

## ACT 10

H.B. NO. 2217-74

A Bill for an Act Relating to the Income Tax.

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

SECTION 1. Section 235-51, Hawaii Revised Statutes, is amended to read:

**“Sec. 235-51 Tax on individuals; rate.** (a) There shall be assessed, levied, collected, and paid, for each taxable year on the taxable income of every individual, a tax in the following amounts:

If the taxable income is:	The tax shall be:
Not over \$500	2.25% of taxable income
Over \$500, but not over \$1,000	\$11.25 plus 3.25% of excess over \$500
Over \$1,000, but not over \$1,500	\$27.50 plus 4.5% of excess over \$1,000
Over \$1,500, but not over \$2,000	\$50.00 plus 5% of excess over \$1,500
Over \$2,000, but not over \$3,000	\$75.00 plus 6.5% of excess over \$2,000
Over \$3,000, but not over \$5,000	\$140.00 plus 7.5% of excess over \$3,000
Over \$5,000, but not over \$10,000	\$290.00 plus 8.5% of excess over \$5,000
Over \$10,000, but not over \$14,000	\$715.00 plus 9.5% of excess over \$10,000
Over \$14,000, but not over \$20,000	\$1,095.00 plus 10% of excess over \$14,000
Over \$20,000, but not over \$30,000	\$1,695.00 plus 10.5% of excess over \$20,000
Over \$30,000	\$2,745.00 plus 11% of excess over \$30,000.

(b) Tax on head of household; rate. There shall be assessed, levied, collected, and paid, for each taxable year on the taxable income of every individual who is a head of household, a tax in the following amounts:

## ACT 10

If the taxable income is:	The tax shall be:
Not over \$500	2.25% of taxable income
Over \$500, but not over \$1,000	\$11.25 plus 2.75% of excess over \$500
Over \$1,000, but not over \$1,500	\$25.00 plus 3.9% of excess over \$1,000
Over \$1,500, but not over \$2,000	\$44.50 plus 4.1% of excess over \$1,500
Over \$2,000, but not over \$3,000	\$65.00 plus 5.5% of excess over \$2,000
Over \$3,000, but not over \$5,000	\$120.00 plus 6.6% of excess over \$3,000
Over \$5,000, but not over \$10,000	\$252.00 plus 7.9% of excess over \$5,000
Over \$10,000, but not over \$20,000	\$647.00 plus 9.15% of excess over \$10,000
Over \$20,000, but not over \$30,000	\$1,562.00 plus 10.05% of excess over \$20,000
Over \$30,000, but not over \$40,000	\$2,567.00 plus 10.5% of excess over \$30,000
Over \$40,000, but not over \$60,000	\$3,617.00 plus 10.75% of excess over \$40,000
Over \$60,000	\$5,757.00 plus 11% of excess over \$60,000.

(c) In lieu of computation of the tax as above provided, the tax shall be computed as follows when this subsection is applicable:

- (1) Reduce the taxable income by an amount equal to fifty per cent of the excess of the net long-term capital gain over the net short-term capital loss for the taxable year, and apply to the taxable income, so reduced, the rates provided by subsection (a) or (b).
- (2) Apply to the entire amount of the excess of the net long-term capital gain over the net short-term capital loss for the taxable year, a tax of four per cent.
- (3) Add the resultant two amounts; this constitutes the tax if less than the tax computed under subsection (a) or (b).
- (d) Any taxpayer, other than a corporation, acting as a business entity in more than one State who is required by this chapter to file a return and whose only activities in this State consist of sales and who does not own or rent real estate or tangible personal property and whose annual gross sales in or into this State during the tax year is not in excess of \$100,000 may elect to report and pay a tax of .5 per cent of such annual gross sales."

SECTION 2. Section 235-71, Hawaii Revised Statutes, is amended to read:

**"Sec. 235-71 Tax on corporations; rates; credit of shareholder of regulated investment company.** (a) A tax at the rates herein provided shall be assessed, levied, collected, and paid for each taxable year on the taxable income

of every corporation, including a corporation carrying on business in partnership, except that in the case of a regulated investment company the tax is as provided by subsection (b) and further that in the case of a real estate investment trust as defined in section 856 of the Internal Revenue Code of 1954 the tax is as provided in subsection (d). 'Corporation' includes any professional corporation incorporated pursuant to part VIII of chapter 416.

The tax shall be at the rate of 3.08 per cent on such amount of capital gain as, under the Internal Revenue Code, is entitled to the alternative tax treatment, and on all other taxable income the tax shall be at the rate of 5.85 per cent if the taxable income is not over \$25,000, and on all over \$25,000, 6.435 per cent.

(b) In the case of a regulated investment company there is imposed on the taxable income, computed as provided in sections 852 and 855 of the Internal Revenue Code but with the changes and adjustments made by this chapter (without prejudice to the generality of the foregoing, the deduction for dividends paid is limited to such amount of dividends as is attributable to income taxable under this chapter), a tax consisting in the sum of the following: 5.85 per cent if the taxable income is not over \$25,000, and on all over \$25,000, 6.435 per cent; 3.08 per cent on the amount of capital gain which is taxed under section 852(b) (3) (A) of the Internal Revenue Code.

(c) In the case of a shareholder of a regulated investment company there is hereby allowed a credit in the amount of 3.08 per cent of the amount of capital gains which by section 852(b) (3) (D) of the Internal Revenue Code is required to be included in the shareholder's return and on which there has been paid to the State by the regulated investment company the tax of 3.08 per cent imposed by subsection (b); the amount of this credit may be applied or refunded as provided in section 235-110.

(d) In the case of a real estate investment trust there is imposed on the taxable income, computed as provided in sections 857 and 858 of the Internal Revenue Code but with the changes and adjustments made by this chapter (without prejudice to the generality of the foregoing, the deduction for dividends paid is limited to such amount of dividends as is attributable to income taxable under this chapter), a tax consisting in the sum of the following: 5.85 per cent if the taxable income is not over \$25,000, and on all over \$25,000, 6.435 per cent; 3.08 per cent on the amount of capital gain which is taxed under section 857(b) (3) (A) of the Internal Revenue Code.

(e) Any corporation acting as a business entity in more than one state and which is required by this chapter to file a return and whose only activities in this State consist of sales and which does not own or rent real estate or tangible personal property and whose annual gross sales in or into this State during the tax year are not in excess of \$100,000 may elect to report and pay a tax of .5 per cent of such annual gross sales."

SECTION 3. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material or the underscoring.\*

\*Edited accordingly.

**ACT 10**

**SECTION 4.** This Act shall take effect upon its approval.  
(Approved April 4, 1974.)