

JAN 27 2021

A BILL FOR AN ACT

RELATING TO UNEMPLOYMENT INSURANCE.

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

1 SECTION 1. Section 235-69, Hawaii Revised Statutes, is
2 amended to read as follows:

3 " ~~[§] 235-69 [—Voluntary]~~ Mandatory deduction and
4 withholding of state income tax from unemployment compensation.
5 An individual receiving unemployment compensation benefits under
6 chapter 383 ~~[may elect to]~~ shall have state income tax deducted
7 and withheld from the individual's payment of unemployment
8 compensation at the rate of five per cent in accordance with
9 section 383-163.6."

10 SECTION 2. Section 383-161, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) Any agreement by an individual to waive, release, or
13 commute the individual's rights to benefits or any other rights
14 under this chapter shall be void, except agreements to withhold
15 and deduct benefits for the following purposes:

16 (1) The payment of child support obligations as provided
17 in section 383-163.5;



(2) The ~~[voluntary]~~ deduction and withholding of federal and state income tax from unemployment compensation as provided in section 383-163.6; and

(3) The repayment of uncollected overissuances of food stamp coupons as provided in section 383-163.7."

SECTION 3. Section 383-163, Hawaii Revised Statutes, is amended to read as follows:

"§383-163 No assignment of benefits; waiver. No assignment, pledge, or encumbrance of any right to benefits ~~[which]~~ that are or may become due or payable under this chapter shall be valid and the right to benefits shall not be subject to levy, execution, attachment, garnishment, or any other remedy for the collection of debt. No waiver of this section shall be valid, except that this section shall not apply to:

(1) Section 383-163.5 with respect to the withholding and deduction of benefits for the payment of child support obligations;

(2) Section 383-163.6 with respect to the ~~[voluntary]~~ withholding and deduction of benefits for payment of federal and state income taxes; and



(3) Section 383-163.7 with respect to the withholding and deduction of benefits for repayment of uncollected overissuances of food stamp coupons."

SECTION 4. Section 383-163.6, Hawaii Revised Statutes, is amended to read as follows:

"~~[§] 383-163.6~~—~~Voluntary~~ Mandatory deduction and withholding of federal and state income taxes. (a) The department shall deduct and withhold from all unemployment compensation:

(1) Federal income tax at the amount specified in the federal Internal Revenue Code;

(2) State income tax at the amount specified in section 235-69; and

(3) State and local income taxes for other states and localities outside this State at the percentage established by that state or locality, if the department by agreement with the other state or locality is authorized to deduct and withhold income tax.



1 (b) An individual filing a new claim for unemployment
2 compensation shall, at the time of filing the claim, be advised
3 that:

4 (1) Unemployment compensation is subject to federal and
5 state income tax;

6 (2) Requirements exist pertaining to estimated tax
7 payments;

8 (3) The ~~[individual may elect to have]~~ department is
9 required to deduct and withhold federal income tax
10 ~~[deducted and withheld]~~ from the individual's payment
11 of unemployment compensation at the amount specified
12 in the federal Internal Revenue Code;

13 (4) The ~~[individual may elect to have]~~ department is
14 required to deduct and withhold state income tax
15 ~~[deducted and withheld]~~ from the individual's payment
16 of unemployment compensation at the amount specified
17 in section 235-69;

18 (5) The ~~[individual may elect to have]~~ department is
19 required to deduct and withhold state and local income
20 taxes ~~[deducted and withheld]~~ from the individual's
21 payment of unemployment compensation for other states



1 and localities outside this State at the percentage
2 established by the state or locality, if the
3 department by agreement with the other state or
4 locality is authorized to deduct and withhold income
5 tax; and

6 (6) The individual shall be permitted to change a
7 previously elected withholding status no more than
8 once during a benefit year.

9 (b) Amounts deducted and withheld from unemployment
10 compensation shall remain in the unemployment compensation fund
11 until transferred to the federal, state, or local taxing
12 authority as a payment of income tax.

13 (c) The director shall follow all procedures specified by
14 the United States Department of Labor, the federal Internal
15 Revenue Service, and the state department of taxation,
16 pertaining to the deducting and withholding of income tax.

17 (d) Amounts shall be deducted and withheld under this
18 section only after any other amounts allowed under chapter 383
19 are deducted and withheld."

20 SECTION 5. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 6. This Act shall take effect on July 1, 2021.

2

INTRODUCED BY: *Anna Mercado R.*



S.B. NO. 1290

Report Title:

Unemployment Insurance Benefits; Income Tax Withholding;
Department of Labor and Industrial Relations

Description:

Requires DLIR to withhold and deduct income taxes from
unemployment insurance benefits.

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