

ACT 41

S. B. 138.

A Bill for an Act Relating to an Exemption of a Portion of Pensions from the Imposition of Inheritance and Estate Taxes.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. This Act is hereby declared to be an urgency measure deemed necessary in the public interest within the meaning of section 11 of Article III of the Constitution of the State of Hawaii.

The following is a statement of the facts constituting such urgency:

Under Hawaii state inheritance tax law the pension that the surviving widow or widower receives upon the death of a worker is taxed at time of death by computing the entire pension the widow or widower may receive throughout the balance of the surviving spouse's life by using the American Experience Tables of Mortality and taxing that total as though received as a "lump sum" inheritance at the time of death of the worker. The evil of the tax as computed is at least twofold: (1) it is a tax on monies which have not been received and may never be received, if the surviving widow or widower dies sooner than expected; and (2) the tax must be paid in one lump sum at the death of the worker or within a short time thereafter, resulting in financial difficulties, and may compel the selling of assets, such as the family home, to pay the tax and settle the estate.

This oppressive tax applies with equal force if the worker had named his children, parents, brothers or sisters as beneficiaries.

It is grossly unreasonable, unjust, inhumane, and bad public policy that the objects of the bounty of hardworking employees should be subjected to such a burdensome tax after the decedent has worked a lifetime to provide for his or her loved ones. The hardship visited upon beloved survivors of deceased employees by the tax happens frequently enough since death occurs almost daily.

Hence, it is equitable, urgent and in the public interest that the Hawaii state inheritance tax as applied to the pension of workers who have named their surviving spouse, children, parents, brothers, or sisters as beneficiaries be eliminated immediately.

SECTION 2. Chapter 122, Revised Laws of Hawaii 1955, is amended by adding a new section to be numbered 122-9.5 and to read as follows:

**“§ 122-9.5. Pensions exempt.** The residual proceeds of pensions or other allowances or stipends made by an employer to a beneficiary in consid-

eration of past services of a deceased person or of the surrender of rights or emoluments shall be exempt from all taxes imposed by this chapter; provided that the exemption allowed under this section shall not apply to amounts in excess of \$30,000 of the present value of the pension computed in accordance with section 122-25.”

**SECTION 3.** This Act shall take effect upon its approval.

(Approved May 8, 1968.)