
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 there is a growing
2 number of individuals moving to Hawaii to retire who may be
3 receiving income through a pension for past services performed
4 outside of the State. Currently, these pensions are not taxed
5 under the state income tax law. The legislature believes that
6 the taxation of these out-of-state pensions will establish
7 equity among taxpayers residing in Hawaii and help grow the
8 State's economy.

9 The purpose of this Act is to limit the exclusion from
10 gross income received from pensions to only those pensions
11 resulting from past services provided in the State.

12 SECTION 2. Section 235-7, Hawaii Revised Statutes, is
13 amended by amending subsection (a) to read as follows:

14 "(a) There shall be excluded from gross income, adjusted
15 gross income, and taxable income:

16 (1) Income not subject to taxation by the State under the
17 Constitution and laws of the United States;



- 1 (2) Rights, benefits, and other income exempted from
2 taxation by section 88-91, having to do with the state
3 retirement system, and the rights, benefits, and other
4 income, comparable to the rights, benefits, and other
5 income exempted by section 88-91, under any other
6 public retirement system;
- 7 (3) Any compensation received in the form of a pension for
8 past services[+] performed in the State;
- 9 (4) Compensation paid to a patient affected with Hansen's
10 disease employed by the State or the United States in
11 any hospital, settlement, or place for the treatment
12 of Hansen's disease;
- 13 (5) Except as otherwise expressly provided, payments made
14 by the United States or this State, under an act of
15 Congress or a law of this State, which by express
16 provision or administrative regulation or
17 interpretation are exempt from both the normal and
18 surtaxes of the United States, even though not so
19 exempted by the Internal Revenue Code itself;
- 20 (6) Any income expressly exempted or excluded from the
21 measure of the tax imposed by this chapter by any



1 other law of the State, it being the intent of this
2 chapter not to repeal or supersede any such express
3 exemption or exclusion;

4 (7) Income received by each member of the reserve
5 components of the Army, Navy, Air Force, Marine Corps,
6 or Coast Guard of the United States of America, and
7 the Hawaii National Guard as compensation for
8 performance of duty, equivalent to pay received for
9 forty-eight drills (equivalent of twelve weekends) and
10 fifteen days of annual duty, at an:

11 (A) E-1 pay grade after eight years of service;
12 provided that this subparagraph shall apply to
13 taxable years beginning after December 31, 2004;

14 (B) E-2 pay grade after eight years of service;
15 provided that this subparagraph shall apply to
16 taxable years beginning after December 31, 2005;

17 (C) E-3 pay grade after eight years of service;
18 provided that this subparagraph shall apply to
19 taxable years beginning after December 31, 2006;

20 (D) E-4 pay grade after eight years of service;
21 provided that this subparagraph shall apply to



- 1 taxable years beginning after December 31, 2007;
2 and
3 (E) E-5 pay grade after eight years of service;
4 provided that this subparagraph shall apply to
5 taxable years beginning after December 31, 2008;
- 6 (8) Income derived from the operation of ships or aircraft
7 if the income is exempt under the Internal Revenue
8 Code pursuant to the provisions of an income tax
9 treaty or agreement entered into by and between the
10 United States and a foreign country[+];[+] provided
11 that the tax laws of the local governments of that
12 country reciprocally exempt from the application of
13 all of their net income taxes, the income derived from
14 the operation of ships or aircraft that are documented
15 or registered under the laws of the United States;
- 16 (9) The value of legal services provided by a legal
17 service plan to a taxpayer, the taxpayer's spouse, and
18 the taxpayer's dependents;
- 19 (10) Amounts paid, directly or indirectly, by a legal
20 service plan to a taxpayer as payment or reimbursement



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1 for the provision of legal services to the taxpayer,
2 the taxpayer's spouse, and the taxpayer's dependents;

3 (11) Contributions by an employer to a legal service plan
4 for compensation (through insurance or otherwise) to
5 the employer's employees for the costs of legal
6 services incurred by the employer's employees, their
7 spouses, and their dependents; and

8 (12) Amounts received in the form of a monthly surcharge by
9 a utility acting on behalf of an affected utility
10 under section 269-16.3; provided that amounts retained
11 by the acting utility for collection or other costs
12 shall not be included in this exemption."

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.

17

INTRODUCED BY:



JAN 16 2024



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Report Title:

Taxation; Pension Income; Income Tax

Description:

Limits the exclusion from gross income to pensions received for past services provided in the State.

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