
A BILL FOR AN ACT

RELATING TO TAXATION.

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) Any compensation received in the form of a pension for
14 past services;

15 (4) Compensation paid to a patient affected with Hansen's
16 disease employed by the State or the United States in



1 any hospital, settlement, or place for the treatment
2 of Hansen's disease;

3 (5) Except as otherwise expressly provided, payments made
4 by the United States or this State, under an act of
5 Congress or a law of this State, which by express
6 provision or administrative regulation or
7 interpretation are exempt from both the normal and
8 surtaxes of the United States, even though not so
9 exempted by the Internal Revenue Code itself;

10 (6) Any income expressly exempted or excluded from the
11 measure of the tax imposed by this chapter by any
12 other law of the State, it being the intent of this
13 chapter not to repeal or supersede any such express
14 exemption or exclusion;

15 (7) Income received by each member of the reserve
16 components of the Army, Navy, Air Force, Marine Corps,
17 or Coast Guard of the United States of America, and
18 the Hawaii National Guard as compensation for
19 performance of duty, equivalent to pay received for
20 forty-eight drills (equivalent of twelve weekends) and
21 fifteen days of annual duty, at an:



- 1 (A) E-1 pay grade after eight years of service;
2 provided that this subparagraph shall apply to
3 taxable years beginning after December 31, 2004;
- 4 (B) E-2 pay grade after eight years of service;
5 provided that this subparagraph shall apply to
6 taxable years beginning after December 31, 2005;
- 7 (C) E-3 pay grade after eight years of service;
8 provided that this subparagraph shall apply to
9 taxable years beginning after December 31, 2006;
- 10 (D) E-4 pay grade after eight years of service;
11 provided that this subparagraph shall apply to
12 taxable years beginning after December 31, 2007;
13 and
- 14 (E) E-5 pay grade after eight years of service;
15 provided that this subparagraph shall apply to
16 taxable years beginning after December 31, 2008;
- 17 (8) Income derived from the operation of ships or aircraft
18 if the income is exempt under the Internal Revenue
19 Code pursuant to the provisions of an income tax
20 treaty or agreement entered into by and between the
21 United States and a foreign country[+];[+] provided



1 that the tax laws of the local governments of that
2 country reciprocally exempt from the application of
3 all of their net income taxes, the income derived from
4 the operation of ships or aircraft that are documented
5 or registered under the laws of the United States;

6 (9) The value of legal services provided by a legal
7 service plan to a taxpayer, the taxpayer's spouse, and
8 the taxpayer's dependents;

9 (10) Amounts paid, directly or indirectly, by a legal
10 service plan to a taxpayer as payment or reimbursement
11 for the provision of legal services to the taxpayer,
12 the taxpayer's spouse, and the taxpayer's dependents;

13 (11) Contributions by an employer to a legal service plan
14 for compensation (through insurance or otherwise) to
15 the employer's employees for the costs of legal
16 services incurred by the employer's employees, their
17 spouses, and their dependents; [~~and~~]

18 (12) Amounts received in the form of a monthly surcharge by
19 a utility acting on behalf of an affected utility
20 under section 269-16.3; provided that amounts retained



1 by the acting utility for collection or other costs
2 shall not be included in this exemption[-]; and
3 (13) Income received by an eligible teacher; provided that:
4 (A) The maximum amount of the exclusion provided
5 under this paragraph shall be:
6 (i) \$30,000 for a person who is not married or a
7 married person filing a separate return; or
8 (ii) \$60,000 if filing jointly, and both persons
9 are eligible teachers; and
10 (B) As used in this paragraph, "eligible teacher"
11 means a person who is a school teacher, special
12 education teacher, school librarian, or school
13 counselor who is employed full-time by the
14 department of education or a charter school in
15 the State and who:
16 (i) Instructs or provides services to students
17 in any grade between prekindergarten and
18 twelfth grade;
19 (ii) Earns \$60,000 or less in gross income per
20 taxable year as a full-time employee of the



1 department of education or a charter school;
2 and
3 (iii) Has a federal adjusted gross income of no
4 more than \$60,000 in the case of an
5 individual who is not married or a married
6 person filing a separate return or \$120,000
7 in the case of a person filing a joint
8 return."

9 SECTION 2. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 3. This Act shall take effect on July 1, 2050, and
12 shall apply to taxable years beginning after December 31, 2019.



Report Title:

Taxation; Income Tax Exclusion; Public School Teachers

Description:

Provides an income tax exclusion for certain public school teachers. Defines eligible teachers as full-time school teachers, special education teachers, school librarians, and school counselors employed by the Department of Education or a charter school. Effective 7/1/2050. (SD2)

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