
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Section 235-1, Hawaii Revised Statutes, is
2 amended by adding a new definition to be appropriately inserted
3 and to read as follows:

4 "Cost-of-living adjustment factor" means a factor
5 calculated by adding 1.0 to the percentage change in the
6 Consumer Price Index for All Urban Consumers, as published by
7 the United States Department of Labor, from July of the
8 preceding calendar year to July of the current calendar year;
9 provided that, if the Consumer Price Index is discontinued, the
10 Chained Consumer Price Index for All Urban Consumers, as
11 published by the United States Department of Labor, shall be
12 used to calculate the cost-of-living adjustment factor."

13 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is
14 amended as follows:

15 1. By amending subsection (a) to read:



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 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 in the case of a head of household (as~~
- 6 ~~defined in section 2(b) of the Internal Revenue~~
- 7 ~~Code);~~
- 8 ~~(C) \$2,200 in the case of an individual who is not~~
- 9 ~~married and who is not a surviving spouse or head~~
- 10 ~~of household; or~~
- 11 ~~(D) \$2,200 in the case of a married individual filing~~
- 12 ~~a separate return;]~~ provided that:
- 13 (A) The standard deduction amounts provided therein
- 14 shall instead mean:
- 15 (i) \$10,000 in the case of a joint return, as
- 16 provided by section 235-93, or a surviving
- 17 spouse, as defined in section 2(a) of the
- 18 Internal Revenue Code;
- 19 (ii) \$7,500 in the case of a head of household,
- 20 as defined in section 2(b) of the Internal
- 21 Revenue Code;



1 (iii) \$5,000 in the case of an individual who is
2 not married and who is not a surviving
3 spouse or head of household; or

4 (iv) \$5,000 in the case of a married individual
5 filing a separate return; and

6 (B) For each taxable year beginning after December
7 31, 2023, the director, no later than December 15
8 of the preceding calendar year, shall recompute
9 the standard deduction amounts by multiplying the
10 dollar amounts for the preceding taxable year by
11 the cost-of-living adjustment factor, if the
12 cost-of-living adjustment factor is greater than
13 zero, and rounding off the resulting product to
14 the nearest \$1; provided that if the
15 cost-of-living adjustment factor is less than or
16 equal to zero in a given year, then no adjustment
17 will occur in the following year;

18 (3) Section 63(c)(5) (limiting the basic standard
19 deduction in the case of certain dependents) of the
20 Internal Revenue Code shall be operative, except that



1 the limitation shall be the greater of \$500 or the
2 individual's earned income; and

3 (4) The standard deduction amount for nonresidents shall
4 be calculated pursuant to section 235-5."

5 2. By amending subsection (c) to read:

6 "(c) Section 68 (with respect to the overall limitation on
7 itemized deductions) of the Internal Revenue Code shall be
8 operative; provided that [~~the~~]:

9 (1) [~~Thresholds~~] The thresholds shall be [these] the
10 applicable amounts under section 68(b)(1) of the
11 Internal Revenue Code that were operative for federal
12 tax year [2009, and] 2013;

13 (2) For each taxable year beginning after December 31,
14 2023, the director of taxation, no later than
15 December 15 of the preceding calendar year, shall
16 recompute the threshold amounts by multiplying the
17 dollar amounts for the preceding taxable year by the
18 cost-of-living adjustment factor, if the
19 cost-of-living adjustment factor is greater than zero,
20 and rounding off the resulting product to the nearest
21 \$1; provided that if the cost-of-living adjustment



1 factor is less than or equal to zero in a given year,
2 then no adjustment will occur in the following year;
3 and

4 [~~2~~] (3) Suspension in section 68(f) shall not be
5 operative for purposes of this chapter."

6 3. By amending subsection (k) to read:

7 "(k) Section 164 (with respect to taxes) of the Internal
8 Revenue Code shall be operative for the purposes of this
9 chapter, except that:

10 (1) Section 164(b)(6)(B) (limiting the deduction for state
11 and local taxes) shall not be operative for the
12 purposes of this chapter;

13 (2) The deductions under section 164(a)(3) and (b)(5)
14 shall not be operative for corporate taxpayers [~~and~~
15 ~~shall be operative only for the following individual~~
16 ~~taxpayers:~~

17 ~~(A) A taxpayer filing a single return or a married~~
18 ~~person filing separately with a federal adjusted~~
19 ~~gross income of less than \$100,000;~~



1 ~~(B) A taxpayer filing as a head of household with a~~
2 ~~federal adjusted gross income of less than~~
3 ~~\$150,000; and~~

4 ~~(C) A taxpayer filing a joint return or as a~~
5 ~~surviving spouse with a federal adjusted gross~~
6 ~~income of less than \$200,000]; and~~

7 (3) Section 164(a)(3) shall not be operative for any
8 amounts for which the credit under section 235-55 has
9 been claimed."

10 SECTION 3. Section 235-51, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§235-51 Tax imposed on individuals; rates.** (a) There is
13 hereby imposed on the taxable income of every:

14 (1) Taxpayer who files a joint return under section
15 235-93; and

16 (2) Surviving spouse,

17 a tax determined in accordance with the following table:

18 ~~[In the case of any taxable year beginning after December~~
19 ~~31, 2017:~~

| | |
|---|------------------------------------|
| 20 If the taxable income is: | The tax shall be: |
| 21 Not over \$4,800 | 1.40% of taxable income |



~~excess over \$400,000.]~~

In the case of any taxable year beginning after
December 31, 2022:

| <u>If the taxable income is:</u> | <u>The tax shall be:</u> |
|--|---|
| <u>Not over \$5,126</u> | <u>1.40% of taxable income</u> |
| <u>Over \$5,126 but not over \$10,253</u> | <u>\$72.00 plus 3.20% of excess over \$5,126</u> |
| <u>Over \$10,253 but not over \$20,506</u> | <u>\$236.00 plus 5.50% of excess over \$10,253</u> |
| <u>Over \$20,506 but not over \$30,758</u> | <u>\$800.00 plus 6.40% of excess over \$20,506</u> |
| <u>Over \$30,758 but not over \$41,011</u> | <u>\$1,456.00 plus 6.80% of excess over \$30,758</u> |
| <u>Over \$41,011 but not over \$51,264</u> | <u>\$2,153.00 plus 7.20% of excess over \$41,011</u> |
| <u>Over \$51,264 but not over \$76,896</u> | <u>\$2,891.00 plus 7.60% of excess over \$51,264</u> |
| <u>Over \$76,896 but not over \$102,528</u> | <u>\$4,839.00 plus 7.90% of excess over \$76,896</u> |
| <u>Over \$102,528 but not over \$320,400</u> | <u>\$6,864.00 plus 8.25% of excess over \$102,528</u> |



| | | |
|---|---------------------------|-----------------------------------|
| 1 | <u>Over \$320,400 but</u> | <u>\$24,838.00 plus 9.00% of</u> |
| 2 | <u>not over \$373,800</u> | <u>excess over \$320,400</u> |
| 3 | <u>Over \$373,800 but</u> | <u>\$29,644.00 plus 10.00% of</u> |
| 4 | <u>not over \$427,200</u> | <u>excess over \$373,800</u> |
| 5 | <u>Over \$427,200</u> | <u>\$34,984.00 plus 11.00% of</u> |
| 6 | | <u>excess over \$427,200.</u> |

7 (b) There is hereby imposed on the taxable income of every
8 head of a household a tax determined in accordance with the
9 following table:

10 ~~[In the case of any taxable year beginning after December~~
11 ~~31, 2017:~~

| | | |
|----|--------------------------------------|-------------------------------------|
| 12 | If the taxable income is: | The tax shall be: |
| 13 | Not over \$3,600 | 1.40% of taxable income |
| 14 | Over \$3,600 but | \$50.00 plus 3.20% of |
| 15 | not over \$7,200 | excess over \$3,600 |
| 16 | Over \$7,200 but | \$166.00 plus 5.50% of |
| 17 | not over \$14,400 | excess over \$7,200 |
| 18 | Over \$14,400 but | \$562.00 plus 6.40% of |
| 19 | not over \$21,600 | excess over \$14,400 |
| 20 | Over \$21,600 but | \$1,022.00 plus 6.80% of |
| 21 | not over \$28,800 | excess over \$21,600 |



| | | |
|----|-------------------------------|---------------------------------------|
| 1 | Over \$28,800 but | \$1,512.00 plus 7.20% of |
| 2 | not over \$36,000 | excess over \$28,800 |
| 3 | Over \$36,000 but | \$2,030.00 plus 7.60% of |
| 4 | not over \$54,000 | excess over \$36,000 |
| 5 | Over \$54,000 but | \$3,398.00 plus 7.90% of |
| 6 | not over \$72,000 | excess over \$54,000 |
| 7 | Over \$72,000 but | \$4,820.00 plus 8.25% of |
| 8 | not over \$225,000 | excess over \$72,000 |
| 9 | Over \$225,000 but | \$17,443.00 plus 9.00% of |
| 10 | not over \$262,500 | excess over \$225,000 |
| 11 | Over \$262,500 but | \$20,818.00 plus 10.00% of |
| 12 | not over \$300,000 | excess over \$262,500 |
| 13 | Over \$300,000 | \$24,568.00 plus 11.00% of |
| 14 | | excess over \$300,000.] |

15 In the case of any taxable year beginning after

16 December 31, 2022:

| | | |
|----|----------------------------------|--------------------------------|
| 17 | <u>If the taxable income is:</u> | <u>The tax shall be:</u> |
| 18 | <u>Not over \$3,845</u> | <u>1.40% of taxable income</u> |
| 19 | <u>Over \$3,845 but</u> | <u>\$54.00 plus 3.20% of</u> |
| 20 | <u>not over \$7,690</u> | <u>excess over \$3,845</u> |
| 21 | <u>Over \$7,690 but</u> | <u>\$177.00 plus 5.50% of</u> |



| | | |
|----|---------------------------|-----------------------------------|
| 1 | <u>not over \$15,379</u> | <u>excess over \$7,690</u> |
| 2 | <u>Over \$15,379 but</u> | <u>\$600.00 plus 6.40% of</u> |
| 3 | <u>not over \$23,069</u> | <u>excess over \$15,379</u> |
| 4 | <u>Over \$23,069 but</u> | <u>\$1,092.00 plus 6.80% of</u> |
| 5 | <u>not over \$30,758</u> | <u>excess over \$23,069</u> |
| 6 | <u>Over \$30,758 but</u> | <u>\$1,615.00 plus 7.20% of</u> |
| 7 | <u>not over \$38,448</u> | <u>excess over \$30,758</u> |
| 8 | <u>Over \$38,448 but</u> | <u>\$2,169.00 plus 7.60% of</u> |
| 9 | <u>not over \$57,672</u> | <u>excess over \$38,448</u> |
| 10 | <u>Over \$57,672 but</u> | <u>\$3,630.00 plus 7.90% of</u> |
| 11 | <u>not over \$76,896</u> | <u>excess over \$57,672</u> |
| 12 | <u>Over \$76,896 but</u> | <u>\$5,149.00 plus 8.25% of</u> |
| 13 | <u>not over \$240,300</u> | <u>excess over \$76,896</u> |
| 14 | <u>Over \$240,300 but</u> | <u>\$18,630.00 plus 9.00% of</u> |
| 15 | <u>not over \$280,350</u> | <u>excess over \$240,300</u> |
| 16 | <u>Over \$280,350 but</u> | <u>\$22,234.00 plus 10.00% of</u> |
| 17 | <u>not over \$320,400</u> | <u>excess over \$280,350</u> |
| 18 | <u>Over \$320,400</u> | <u>\$26,239.00 plus 11.00% of</u> |
| 19 | | <u>excess over \$320,400.</u> |

20 (c) There is hereby imposed on the taxable income of (1)
 21 every unmarried individual (other than a surviving spouse, or



1 the head of a household) and (2) on the taxable income of every
2 married individual who does not make a single return jointly
3 with the individual's spouse under section 235-93 a tax
4 determined in accordance with the following table:

5 ~~[In the case of any taxable year beginning after December~~
6 ~~31, 2017:~~

| | If the taxable income is: | The tax shall be: |
|----|--------------------------------------|-------------------------------------|
| 8 | Not over \$2,400 | 1.40% of taxable income |
| 9 | Over \$2,400 but | \$34.00 plus 3.20% of |
| 10 | not over \$4,800 | excess over \$2,400 |
| 11 | Over \$4,800 but | \$110.00 plus 5.50% of |
| 12 | not over \$9,600 | excess over \$4,800 |
| 13 | Over \$9,600 but | \$374.00 plus 6.40% of |
| 14 | not over \$14,400 | excess over \$9,600 |
| 15 | Over \$14,400 but | \$682.00 plus 6.80% of |
| 16 | not over \$19,200 | excess over \$14,400 |
| 17 | Over \$19,200 but | \$1,008.00 plus 7.20% of |
| 18 | not over \$24,000 | excess over \$19,200 |
| 19 | Over \$24,000 but | \$1,354.00 plus 7.60% of |
| 20 | not over \$36,000 | excess over \$24,000 |
| 21 | Over \$36,000 but | \$2,266.00 plus 7.90% of |



| | | |
|----|---------------------------|-----------------------------------|
| 1 | <u>Over \$20,506 but</u> | <u>\$1,077.00 plus 7.20% of</u> |
| 2 | <u>not over \$25,632</u> | <u>excess over \$20,506</u> |
| 3 | <u>Over \$25,632 but</u> | <u>\$1,446.00 plus 7.60% of</u> |
| 4 | <u>not over \$38,448</u> | <u>excess over \$25,632</u> |
| 5 | <u>Over \$38,448 but</u> | <u>\$2,420.00 plus 7.90% of</u> |
| 6 | <u>not over \$51,264</u> | <u>excess over \$38,448</u> |
| 7 | <u>Over \$51,264 but</u> | <u>\$3,432.00 plus 8.25% of</u> |
| 8 | <u>not over \$160,200</u> | <u>excess over \$51,264</u> |
| 9 | <u>Over \$160,200 but</u> | <u>\$12,419.00 plus 9.00% of</u> |
| 10 | <u>not over \$186,900</u> | <u>excess over \$160,200</u> |
| 11 | <u>Over \$186,900 but</u> | <u>\$14,822.00 plus 10.00% of</u> |
| 12 | <u>not over \$213,600</u> | <u>excess over \$186,900</u> |
| 13 | <u>Over \$213,600</u> | <u>\$17,492.00 plus 11.00% of</u> |
| 14 | | <u>excess over \$213,600.</u> |

15 (d) The tax imposed by section 235-2.45 on estates and
16 trusts shall be determined in accordance with the following
17 table:

18 In the case of any taxable year beginning after
19 December 31, 2001:

| | | |
|----|---------------------------|-------------------------|
| 20 | If the taxable income is: | The tax shall be: |
| 21 | Not over \$2,000 | 1.40% of taxable income |



| | | |
|----|-------------------|--------------------------|
| 1 | Over \$2,000 but | \$28.00 plus 3.20% of |
| 2 | not over \$4,000 | excess over \$2,000 |
| 3 | Over \$4,000 but | \$92.00 plus 5.50% of |
| 4 | not over \$8,000 | excess over \$4,000 |
| 5 | Over \$8,000 but | \$312.00 plus 6.40% of |
| 6 | not over \$12,000 | excess over \$8,000 |
| 7 | Over \$12,000 but | \$568.00 plus 6.80% of |
| 8 | not over \$16,000 | excess over \$12,000 |
| 9 | Over \$16,000 but | \$840.00 plus 7.20% of |
| 10 | not over \$20,000 | excess over \$16,000 |
| 11 | Over \$20,000 but | \$1,128.00 plus 7.60% of |
| 12 | not over \$30,000 | excess over \$20,000 |
| 13 | Over \$30,000 but | \$1,888.00 plus 7.90% of |
| 14 | not over \$40,000 | excess over \$30,000 |
| 15 | Over \$40,000 | \$2,678.00 plus 8.25% of |
| 16 | | excess over \$40,000. |

17 (e) Any taxpayer, other than a corporation, acting as a
18 business entity in more than one state who is required by this
19 chapter to file a return may elect to report and pay a tax of .5
20 per cent of the taxpayer's annual gross sales if the:



- 1 (1) Taxpayer's only activities in this State consist of
2 sales;
- 3 (2) Taxpayer does not own or rent real estate or tangible
4 personal property; and
- 5 (3) Taxpayer's annual gross sales in or into this State
6 during the tax year is not in excess of \$100,000.
- 7 (f) If a taxpayer has a net capital gain for any taxable
8 year to which this subsection applies, then the tax imposed by
9 this section shall not exceed the sum of:
- 10 (1) The tax computed at the rates and in the same manner
11 as if this subsection had not been enacted on the
12 greater of:
- 13 (A) The taxable income reduced by the amount of net
14 capital gain, or
- 15 (B) The amount of taxable income taxed at a rate
16 below 7.25 per cent, plus
- 17 (2) A tax of 7.25 per cent of the amount of taxable income
18 in excess of the amount determined under paragraph
19 (1).

20 This subsection shall apply to individuals, estates, and
21 trusts for taxable years beginning after December 31, 1986.



1 (g) For each taxable year beginning after December 31,
2 2023, the director, no later than December 15 of the preceding
3 calendar year, shall recompute the taxable income amounts within
4 each of the income brackets in subsections (a), (b), and (c) by
5 multiplying the taxable income amounts within each income
6 bracket for the preceding taxable year by the cost-of-living
7 adjustment factor, if the cost-of-living adjustment factor is
8 greater than zero, and rounding off the resulting product to the
9 nearest \$1. If the cost-of-living adjustment factor is less
10 than or equal to zero in a given year, then no adjustment will
11 occur in the following year. Nothing in this subsection shall
12 be construed as permitting an adjustment to the rates of tax in
13 subsections (a), (b), and (c)."

14 SECTION 4. Section 235-54, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§235-54 Exemptions.** (a) In computing the taxable income
17 of any individual, there shall be deducted, in lieu of the
18 personal exemptions allowed by the Internal Revenue Code,
19 personal exemptions computed as follows: Ascertain the number
20 of exemptions which the individual can lawfully claim under the
21 Internal Revenue Code, add an additional exemption for the



1 taxpayer or the taxpayer's spouse who is sixty-five years of age
2 or older within the taxable year, and multiply that number by
3 [~~\$1,144,~~] \$2,288, for taxable years beginning after December 31,
4 [~~1984-~~] 2022. A nonresident shall prorate the personal
5 exemptions on account of income from sources outside the State
6 as provided in section 235-5. In the case of an individual with
7 respect to whom an exemption under this section is allowable to
8 another taxpayer for a taxable year beginning in the calendar
9 year in which the individual's taxable year begins, the personal
10 exemption amount applicable to such individual under this
11 subsection for such individual's taxable year shall be zero.

12 (b) In computing the taxable income of an estate or trust
13 there shall be allowed, in lieu of the deductions allowed under
14 subsection (a), the following:

15 (1) An estate shall be allowed a deduction of \$400.

16 (2) A trust which, under its governing instrument, is
17 required to distribute all of its income currently
18 shall be allowed a deduction of \$200.

19 (3) All other trusts shall be allowed a deduction of \$80.

20 (c) A blind person, a deaf person, and any person totally
21 disabled, in lieu of the personal exemptions allowed by the



1 Internal Revenue Code, shall be allowed, and there shall be
2 deducted in computing the taxable income of a blind person, a
3 deaf person, or a totally disabled person, instead of the
4 exemptions provided by subsection (a), the amount of \$7,000.

5 (d) For each taxable year beginning after December 31,
6 2023, the director of taxation, no later than December 15 of the
7 preceding calendar year, shall recompute the personal exemption
8 and deduction amounts in this section by multiplying the amount
9 for the preceding taxable year by the cost-of-living adjustment
10 factor, if the cost-of-living adjustment factor is greater than
11 zero, and rounding off the resulting product to the nearest \$1.
12 If the cost-of-living adjustment factor is less than or equal to
13 zero in a given year, then no adjustment will occur in the
14 following year."

15 SECTION 5. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 6. This Act shall take effect upon its approval,
18 and shall apply to taxable years beginning after December 31,
19 2022.



Report Title:

Income Tax; Income Tax Brackets; Personal Exemption; Standard Deduction; Cost-of-living Adjustment; Earned Income Tax Credit; Amount

Description:

Increases the amounts for the income tax brackets and personal exemption and standard deduction amounts for tax year 2023. Adjusts annually for tax years beginning after 12/31/2023, the income tax brackets and personal exemption, and standard deduction amounts by a cost-of-living adjustment factor. Amends the taxable income brackets and income tax rates for each filing status for taxable years beginning after 12/31/2022. (SD1)

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

