
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 Urban
6 Hawaii Consumer Price Index for all items, as published by the
7 United States Department of Labor, from July of the prior
8 calendar year to July of the current calendar year; provided
9 that if the Urban Hawaii Consumer Price Index is discontinued,
10 the Chained Consumer Price Index for all urban areas for all
11 items, as published by the United States Department of Labor,
12 shall be used to calculate the cost-of-living adjustment
13 factor."

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

16 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;
13 provided that for each taxable year beginning on or
14 after January 1, 2025, the director, no later than
15 December 15 of the preceding calendar year, shall
16 recompute the standard deduction amounts by
17 multiplying the dollar amounts for the previous tax
18 year by the 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 further that if the cost-of-living



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

3 (3) Section 63(c)(5) (limiting the basic standard
4 deduction in the case of certain dependents) of the
5 Internal Revenue Code shall be operative, except that
6 the limitation shall be the greater of \$500 or the
7 individual's earned income; and

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

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

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

14 (1) [~~Thresholds~~] The thresholds shall be those that were
15 operative for federal tax year 2009; [~~and~~]

16 (2) For each taxable year beginning on or after January 1,
17 2025, the director of taxation, no later than
18 December 15 of the preceding calendar year, shall
19 recompute the threshold amounts by multiplying the
20 dollar amounts for the previous tax year by the
21 cost-of-living adjustment factor, if the



1 cost-of-living adjustment factor is greater than zero,
2 and rounding off the resulting product to the nearest
3 \$1; provided further that if the cost-of-living
4 adjustment factor is less than zero in a given year,
5 then no adjustment will occur in the following year;
6 and

7 ~~[(+2)]~~ (3) Suspension in section 68(f) shall not be
8 operative for purposes of this chapter."

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

11 "**§235-51 Tax imposed on individuals; rates.** (a) There is
12 hereby imposed on the taxable income of every:

- 13 (1) Taxpayer who files a joint return under section
- 14 235-93; and
- 15 (2) Surviving spouse,

16 a tax determined in accordance with the following table:

17 In the case of any taxable year beginning after
18 December 31, 2017:

19 If the taxable income is:	The tax shall be:
20 Not over \$4,800	1.40% of taxable income
21 Over \$4,800 but	\$67.00 plus 3.20% of



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1	not over \$9,600	excess over \$4,800
2	Over \$9,600 but	\$221.00 plus 5.50% of
3	not over \$19,200	excess over \$9,600
4	Over \$19,200 but	\$749.00 plus 6.40% of
5	not over \$28,800	excess over \$19,200
6	Over \$28,800 but	\$1,363.00 plus 6.80% of
7	not over \$38,400	excess over \$28,800
8	Over \$38,400 but	\$2,016.00 plus 7.20% of
9	not over \$48,000	excess over \$38,400
10	Over \$48,000 but	\$2,707.00 plus 7.60% of
11	not over \$72,000	excess over \$48,000
12	Over \$72,000 but	\$4,531.00 plus 7.90% of
13	not over \$96,000	excess over \$72,000
14	Over \$96,000 but	\$6,427.00 plus 8.25% of
15	not over \$300,000	excess over \$96,000
16	Over \$300,000 but	\$23,257.00 plus 9.00% of
17	not over \$350,000	excess over \$300,000
18	Over \$350,000 but	\$27,757.00 plus 10.00% of
19	not over \$400,000	excess over \$350,000
20	Over \$400,000	\$32,757.00 plus 11.00% of
21		excess over \$400,000.



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

4 In the case of any taxable year beginning after
5 December 31, 2017:

6	If the taxable income is:	The tax shall be:
7	Not over \$3,600	1.40% of taxable income
8	Over \$3,600 but	\$50.00 plus 3.20% of
9	not over \$7,200	excess over \$3,600
10	Over \$7,200 but	\$166.00 plus 5.50% of
11	not over \$14,400	excess over \$7,200
12	Over \$14,400 but	\$562.00 plus 6.40% of
13	not over \$21,600	excess over \$14,400
14	Over \$21,600 but	\$1,022.00 plus 6.80% of
15	not over \$28,800	excess over \$21,600
16	Over \$28,800 but	\$1,512.00 plus 7.20% of
17	not over \$36,000	excess over \$28,800
18	Over \$36,000 but	\$2,030.00 plus 7.60% of
19	not over \$54,000	excess over \$36,000
20	Over \$54,000 but	\$3,398.00 plus 7.90% of
21	not over \$72,000	excess over \$54,000



1	Over \$72,000 but	\$4,820.00 plus 8.25% of
2	not over \$225,000	excess over \$72,000
3	Over \$225,000 but	\$17,443.00 plus 9.00% of
4	not over \$262,500	excess over \$225,000
5	Over \$262,500 but	\$20,818.00 plus 10.00% of
6	not over \$300,000	excess over \$262,500
7	Over \$300,000	\$24,568.00 plus 11.00% of
8		excess over \$300,000.

9 (c) There is hereby imposed on the taxable income of (1)
10 every unmarried individual (other than a surviving spouse, or
11 the head of a household) and (2) on the taxable income of every
12 married individual who does not make a single return jointly
13 with the individual's spouse under section 235-93 a tax
14 determined in accordance with the following table:

15 In the case of any taxable year beginning after
16 December 31, 2017:

17	If the taxable income is:	The tax shall be:
18	Not over \$2,400	1.40% of taxable income
19	Over \$2,400 but	\$34.00 plus 3.20% of
20	not over \$4,800	excess over \$2,400
21	Over \$4,800 but	\$110.00 plus 5.50% of



1	not over \$9,600	excess over \$4,800
2	Over \$9,600 but	\$374.00 plus 6.40% of
3	not over \$14,400	excess over \$9,600
4	Over \$14,400 but	\$682.00 plus 6.80% of
5	not over \$19,200	excess over \$14,400
6	Over \$19,200 but	\$1,008.00 plus 7.20% of
7	not over \$24,000	excess over \$19,200
8	Over \$24,000 but	\$1,354.00 plus 7.60% of
9	not over \$36,000	excess over \$24,000
10	Over \$36,000 but	\$2,266.00 plus 7.90% of
11	not over \$48,000	excess over \$36,000
12	Over \$48,000 but	\$3,214.00 plus 8.25% of
13	not over \$150,000	excess over \$48,000
14	Over \$150,000 but	\$11,629.00 plus 9.00% of
15	not over \$175,000	excess over \$150,000
16	Over \$175,000 but	\$13,879.00 plus 10.00% of
17	not over \$200,000	excess over \$175,000
18	Over \$200,000	\$16,379.00 plus 11.00% of
19		excess over \$200,000.



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

4 In the case of any taxable year beginning after
5 December 31, 2001:

6	If the taxable income is:	The tax shall be:
7	Not over \$2,000	1.40% of taxable income
8	Over \$2,000 but	\$28.00 plus 3.20% of
9	not over \$4,000	excess over \$2,000
10	Over \$4,000 but	\$92.00 plus 5.50% of
11	not over \$8,000	excess over \$4,000
12	Over \$8,000 but	\$312.00 plus 6.40% of
13	not over \$12,000	excess over \$8,000
14	Over \$12,000 but	\$568.00 plus 6.80% of
15	not over \$16,000	excess over \$12,000
16	Over \$16,000 but	\$840.00 plus 7.20% of
17	not over \$20,000	excess over \$16,000
18	Over \$20,000 but	\$1,128.00 plus 7.60% of
19	not over \$30,000	excess over \$20,000
20	Over \$30,000 but	\$1,888.00 plus 7.90% of
21	not over \$40,000	excess over \$30,000



1 (B) The amount of taxable income taxed at a rate
2 below 7.25 per cent[7]; plus

3 (2) A tax of 7.25 per cent of the amount of taxable income
4 in excess of the amount determined under
5 paragraph (1).

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

8 (g) For each taxable year beginning on or after January 1,
9 2025, the director, no later than December 15 of the preceding
10 calendar year, shall recompute the taxable income amounts within
11 each of the income brackets in subsections (a), (b), and (c) by
12 multiplying the taxable income amounts within each income
13 bracket for the previous tax year by the cost-of-living
14 adjustment factor, if the cost-of-living adjustment factor is
15 greater than zero, and rounding off the resulting product to the
16 nearest \$1. If the cost-of-living adjustment factor is less
17 than zero in a given year, then no adjustment will occur in the
18 following year. Nothing in this subsection shall be construed
19 as permitting an adjustment to the rates of tax in subsections
20 (a), (b), and (c)."



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

3 **"§235-54 Exemptions.** (a) In computing the taxable income
4 of any individual, there shall be deducted, in lieu of the
5 personal exemptions allowed by the Internal Revenue Code,
6 personal exemptions computed as follows: Ascertain the number
7 of exemptions which the individual can lawfully claim under the
8 Internal Revenue Code, add an additional exemption for the
9 taxpayer or the taxpayer's spouse who is sixty-five years of age
10 or older within the taxable year, and multiply that number by
11 \$1,144, for taxable years beginning after December 31, 1984. A
12 nonresident shall prorate the personal exemptions on account of
13 income from sources outside the State as provided in section
14 235-5. In the case of an individual with respect to whom an
15 exemption under this section is allowable to another taxpayer
16 for a taxable year beginning in the calendar year in which the
17 individual's taxable year begins, the personal exemption amount
18 applicable to such individual under this subsection for such
19 individual's taxable year shall be zero.



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

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

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

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

9 (c) A blind person, a deaf person, and any person totally
10 disabled, in lieu of the personal exemptions allowed by the
11 Internal Revenue Code, shall be allowed, and there shall be
12 deducted in computing the taxable income of a blind person, a
13 deaf person, or a totally disabled person, instead of the
14 exemptions provided by subsection (a), the amount of \$7,000.

15 (d) For each taxable year beginning on or after January 1,
16 2025, the director of taxation, no later than December 15 of the
17 preceding calendar year, shall recompute the personal exemption
18 and deduction amounts in this section by multiplying the amount
19 for the previous tax year by the cost-of-living adjustment
20 factor, if the cost-of-living adjustment factor is greater than
21 zero, and rounding off the resulting product to the nearest \$1.



1 If the cost-of-living adjustment factor is less than zero in a
2 given year, then no adjustment will occur in the following
3 year."

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

6 SECTION 6. This Act, upon its approval, shall apply to
7 taxable years beginning after December 31, 2024.

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INTRODUCED BY:

Ann Walsh

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JAN 18 2024



H.B. NO. 1729

Report Title:

Taxation; Income Tax; Income Tax Brackets; Cost-of-Living Adjustments

Description:

Adjusts annually for tax years beginning on or after 1/1/2025, the income tax brackets, personal exemption amounts, standard deduction amounts, and the overall limitation on itemized deductions by a cost-of-living adjustment factor linked to the Urban Hawaii Consumer Price Index.

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