#### A BILL FOR AN ACT

RELATING TO UNEMPLOYMENT BENEFITS.

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

1	SECT	ION 1. Section 235-7, Hawaii Revised Statutes, is	
2	amended by	y 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	

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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:

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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)	Inco	me derived from the operation of ships or aircraft
18		if t	he income is exempt under the Internal Revenue
19		Code	pursuant to the provisions of an income tax
20		trea	ty or agreement entered into by and between the
21		Unit	ed States and a foreign country[;] provided that

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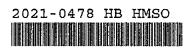
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1		the tax laws of the local governments of that country
2		reciprocally exempt from the application of all of
3		their net income taxes, the income derived from the
4		operation of ships or aircraft that are documented or
5		registered under the laws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



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1		by the acting utility for collection or other costs
2		shall not be included in this exemption [-]; and
3	(13)	Income received as unemployment compensation benefits
4		under chapter 383."
5	SECT	ION 2. Section 383-163.6, Hawaii Revised Statutes, is
6	amended b	y amending subsection (a) to read as follows:
7	"(a)	An individual filing a new claim for unemployment
8	compensat	ion shall, at the time of filing the claim, be advised
9	that:	
10	(1)	Unemployment compensation is subject to federal [and
11		<pre>state] income tax;</pre>
12	(2)	Requirements exist pertaining to estimated tax
13		payments;
14	(3)	The individual may elect to have federal income tax
15		deducted and withheld from the individual's payment of
16		unemployment compensation at the amount specified in
17		the federal Internal Revenue Code;
18	(4)	The individual may elect to have state income tax
19		deducted and withheld from the individual's payment of
20		unemployment compensation at the amount specified in
21		section 235-69;

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1	(5)	The individual may elect to have state and local
2		income taxes deducted and withheld from the
3		individual's payment of unemployment compensation for
4		other states and localities outside this State at the
5		percentage established by the state or locality, if
6		the department by agreement with the other state or
7		locality is authorized to deduct and withhold income
8		tax; and
9	(6)	The individual shall be permitted to change a
10		previously elected withholding status no more than
11		once during a benefit year."
12	SECT	ION 3. Statutory material to be repealed is bracketed
13	and stric	ken. New statutory material is underscored.
14	SECT	ION 4. This Act, upon its approval, shall take effect
15	retroacti	ve to January 1, 2021.
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Dial INTRODUCED BY:

JAN 2 0 2021

Report Title: Income Tax; Unemployment Benefits; Exemption

**Description:** Exempts income received from unemployment compensation benefits from state income tax. Effective 1/1/2021.

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

