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DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2004-07

RE: Act 197, Session Laws of Hawaii 2004, Relating to Taxation

On July 11, 2004, the Governor signed H.B. No. 1904, H.D. 1, S.D. 2, C.D. 1, into law as Act 197. Act 197 increases the allowable exclusion from Hawaii net income tax for members of the Hawaii National Guard and reserve components of the Army, Air Force, Marines Corps, and Coast Guard over five years starting January 1, 2005.

The bill increases the exclusion for the pay of members of the national guard and reservists from the current exclusion of the first $1,750 of pay. Starting January 1, 2005, the exclusion will increase as follows:

> For tax year 2005, the exclusion will be equivalent to pay received for 48 drills (12 weekends) and 15 days of annual duty at an E-1 pay grade after eight years of service;
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> For tax year 2006, the exclusion will be equivalent to pay received for 48 drills (12 weekends) and 15 days of annual duty at an E-2 pay grade after eight years of service;
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> For tax year 2007, the exclusion will be equivalent to pay received for 48 drills (12 weekends) and 15 days of annual duty at an E-3 pay grade after eight years of service;
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> For tax year 2008, the exclusion will be equivalent to pay received for 48 drills (12 weekends) and 15 days of annual duty at an E-4 pay grade after eight years of service; and
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> For tax year 2009 and thereafter, the exclusion will be equivalent to pay received for 48 drills (12 weekends) and 15 days of annual duty at an E-5 pay grade after eight years of service.

The Department of Taxation will coordinate with the appropriate state and federal agencies to determine the appropriate amount of the exclusion.

Current tax forms and other tax information are available at the Department of Taxation's website at: www.state.hi.us/tax. If you know which tax form or publication you need, please call the Department's request line at 808-587-7572, or toll-free from the neighbor islands and continental U.S. at 1-800-222-7572. This service is available 24 hours a day, 7 days a week.



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Director of Taxation

HRS Section Explained: HRS section 235-7(a)(7).