business and Finance Research published a
5 paper in 2014 entitled "Marginal Tax Rates Around the Hawaii
6 Itemized Deduction Cliff," Accounting and Taxation V. 6(1), pp.
7 25-38, 2014. The paper points out that when a Hawaii taxpayer
8 reaches \$200,000 in federal adjusted gross income, the
9 confluence of a number of existing provisions can result in a
10 marginal tax rate of 367,100% on that last dollar. This Act
11 addresses that issue by following the study authors'
12 recommendations.

13 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is
14 amended as follows:

15 1. By amending subsection (b) to read:

16 "(b) Section 68 (with respect to the overall limitation on
17 itemized deductions) of the Internal Revenue Code shall be



1 operative; provided that the thresholds shall be those that were
2 operative for federal tax year 2009[-]; and provided further
3 that the maximum amount of itemized deductions allowed to a
4 taxpayer under this chapter shall be:

5 (1) For a taxpayer with federal adjusted gross income of
6 \$100,000 or less, an amount equal to the taxpayer's
7 federal adjusted gross income;

8 (2) For a taxpayer with federal adjusted gross income of
9 at least \$100,000 but less than \$500,000, an amount
10 equal to \$100,000 reduced by twenty-five per cent of
11 the amount by which the taxpayer's federal adjusted
12 gross income exceeds \$100,000; and

13 (3) For a taxpayer with federal adjusted gross income of
14 at least \$500,000, zero."

15 2. By amending subsection (i) to read:

16 "(i) Section 164 (with respect to taxes) of the Internal
17 Revenue Code shall be operative for the purposes of this
18 chapter, except that:

19 (1) Section 164(a)(6) and (b)(6) shall not be operative
20 for the purposes of this chapter; and



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1 ~~[(2) The deductions under section 164(a)(3) and (b)(5)~~
 2 ~~shall not be operative for corporate taxpayers and~~
 3 ~~shall be operative only for the following individual~~
 4 ~~taxpayers:~~

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

8 ~~(B) A taxpayer filing as a head of household with a~~
 9 ~~federal adjusted gross income of less than~~
 10 ~~\$150,000; and~~

11 ~~(C) A taxpayer filing a joint return or as a~~
 12 ~~surviving spouse with a federal adjusted gross~~
 13 ~~income of less than \$200,000; and~~

14 ~~(3)]~~ (2) Section 164(a)(3) shall not be operative for any
 15 amounts for which the credit under section 235-55 has
 16 been claimed."

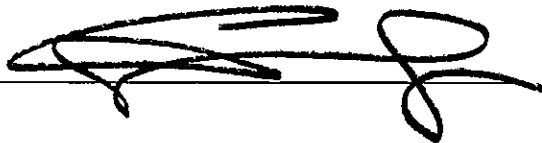
17 SECTION 3. Statutory material to be repealed is bracketed
 18 and stricken. New statutory material is underscored.

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1 SECTION 4. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2014.

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INTRODUCED BY:

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JAN 21 2015



H.B. NO. 83

Report Title:

Taxation; Deductions

Description:

Restores the deduction for state taxes paid for taxpayers with income above specified thresholds. Establishes limitations on claims for itemized tax deductions, based on taxpayer's federal adjusted gross income.

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

