

ACT 157

S.B. NO. 2850

A Bill for an Act Relating to Voluntary Withholding of Federal and State Income Taxes from Unemployment Compensation.

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

SECTION 1. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

“§235- Voluntary deduction and withholding of state income tax from unemployment compensation. An individual receiving unemployment compensation benefits under chapter 383 may elect to have state income tax deducted and withheld from the individual’s payment of unemployment compensation at the rate of five per cent in accordance with section 383- .”

SECTION 2. Chapter 383, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

“§383- Voluntary deduction and withholding of federal and state income taxes. (a) An individual filing a new claim for unemployment compensation shall, at the time of filing the claim, be advised that:

- (1) Unemployment compensation is subject to federal and state income tax;
- (2) Requirements exist pertaining to estimated tax payments;
- (3) The individual may elect to have federal income tax deducted and withheld from the individual’s payment of unemployment compensation at the amount specified in the federal Internal Revenue Code;
- (4) The individual may elect to have state income tax deducted and withheld from the individual’s payment of unemployment compensation at the amount specified in section 235- ;

- (5) The individual may elect to have state and local income taxes deducted and withheld from the individual's payment of unemployment compensation for other states and localities outside this State at the percentage established by the state or locality, if the department by agreement with the other state or locality is authorized to deduct and withhold income tax; and

- (6) The individual shall be permitted to change a previously elected withholding status no more than once during a benefit year.

(b) Amounts deducted and withheld from unemployment compensation shall remain in the unemployment compensation fund until transferred to the federal, state, or local taxing authority as a payment of income tax.

(c) The director shall follow all procedures specified by the United States Department of Labor, the federal Internal Revenue Service, and the state department of taxation, pertaining to the deducting and withholding of income tax.

(d) Amounts shall be deducted and withheld under this section only after any other amounts allowed under chapter 383 are deducted and withheld."

SECTION 3. New statutory material is underscored.¹

SECTION 4. This Act shall take effect on January 1, 1997.

(Approved June 12, 1996.)

Note

- 1. Edited pursuant to HRS §23G-16.5.