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# A BILL FOR AN ACT

RELATING TO THE CORPORATE DIVIDENDS RECEIVED DEDUCTION.

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

1           SECTION 1. The purpose of this Act is to amend the income  
2 tax law to eliminate unconstitutional provisions recognized by  
3 the department of taxation in Announcement 98-5 and Tax  
4 Information Release 99-2, and to thereby conform the statutory  
5 language to the law as administered by the department of  
6 taxation.

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

9           "(c) The deductions of or based on dividends paid or  
10 received, allowed to a corporation under chapter 1, subchapter  
11 B, part VIII of the Internal Revenue Code, shall not be allowed.  
12 In lieu thereof there shall be allowed as a deduction the entire  
13 amount of [~~dividends~~]:

14           (1) Dividends received by any corporation upon the shares  
15 of stock of a national banking association[~~-~~  
16 qualifying];



- 1       (2) Qualifying dividends, as defined in section 243(b) of  
2       the Internal Revenue Code, received by members of an  
3       affiliated group, [~~or dividends~~] as defined in  
4       sections 243(b) and 1504(a) of the Internal Revenue  
5       Code; provided that "includible corporation" as used  
6       therein shall include domestic and foreign  
7       corporations;
- 8       (3) Dividends received by a small business investment  
9       company operating under the Small Business Investment  
10      Act of 1958 (Public Law 85-699) [~~upon shares of stock~~  
11      ~~qualifying under paragraph (3), seventy~~]; or
- 12      (4) Seventy per cent of the amount received by any  
13      corporation as dividends[~~+~~  
14      ~~(1) Upon~~] upon the shares of stock of another corporation,  
15      if [~~at the date of payment of the dividend at least~~  
16      ~~ninety five per cent of the other corporation's~~  
17      ~~capital stock is owned by one or more corporations~~  
18      ~~doing business in this State and if the other~~  
19      ~~corporation is subjected to an income tax in another~~  
20      ~~jurisdiction (but subsection to federal tax does not~~



1           ~~constitute~~ ~~subjection to income tax in another~~  
2           ~~jurisdiction); and~~

3           ~~(2) Upon the shares of stock of a bank or insurance~~  
4           ~~company organized and doing business under the laws of~~  
5           ~~the State;~~

6           ~~(3) Upon the shares of stock of another corporation, if at~~  
7           ~~least fifteen per cent of the latter corporation's~~  
8           ~~business, for the taxable year of the latter~~  
9           ~~corporation preceding the payment of the dividend, has~~  
10           ~~been attributed to this State.~~

11           ~~However, except for national bank dividends, the deductions~~  
12           ~~under this subsection are not allowed when they would not have~~  
13           ~~been] otherwise~~ allowed under section 243 of the Internal  
14           ~~Revenue Code[, as amended by Public Law 85-866, by reason of~~  
15           ~~subsections (b) and (c) of section 246 of the Internal Revenue~~  
16           ~~Code. For the purposes of this subsection fifteen per cent of a~~  
17           ~~corporation's business shall be deemed to have been attributed~~  
18           ~~to this State if fifteen per cent or more of the entire gross~~  
19           ~~income of the corporation as defined in this chapter (which for~~  
20           ~~the purposes of this subsection shall be computed without regard~~  
21           ~~to source in the State and shall include income not taxable by~~



1 ~~reason of the fact that it is from property not owned in the~~  
2 ~~State or from a trade or business not carried on in the State in~~  
3 ~~whole or in part), under section 235 5 and the other provisions~~  
4 ~~of this chapter, shall have been attributed to the State and~~  
5 ~~subjected to assessment of the taxable income therefrom~~  
6 ~~(including the determination of the resulting net loss, if~~  
7 ~~any)]."~~

8 SECTION 3. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 4. This Act shall take effect on July 1, 2050, and  
11 apply to taxable years beginning after December 31, 2019.



**Report Title:**

Income Tax; Dividends Received Deduction

**Description:**

Repeals the threshold requirements of the income tax deduction for dividends received. Effective 7/1/2050. (SD1)

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

