
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that Hawaii's economy is
2 slowly recovering as it emerges from the COVID-19 pandemic.
3 However, many of Hawaii's working families are still
4 experiencing financial difficulties and hardships. The
5 legislature further finds that the last time the State increased
6 the amount of the personal exemption allowable for individual
7 income tax purposes was in 2009, pursuant to Act 60, Session
8 Laws of Hawaii 2009. By increasing the personal exemption and
9 subsequently adjusting the personal exemption for inflation,
10 Hawaii's families, especially low-income earners, will receive
11 much needed tax relief on a regular basis.

12 The purpose of this Act is to:

- 13 (1) Increase the amount of the personal exemption
14 allowable for taxable income years beginning after
15 December 31, 2023; and
16 (2) Require the personal exemption to subsequently be
17 increased biannually based on any increase in the



1 Consumer Price Index for All Urban Consumers for
2 Honolulu for the most recent two-year period.

3 SECTION 2. Section 235-54, Hawaii Revised Statutes, is
4 amended by amending subsection (a) to read as follows:

5 "(a) In computing the taxable income of any individual,
6 there shall be deducted, in lieu of the personal exemptions
7 allowed by the Internal Revenue Code, personal exemptions
8 computed as follows: Ascertain the number of exemptions which
9 the individual can lawfully claim under the Internal Revenue
10 Code, add an additional exemption for the taxpayer or the
11 taxpayer's spouse who is sixty-five years of age or older within
12 the taxable year, and multiply that number by \$1,144, for
13 taxable years beginning after December 31, 1984[-]; provided
14 that for taxable years beginning after December 31, 2023, the
15 exemptions shall be multiplied by \$1,400. On June 30, 2025, and
16 every two years thereafter, the department shall increase the
17 exemption amount set forth in this subsection, to be effective
18 the following January 1, by the same total percentage change
19 over the most recent two year period in the Consumer Price Index
20 for All Urban Consumers for Honolulu published by the Bureau of
21 Labor Statistics of the federal Department of Labor; provided



1 that if the Consumer Price Index for All Urban Consumers for
2 Honolulu decreased over the most recent two year period, the
3 department shall not decrease the exemption amount but shall
4 retain the most recently established exemption amount. A
5 nonresident shall prorate the personal exemptions on account of
6 income from sources outside the State as provided in section
7 235-5. In the case of an individual with respect to whom an
8 exemption under this section is allowable to another taxpayer
9 for a taxable year beginning in the calendar year in which the
10 individual's taxable year begins, the personal exemption amount
11 applicable to such individual under this subsection for such
12 individual's taxable year shall be zero."

13 SECTION 3. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 4. This Act, upon its approval, shall apply to
16 taxable years beginning after December 31, 2023.

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INTRODUCED BY:

Brend Kolyashi
JAN 24 2023



H.B. NO. 1126

Report Title:

Income Tax; Personal Exemption; Inflation

Description:

Increases the amount of the personal exemption for taxable income years beginning after 12/31/2023. Requires the personal exemption to be increased biannually based on any increase in the Consumer Price Index for All Urban Consumers for Honolulu for the most recent two-year period.

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