

A Bill for an Act Relating to Income Taxation.

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

SECTION 1. Section 235-2.3, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

“(a) For all taxable years beginning after [December 31, 1982,] December 31, 1983, as used in this chapter “Internal Revenue Code” means subtitle A, chapter 1 of the federal Internal Revenue Code of 1954 as amended as of [December 31, 1982] December 31, 1983 as it applies to the determination of gross income, adjusted gross income, ordinary income and loss, and taxable income except those provisions of the Internal Revenue Code and federal Public Law which pursuant to this chapter and this section do not apply or are otherwise limited in application.

Sections 235-2, 235-2.1, and 235-2.2 shall continue to be used to determine (1) the basis of property, if a taxpayer first determined the basis of property in a taxable year to which such sections apply, and if such determination was made before January 1, 1978, and (2) gross income, adjusted gross income, ordinary income and loss, and taxable income for a taxable year to which such sections apply where such taxable year begins before January 1, 1978.

(b) The following Internal Revenue Code subchapters, parts of subchapters, sections, subsections, and parts of subsections shall not be operative for the purposes of this chapter, unless otherwise provided:

- (1) Subchapter A (sections 1 to 58) (with respect to determination of tax liability).
- (2) Section 78 (with respect to dividends received from certain foreign corporations by domestic corporations choosing foreign tax credit).
- (3) Section 86 (with respect to social security and tier 1 railroad retirement benefits).
- [(3)] (4) Section 103 (with respect to interest on certain governmental obligations). For treatment, see section 235-7(b).
- [(4)] (5) Section 120 (with respect to amounts received under qualified group legal services plans). For treatment, see subsection (e) of this section and sections 235-7(a)(10) to (12) and 235-9(a)(2) and (5).
- [(5)] (6) Section 122 (with respect to certain reduced uniformed services retirement pay). For treatment, see section 235-7(a)(3).
- [(6)] (7) Section 151 (with respect to allowance of deductions for personal exemptions). For treatment, see section 235-54.
- [(7)] (8) Section (with respect to amortization of pollution control facilities). For treatment, see section 235-11.

- [(8)] (9) Section 196 (with respect to deduction for certain unused investment credits).
- [(9)] (10) Section 221 (with respect to deduction for two- earner married couples).
- [(10)] (11) Subchapter B, part VIII (sections 241 to 250) (with respect to special deductions for corporations), except sections 248 (with respect to organizational expenditures) and 249 (with respect to limitation on deduction of bond premium on repurchase). For treatment, see section 235-7(c).
- [(11)] (12) Section 280C (with respect to portion of wages for which credit is claimed under section 40 or 44B).
- [(12)] (13) Section 291 (with respect to special rules relating to corporate preference items).
- [(13)] (14) Section 367 (with respect to foreign corporations).
- [(14)] (15) Subchapter F (sections 501 to 528) (with respect to exempt organizations), except as provided in subsection (e) of this section. For treatment, see section 235-9.
- [(15)] (16) Subchapter G (sections 531 to 565) (with respect to corporations used to avoid income tax on shareholders).
- [(16)] (17) Subchapter H (sections 581 to 597) (with respect to banking institutions). For treatment, see chapter 241.
- [(17)] (18) Section 642(a), (b), and (d) (with respect to special rules for credits and deductions).
- [(18)] (19) Section 668 (with respect to interest charge on accumulation distributions from foreign trusts).
- [(19)] (20) Subchapter L (sections 801 to 844) (with respect to insurance companies). For treatment, see sections 431-318 and 431-320.
- [(20)] (21) Section 853 (with respect to foreign tax credit allowed to shareholders). For treatment, see section 235-55.
- [(21)] (22) Subchapter N (sections 861 to 999) (with respect to tax based on income from sources within or without the United States), except part IV (sections 991 to 997) (with respect to domestic international sales corporations). For treatment, see sections 235-4, 235-5, and 235-7(b).
- [(22)] (23) Section 1055 (with respect to redeemable ground rents).
- [(23)] (24) Section 1057 (with respect to election to treat transfer to foreign trust, etc., as taxable exchange).
- [(24)] (25) Section 1201 (with respect to alternative tax). For treatment, see section 235-71(a).
- [(25)] (26) Subchapter Q (sections 1301 to 1351) (with respect to readjustment of tax between years and special limitations).

**ACT 99**

[(26)] (27) Subchapter T (sections 1381 to 1388) (with respect to cooperatives and their patrons). For treatment, see chapter 421.”

**SECTION 2.** Statutory material to be repealed is bracketed. New material is underscored.

**SECTION 3.** This Act, upon its approval, shall apply to taxable years beginning after December 31, 1983.

(Approved May 9, 1984.)