

JAN 17 2020

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 the last time Hawaii
2 increased its standard deduction and personal exemption for
3 individual income tax purposes was in 2009, pursuant to Act 60,
4 Session Laws of Hawaii 2009. The legislature further finds that
5 the tax review commission has repeatedly recommended that the
6 standard deduction and the personal exemption be increased and
7 subsequently adjusted for inflation. The most recent tax review
8 commission report, issued in 2017, stated that the standard
9 deduction and personal exemption "have been eroded over time by
10 inflation and are now outdated."

11 The purpose of this Act is to increase the amount of the
12 standard deduction and the personal exemption and schedule the
13 deduction and exemption for annual adjustments for inflation.

14 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is
15 amended by amending subsection (a) to read as follows:



1 "(a) Section 63 (with respect to taxable income defined)
2 of the Internal Revenue Code shall be operative for the purposes
3 of this chapter, subject to the following:

4 (1) Section 63(c)(1)(B) (relating to the additional
5 standard deduction), 63(c)(1)(C) (relating to the real
6 property tax deduction), 63(c)(1)(D) (relating to the
7 disaster loss deduction), 63(c)(1)(E) (relating to the
8 motor vehicle sales tax deduction), 63(c)(4) (relating
9 to inflation adjustments), 63(c)(7) (defining the real
10 property tax deduction), 63(c)(8) (defining the
11 disaster loss deduction), 63(c)(9) (defining the motor
12 vehicle sales tax deduction), and 63(f) (relating to
13 additional amounts for the aged or blind) of the
14 Internal Revenue Code shall not be operative for
15 purposes of this chapter;

16 (2) Section 63(c)(2) (relating to the basic standard
17 deduction) of the Internal Revenue Code shall be
18 operative, except that the standard deduction amounts
19 provided therein shall instead mean:

20 (A) [~~\$4,400~~] \$4,840 in the case of:



- 1 (i) A joint return as provided by section
2 235-93; or
- 3 (ii) A surviving spouse (as defined in section
4 2(a) of the Internal Revenue Code);
- 5 (B) [~~\$3,212~~] \$3,533 in the case of a head of
6 household (as defined in section 2(b) of the
7 Internal Revenue Code);
- 8 (C) [~~\$2,200~~] \$2,420 in the case of an individual who
9 is not married and who is not a surviving spouse
10 or head of household; or
- 11 (D) [~~\$2,200~~] \$2,420 in the case of a married
12 individual filing a separate return;
- 13 (3) Section 63(c)(5) (limiting the basic standard
14 deduction in the case of certain dependents) of the
15 Internal Revenue Code shall be operative, except that
16 the limitation shall be the greater of \$500 or the
17 individual's earned income; and
- 18 (4) The standard deduction amount for nonresidents shall
19 be calculated pursuant to section 235-5[+];
20 provided that effective January 1, 2021, and every year
21 thereafter, the deduction amounts set forth in this subsection



1 shall be adjusted to reflect the percentage change for the most
2 recent one-year period in the Consumer Price Index for All Urban
3 Consumers for Honolulu published by the Bureau of Labor
4 Statistics of the federal Department of Labor."

5 SECTION 3. Section 235-54, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "(a) In computing the taxable income of any individual,
8 there shall be deducted, in lieu of the personal exemptions
9 allowed by the Internal Revenue Code, personal exemptions
10 computed as follows: Ascertain the number of exemptions which
11 the individual can lawfully claim under the Internal Revenue
12 Code, add an additional exemption for the taxpayer or the
13 taxpayer's spouse who is sixty-five years of age or older within
14 the taxable year, and multiply that number by [~~\$1,144,~~ \$1,258,
15 for taxable years beginning after December 31, 1984. Effective
16 January 1, 2021, and every year thereafter, the personal
17 exemption amount set forth in this subsection shall be adjusted
18 to reflect the percentage change for the most recent one-year
19 period in the Consumer Price Index for All Urban Consumers for
20 Honolulu published by the Bureau of Labor Statistics of the
21 federal Department of Labor. A nonresident shall prorate the



1 personal exemptions on account of income from sources outside
 2 the State as provided in section 235-5. In the case of an
 3 individual with respect to whom an exemption under this section
 4 is allowable to another taxpayer for a taxable year beginning in
 5 the calendar year in which the individual's taxable year begins,
 6 the personal exemption amount applicable to such individual
 7 under this subsection for such individual's taxable year shall
 8 be zero."

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

11 SECTION 5. This Act, upon its approval, shall apply to
 12 taxable years beginning after December 31, 2019.

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INTRODUCED BY:

Kal Rhoad

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S.B. NO. 2242

Report Title:

Income Tax; Standard Deduction; Personal Exemption

Description:

Increases the amount of the standard deduction and the personal exemption. Requires the standard deduction and personal exemption to be adjusted for inflation on an annual basis.

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

