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# A BILL FOR AN ACT

RELATING TO TAXATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

SECTION 1. The purpose of this Act is to conform Hawaii income tax laws to the Internal Revenue Code, except as provided by this Act.

SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is amended by amending subsection (ee) to read as follows:

"(ee) Sections 512 to 514 (with respect to taxation of business income of certain exempt organizations) of the Internal Revenue Code shall be operative for the purposes of this chapter except as provided in this subsection.

Section 512(a)(7) (with respect to increases in unrelated business taxable income by disallowed fringe) shall not be operative.

[~~"Unrelated~~] Other than as provided in this subsection, "unrelated business taxable income" means the same as in the Internal Revenue Code, except that in the computation thereof sections 235-3 to 235-5, and 235-7 (except subsection (c)), shall apply, and in the determination of the net operating loss deduction there shall not be taken into account any amount of income or deduction that is excluded in computing the unrelated business taxable income. Unrelated business taxable income shall not include any income from a legal service plan.

For a person described in section 401 or 501 of the Internal Revenue Code, as modified by section 235-2.3, the tax imposed by section 235-51 or

235-71 shall be imposed upon the person's unrelated business taxable income."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

INTRODUCED BY: \_\_\_\_\_

**Report Title:**

Taxation; Internal Revenue Code; Income Tax

**Description:**

Specifies that the Internal Revenue Code section 512(a)(7), with respect to increases in unrelated business taxable income by disallowed fringe, is not operative in Hawaii income tax law.

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