A BILL FOR AN ACT

RELATING TO REVENUE GENERATION.

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

1	PART I
2	SECTION 1. The legislature finds that the virus known as
3	SARS-CoV-2 causes a disease named coronavirus disease 2019
4	(COVID-19), which spread globally and was declared a pandemic by
5	the World Health Organization on March 11, 2020. Upon reaching
6	Hawaii's shores, the COVID-19 outbreak disrupted the local
7	economy, resulting in a budget shortfall that was estimated to
8	exceed two billion dollars as of December of 2020.
9	The legislature additionally finds that it is necessary to
10	generate revenue to allow the State to meet its strategic goals,
11	avoid furloughs and layoffs for state workers, and prevent
12	disruptions to essential government services. While the current
13	governor proposed furloughing state workers to manufacture
14	approximately \$300,000,000 in savings beginning in January of
15	2021, the university of Hawaii economic research organization
16	has found that every \$1 in state salary reductions results in a
17	\$1.50 decrease in overall economic activity.

- 1 Accordingly, the purpose of this Act is to preserve 2 essential services and prevent employment reductions by 3 generating revenue for the State by: 4 Increasing the personal income tax rate for high (1)5 earners; 6 (2) Increasing the tax on capital gains; 7 (3) Increasing the corporate income tax and establishing a 8 single corporate income tax rate; 9 (4) Suspending the application of certain general excise 10 tax and use tax exemptions; and 11 (5) Increasing conveyance taxes for the sale of properties 12 valued at \$1,000,000 or greater. 13 PART II 14 SECTION 2. Section 235-51, Hawaii Revised Statutes, is 15 amended by amending subsections (a) through (c) to read as 16 follows: "(a) There is hereby imposed on the taxable income of 17 18 every: Taxpayer who files a joint return under section 19 (1) 20 235-93; and
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(2) Surviving spouse,

21

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1
    a tax determined in accordance with the following table:
2
         In the case of any taxable year beginning after
3
    December 31, 2001:
4
              If the taxable income is: The tax shall be:
5
              Not over $4,000
                                             1.40% of taxable income
                                           $56.00 plus 3.20% of
6
              Over $4,000 but
                not over $8,000
                                               excess over $4,000
8
              Over $8,000 but
                                            $184.00 plus 5.50% of
                not over $16,000
9
                                               excess over $8,000
             Over $16,000 but
                                            $624.00 plus 6.40% of
10
11
                not over $24,000
                                               excess over $16,000
              Over $24,000 but
                                            $1,136.00 plus 6.80% of
12
                                               excess over $24,000
13
                not over $32,000
14
              Over $32,000 but
                                             $1,680.00 plus 7.20% of
15
                not over $40,000
                                               excess over $32,000
             Over $40,000 but
                                            $2,256.00 plus 7.60% of
16
                not over $60,000
                                               excess over $40,000
17
                                            $3,776.00 plus 7.90% of
18
              Over $60,000 but
                                               excess over $60,000
19
                not over $80,000
                                            $5,356.00 plus 8.25% of
20
              Over $80,000
21
                                               excess over $80,000.
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1	In the case of any taxable year be	eginning after
2	December 31, 2006:	
3	If the taxable income is:	The tax shall be:
4	Not over \$4,800	1.40% of taxable income
5	Over \$4,800 but	\$67.00 plus 3.20% of
6	not over \$9,600	excess over \$4,800
7	Over \$9,600 but	\$221.00 plus 5.50% of
8	not over \$19,200	excess over \$9,600
9	Over \$19,200 but	\$749.00 plus 6.40% of
10	not over \$28,800	excess over \$19,200
11	Over \$28,800 but	\$1,363.00 plus 6.80% of
12	not over \$38,400	excess over \$28,800
13	Over \$38,400 but	\$2,016.00 plus 7.20% of
14	not over \$48,000	excess over \$38,400
15	Over \$48,000 but	\$2,707.00 plus 7.60% of
16	not over \$72,000	excess over \$48,000
17	Over \$72,000 but	\$4,531.00 plus 7.90% of
18	not over \$96,000	excess over \$72,000
19	Over \$96,000	\$6,427.00 plus 8.25% of
20		excess over \$96,000.

1	In the case of any taxable year b	beginning after
2	December 31, 2017:	
3	If the taxable income is:	The tax shall be:
4	Not over \$4,800	1.40% of taxable income
5	Over \$4,800 but	\$67.00 plus 3.20% of
6	not over \$9,600	excess over \$4,800
7	Over \$9,600 but	\$221.00 plus 5.50% of
8	not over \$19,200	excess over \$9,600
9	Over \$19,200 but	\$749.00 plus 6.40% of
10	not over \$28,800	excess over \$19,200
11	Over \$28,800 but	\$1,363.00 plus 6.80% of
12	not over \$38,400	excess over \$28,800
13	Over \$38,400 but	\$2,016.00 plus 7.20% of
14	not over \$48,000	excess over \$38,400
15	Over \$48,000 but	\$2,707.00 plus 7.60% of
16	not over \$72,000	excess over \$48,000
17	Over \$72,000 but	\$4,531.00 plus 7.90% of
18	not over \$96,000	excess over \$72,000
19	Over \$96,000 but	\$6,427.00 plus 8.25% of
20	not over \$300,000	excess over \$96,000
21	Over \$300,000 but	\$23,257.00 plus 9.00% of

1	not over \$350,000	excess over \$300,000
2	Over \$350,000 but	\$27,757.00 plus 10.00% of
3	not over \$400,000	excess over \$350,000
4	Over \$400,000	\$32,757.00 plus 11.00% of
5		excess over \$400,000.
6	In the case of any taxable year k	peginning after
7	December 31, 2020, but before January	1, 2028:
8	If the taxable income is:	The tax shall be:
9	Not over \$4,800	1.40% of taxable income
10	Over \$4,800 but	\$67.00 plus 3.20% of
11	not over \$9,600	excess over \$4,800
12	Over \$9,600 but	\$221.00 plus 5.50% of
13	not over \$19,200	excess over \$9,600
14	Over \$19,200 but	\$749.00 plus 6.40% of
15	not over \$28,800	excess over \$19,200
16	Over \$28,800 but	\$1,363.00 plus 6.80% of
17	not over \$38,400	excess over \$28,800
18	Over \$38,400 but	\$2,016.00 plus 7.20% of
19	not over \$48,000	excess over \$38,400
20	Over \$48,000 but	\$2,707.00 plus 7.60% of
21	not over \$72,000	excess over \$48,000

1	Over \$72,000 but	\$4,531.00 plus 7.90% of
2	not over \$96,000	excess over \$72,000
3	Over \$96,000 but	\$6,427.00 plus 8.25% of
4	not over \$300,000	excess over \$96,000
5	Over \$300,000 but	\$23,257.00 plus 9.00% of
6	not over \$350,000	excess over \$300,000
7	Over \$350,000 but	\$27,757.00 plus 10.00% of
8	not over \$400,000	excess over \$350,000
9	Over \$400,000	\$32,757.00 plus 16.00% of
10		excess over \$400,000.
11	In the case of any taxable year b	eginning after
12	December 31, 2027:	
13	If the taxable income is:	The tax shall be:
14	Not over \$4,800	1.40% of taxable income
15	Over \$4,800 but	\$67.00 plus 3.20% of
16	not over \$9,600	excess over \$4,800
17	Over \$9,600 but	\$221.00 plus 5.50% of
18	not over \$19,200	excess over \$9,600
19	Over \$19,200 but	\$749.00 plus 6.40% of
20	not over \$28,800	excess over \$19,200
21	Over \$28,800 but	\$1,363.00 plus 6.80% of

1	not over \$38,400	excess over \$28,800
2	Over \$38,400 but	\$2,016.00 plus 7.20% of
3	not over \$48,000	excess over \$38,400
4	Over \$48,000 but	\$2,707.00 plus 7.60% of
5	not over \$72,000	excess over \$48,000
6	Over \$72,000 but	\$4,531.00 plus 7.90% of
7	not over \$96,000	excess over \$72,000
8	Over \$96,000 but	\$6,427.00 plus 8.25% of
9	not over \$300,000	excess over \$96,000
10	Over \$300,000 but	\$23,257.00 plus 9.00% of
11	not over \$350,000	excess over \$300,000
12	Over \$350,000 but	\$27,757.00 plus 10.00% of
13	not over \$400,000	excess over \$350,000
14	Over \$400,000	\$32,757.00 plus 11.00% of
15		excess over \$400,000.
16	(b) There is hereby imposed on	the taxable income of every
17	head of a household a tax determined	in accordance with the
18	following table:	
19	In the case of any taxable year	beginning after
20	December 31, 2001:	
21	If the taxable income is:	The tax shall be:

1	Not over \$3,000	1.40% of taxable income
2	Over \$3,000 but	\$42.00 plus 3.20% of
3	not over \$6,000	excess over \$3,000
4	Over \$6,000 but	\$138.00 plus 5.50% of
5	not over \$12,000	excess over \$6,000
6	Over \$12,000 but	\$468.00 plus 6.40% of
7	not over \$18,000	excess over \$12,000
8	Over \$18,000 but	\$852.00 plus 6.80% of
9	not over \$24,000	excess over \$18,000
10	Over \$24,000 but	\$1,260.00 plus 7.20% of
11	not over \$30,000	excess over \$24,000
12	Over \$30,000 but	\$1,692.00 plus 7.60% of
13	not over \$45,000	excess over \$30,000
14	Over \$45,000 but	\$2,832.00 plus 7.90% of
15	not over \$60,000	excess over \$45,000
16	Over \$60,000	\$4,017.00 plus 8.25% of
17		excess over \$60,000.
18	In the case of any taxable year	beginning after
19	December 31, 2006:	
20	If the taxable income is:	The tax shall be:
21	Not over \$3,600	1.40% of taxable income

1	Over \$3,600 but	\$50.00 plus 3.20% of
2	not over \$7,200	excess over \$3,600
3	Over \$7,200 but	\$166.00 plus 5.50% of
4	not over \$14,400	excess over \$7,200
5	Over \$14,400 but	\$562.00 plus 6.40% of
6	not over \$21,600	excess over \$14,400
7	Over \$21,600 but	\$1,022.00 plus 6.80% of
8	not over \$28,800	excess over \$21,600
9	Over \$28,800 but	\$1,512.00 plus 7.20% of
10	not over \$36,000	excess over \$28,800
11	Over \$36,000 but	\$2,030.00 plus 7.60% of
12	not over \$54,000	excess over \$36,000
13	Over \$54,000 but	\$3,398.00 plus 7.90% of
14	not over \$72,000	excess over \$54,000
15	Over \$72,000	\$4,820.00 plus 8.25% of
16		excess over \$72,000.
17	In the case of any taxable year	beginning after
18	December 31, 2017:	
19	If the taxable income is:	The tax shall be:
20	Not over \$3,600	1.40% of taxable income
21	Over \$3,600 but	\$50.00 plus 3.20% of



1	not over \$7,200	excess over \$3,600
2	Over \$7,200 but	\$166.00 plus 5.50% of
3	not over \$14,400	excess over \$7,200
4	Over \$14,400 but	\$562.00 plus 6.40% of
5	not over \$21,600	excess over \$14,400
6	Over \$21,600 but	\$1,022.00 plus 6.80% of
7	not over \$28,800	excess over \$21,600
8	Over \$28,800 but	\$1,512.00 plus 7.20% of
9	not over \$36,000	excess over \$28,800
10	Over \$36,000 but	\$2,030.00 plus 7.60% of
11	not over \$54,000	excess over \$36,000
12	Over \$54,000 but	\$3,398.00 plus 7.90% of
13	not over \$72,000	excess over \$54,000
14	Over \$72,000 but	\$4,820.00 plus 8.25% of
15	not over \$225,000	excess over \$72,000
16	Over \$225,000 but	\$17,443.00 plus 9.00% of
17	not over \$262,500	excess over \$225,000
18	Over \$262,500 but	\$20,818.00 plus 10.00% of
19	not over \$300,000	excess over \$262,500
20	Over \$300,000	\$24,568.00 plus 11.00% of
21		excess over \$300,000.

1	In the case of any taxable year l	beginning after
2	December 31, 2020, but before January	1, 2028:
3	If the taxable income is:	The tax shall be:
4	Not over \$3,600	1.40% of taxable income
5	Over \$3,600 but	\$50.00 plus 3.20% of
6	not over \$7,200	excess over \$3,600
7	Over \$7,200 but	\$166.00 plus 5.50% of
8	not over \$14,400	excess over \$7,200
9	Over \$14,400 but	\$562.00 plus 6.40% of
10	not over \$21,600	excess over \$14,400
11	Over \$21,600 but	\$1,022.00 plus 6.80% of
12	not over \$28,800	excess over \$21,600
13	Over \$28,800 but	\$1,512.00 plus 7.20% of
14	not over \$36,000	excess over \$28,800
15	Over \$36,000 but	\$2,030.00 plus 7.60% of
16	not over \$54,000	excess over \$36,000
17	Over \$54,000 but	\$3,398.00 plus 7.90% of
18	not over \$72,000	excess over \$54,000
19	Over \$72,000 but	\$4,820.00 plus 8.25% of
20	not over \$225,000	excess over \$72,000
21	Over \$225,000 but	\$17,443.00 plus 9.00% of

1	not over \$262,500	excess over \$225,000
2	Over \$262,500 but	\$20,818.00 plus 10.00% of
3	not over \$300,000	excess over \$262,500
4	Over \$300,000	\$24,568.00 plus 16.00% of
5		excess over \$300,000.
6	In the case of any taxable year b	eginning after
7	December 31, 2027:	
8	If the taxable income is:	The tax shall be:
9	Not over \$3,600	1.40% of taxable income
10	Over \$3,600 but	\$50.00 plus 3.20% of
11	not over \$7,200	excess over \$3,600
12	Over \$7,200 but	\$166.00 plus 5.50% of
13	not over \$14,400	excess over \$7,200
14	Over \$14,400 but	\$562.00 plus 6.40% of
15	not over \$21,600	excess over \$14,400
16	Over \$21,600 but	\$1,022.00 plus 6.80% of
17	not over \$28,800	excess over \$21,600
18	Over \$28,800 but	\$1,512.00 plus 7.20% of
19	not over \$36,000	excess over \$28,800
20	Over \$36,000 but	\$2,030.00 plus 7.60% of
21	not over \$54,000	excess over \$36,000



1	Over \$54,000 but	\$3,398.00 plus 7.90% of
2	not over \$72,000	excess over \$54,000
3	Over \$72,000 but	\$4,820.00 plus 8.25% of
4	not over \$225,000	excess over \$72,000
5	Over \$225,000 but	\$17,443.00 plus 9.00% of
6	not over \$262,500	excess over \$225,000
7	Over \$262,500 but	\$20,818.00 plus 10.00% of
8	not over \$300,000	excess over \$262,500
9	Over \$300,000	\$24,568.00 plus 11.00% of
10		excess over \$300,000.
11	(c) There is hereby imposed on	the taxable income of (1)
12	every unmarried individual (other th	an a surviving spouse, or
13	the head of a household) and (2) on	the taxable income of every
14	married individual who does not make	a single return jointly
15	with the individual's spouse under s	ection 235-93 a tax
16	determined in accordance with the fo	llowing table:
17	In the case of any taxable year	beginning after
18	December 31, 2001:	
19	If the taxable income is:	The tax shall be:
20	Not over \$2,000	1.40% of taxable income
21	Over \$2,000 but	\$28.00 plus 3.20% of

1	not over \$4,000	excess over \$2,000
2	Over \$4,000 but	\$92.00 plus 5.50% of
3	not over \$8,000	excess over \$4,000
4	Over \$8,000 but	\$312.00 plus 6.40% of
5	not over \$12,000	excess over \$8,000
6	Over \$12,000 but	\$568.00 plus 6.80% of
7	not over \$16,000	excess over \$12,000
8	Over \$16,000 but	\$840.00 plus 7.20% of
9	not over \$20,000	excess over \$16,000
10	Over \$20,000 but	\$1,128.00 plus 7.60% of
11	not over \$30,000	excess over \$20,000
12	Over \$30,000 but	\$1,888.00 plus 7.90% of
13	not over \$40,000	excess over \$30,000
14	Over \$40,000	\$2,678.00 plus 8.25% of
15		excess over \$40,000.
16	In the case of any taxable year b	peginning after
17	December 31, 2006:	
18	If the taxable income is:	The tax shall be:
19	Not over \$2,400	1.40% of taxable income
20	Over \$2,400 but	\$34.00 plus 3.20% of
21	not over \$4,800	excess over \$2,400

1	Over \$4,800 but	\$110.00 plus 5.50% of
2	not over \$9,600	excess over \$4,800
3	Over \$9,600 but	\$374.00 plus 6.40% of
4	not over \$14,400	excess over \$9,600
5	Over \$14,400 but	\$682.00 plus 6.80% of
6	not over \$19,200	excess over \$14,400
7	Over \$19,200 but	\$1,008.00 plus 7.20% of
8	not over \$24,000	excess over \$19,200
9	Over \$24,000 but	\$1,354.00 plus 7.60% of
10	not over \$36,000	excess over \$24,000
11	Over \$36,000 but	\$2,266.00 plus 7.90% of
12	not over \$48,000	excess over \$36,000
13	Over \$48,000	\$3,214.00 plus 8.25% of
14		excess over \$48,000.
15	In the case of any taxable year	beginning after
16	December 31, 2017:	
17	If the taxable income is:	The tax shall be:
18	Not over \$2,400	1.40% of taxable income
19	Over \$2,400 but	\$34.00 plus 3.20% of
20	not over \$4,800	excess over \$2,400
21	Over \$4,800 but	\$110.00 plus 5.50% of

1	not over \$9,600	excess over \$4,800
2	Over \$9,600 but	\$374.00 plus 6.40% of
3	not over \$14,400	excess over \$9,600
4	Over \$14,400 but	\$682.00 plus 6.80% of
5	not over \$19,200	excess over \$14,400
6	Over \$19,200 but	\$1,008.00 plus 7.20% of
7	not over \$24,000	excess over \$19,200
8	Over \$24,000 but	\$1,354.00 plus 7.60% of
9	not over \$36,000	excess over \$24,000
10	Over \$36,000 but	\$2,266.00 plus 7.90% of
11	not over \$48,000	excess over \$36,000
12	Over \$48,000 but	\$3,214.00 plus 8.25% of
13	not over \$150,000	excess over \$48,000
14	Over \$150,000 but	\$11,629.00 plus 9.00% of
15	not over \$175,000	excess over \$150,000
16	Over \$175,000 but	\$13,879.00 plus 10.00% of
17	not over \$200,000	excess over \$175,000
18	Over \$200,000	\$16,379.00 plus 11.00% of
19		excess over \$200,000.
20	In the case of any taxable year	beginning after
21	December 31, 2020, but before January	1, 2028:

1	If the taxable income is:	The tax shall be:
2	Not over \$2,400	1.40% of taxable income
3	Over \$2,400 but	\$34.00 plus 3.20% of
4	not over \$4,800	excess over \$2,400
5	Over \$4,800 but	\$110.00 plus 5.50% of
6	not over \$9,600	excess over \$4,800
7	Over \$9,600 but	\$374.00 plus 6.40% of
8	not over \$14,400	excess over \$9,600
9	Over \$14,400 but	\$682.00 plus 6.80% of
10	not over \$19,200	excess over \$14,400
11	Over \$19,200 but	\$1,008.00 plus 7.20% of
12	not over \$24,000	excess over \$19,200
13	Over \$24,000 but	\$1,354.00 plus 7.60% of
14	not over \$36,000	excess over \$24,000
15	Over \$36,000 but	\$2,266.00 plus 7.90% of
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17	Over \$48,000 but	\$3,214.00 plus 8.25% of
18	not over \$150,000	excess over \$48,000
19	Over \$150,000 but	\$11,629.00 plus 9.00% of
20	not over \$175,000	excess over \$150,000
21	Over \$175,000 but	\$13,879.00 plus 10.00% of

1	not over \$200,000	excess over \$175,000
2	Over \$200,000	\$16,379.00 plus 16.00% of
3		excess over \$200,000.
4	In the case of any taxable year	beginning after
5	December 31, 2027:	
6	If the taxable income is:	The tax shall be:
7	Not over \$2,400	1.40% of taxable income
8	Over \$2,400 but	\$34.00 plus 3.20% of
9	not over \$4,800	excess over \$2,400
10	Over \$4,800 but	\$110.00 plus 5.50% of
11	not over \$9,600	excess over \$4,800
12	Over \$9,600 but	\$374.00 plus 6.40% of
13	not over \$14,400	excess over \$9,600
14	Over \$14,400 but	\$682.00 plus 6.80% of
15	not over \$19,200	excess over \$14,400
16	Over \$19,200 but	\$1,008.00 plus 7.20% of
17	not over \$24,000	excess over \$19,200
18	Over \$24,000 but	\$1,354.00 plus 7.60% of
19	not over \$36,000	excess over \$24,000
20	Over \$36,000 but	\$2,266.00 plus 7.90% of
21	not over \$48,000	excess over \$36,000

1	Over \$48,000 but	\$3,214.00 plus 8.25% of
2	not over \$150,000	excess over \$48,000
3	Over \$150,000 but	\$11,629.00 plus 9.00% of
4	not over \$175,000	excess over \$150,000
5	Over \$175,000 but	\$13,879.00 plus 10.00% of
6	not over \$200,000	excess over \$175,000
7	Over \$200,000	\$16,379.00 plus 11.00% of
8		excess over \$200,000.
9	PART III	-
0	SECTION 3. Section 235-51, Haw	aii Revised Statutes, is
1	amended by amending subsection (f) t	o read as follows:
12	"(f) If a taxpayer has a net c	apital gain for any taxable
13	year to which this subsection applie	s, then the tax imposed by
14	this section shall not exceed the su	m of:
15	(1) The tax computed at the ra	tes and in the same manner
16	as if this subsection had	not been enacted on the
17	greater of:	
18	(A) The taxable income re	duced by the amount of net
19	capital gain, or	
20	(B) The amount of taxable	income taxed at a rate
2.1	helow (7-25) eleven n	er cent plus



- 1 (2) A tax of [7.25] eleven per cent of the amount of
 2 taxable income in excess of the amount determined
 3 under paragraph (1).
 4 This subsection shall apply to individuals, estates, and
 5 trusts for taxable years beginning after December 31, 1986."
- 6 PART IV

amended as follows:

- 7 SECTION 4. Section 235-71, Hawaii Revised Statutes, is
- 9 1. By amending subsections (a) and (b) to read:
- 10 "(a) A tax at the rates herein provided shall be assessed,
- 11 levied, collected, and paid for each taxable year on the taxable
- 12 income of every corporation, including a corporation carrying on
- 13 business in partnership, except that in the case of a regulated
- 14 investment company the tax is as provided by subsection (b) and
- 15 further that in the case of a real estate investment trust as
- 16 defined in section 856 of the Internal Revenue Code of 1954 the
- 17 tax is as provided in subsection (d). "Corporation" includes
- 18 any professional corporation incorporated pursuant to chapter
- **19** 415A.

8

- 20 The tax on all taxable income shall be at the rate of [4.4]
- 21 per cent if the taxable income is not over \$25,000, 5.4 per cent

- 1 if over \$25,000 but not over \$100,000, and on all over \$100,000,
- $\frac{6.4}{9.6}$ per cent.
- 3 (b) In the case of a regulated investment company there is
- 4 imposed on the taxable income, computed as provided in sections
- 5 852 and 855 of the Internal Revenue Code but with the changes
- 6 and adjustments made by this chapter (without prejudice to the
- 7 generality of the foregoing, the deduction for dividends paid is
- 8 limited to such amount of dividends as is attributable to income
- 9 taxable under this chapter), a tax [consisting in the sum] of
- 10 [the following: 4.4 per cent if the taxable income is not over
- 11 \$25,000, 5.4 per cent if over \$25,000 but not over \$100,000, and
- 12 on all over \$100,000, 6.4] 9.6 per cent."
- 13 2. By amending subsection (d) to read:
- "(d) In the case of a real estate investment trust there
- 15 is imposed on the taxable income, computed as provided in
- 16 sections 857 and 858 of the Internal Revenue Code but with the
- 17 changes and adjustments made by this chapter (without prejudice
- 18 to the generality of the foregoing, the deduction for dividends
- 19 paid is limited to such amount of dividends as is attributable
- 20 to income taxable under this chapter), a tax [consisting in the
- 21 sum] of [the following: 4.4 per cent if the taxable income is



- 1 not over \$25,000, 5.4 per cent if over \$25,000 but not over
- 2 \$100,000, and on all over \$100,000, 6.4] 9.6 per cent. In
- 3 addition to any other penalty provided by law any real estate
- 4 investment trust whose tax liability for any taxable year is
- 5 deemed to be increased pursuant to section 859(b)(2)(A) or
- 6 860(c)(1)(A) after December 31, 1978, (relating to interest and
- 7 additions to tax determined with respect to the amount of the
- 8 deduction for deficiency dividends allowed) of the Internal
- 9 Revenue Code shall pay a penalty in an amount equal to the
- 10 amount of interest for which such trust is liable that is
- 11 attributable solely to such increase. The penalty payable under
- 12 this subsection with respect to any determination shall not
- 13 exceed one-half of the amount of the deduction allowed by
- 14 section 859(a), or 860(a) after December 31, 1978, of the
- 15 Internal Revenue Code for such taxable year."
- 16 PART V
- 17 SECTION 5. Chapter 237, Hawaii Revised Statutes, is
- 18 amended by adding two new sections to be appropriately
- 19 designated and to read as follows:
- 20 "§237- Temporary suspension of exemption of certain
- 21 amounts; levy of tax. (a) Notwithstanding any other law to the



1	contrary,	the exemption of the following amounts from taxation
2	under this	s chapter shall be suspended from July 1, 2021, through
3	June 30,	2023:
4	(1)	Reimbursements received by federal cost-plus
5		contractors for the costs of purchased materials,
6		plant, and equipment as described under section
7		237-13(3)(C);
8	(2)	Gross receipts of home service providers acting as
9		service carriers providing mobile telecommunications
10		services to other home service providers as described
11		under section 237-13(6)(D);
12	(3)	Amounts deducted from the gross income of real
13		property lessees because of receipt from sublessees as
14		described under section 237-16.5;
15	(4)	Amounts received by sugarcane producers as described
16		under section 237-24(14);
17	<u>(5)</u>	Amounts received from the loading, transportation, and
18		unloading of agricultural commodities shipped
19		interisland as described under section 237-24.3(1);

1	<u>(6)</u>	Amounts received or accrued from the loading or
2		unloading of cargo as described under section
3	·	237-24.3(3)(A);
4	(7)	Amounts received or accrued from tugboat and towage
5		services as described under section 237-24.3(3)(B);
6	(8)	Amounts received or accrued from the transportation of
7		pilots or governmental officials and other
8		maritime-related services as described under section
9		237-24.3(3)(C);
10	(9)	Amounts received by exchanges and exchange members as
11		described under section 237-24.5;
12	(10)	Amounts received as high technology research and
13		development grants under section 206M-15 as described
14		under section 237-24.7(10);
15	(11)	Gross proceeds from the sale of the following:
16		(A) Intoxicating liquor, as described under section
17		237-25(a)(1), to the United States (including any
18		agency or instrumentality of the United States
19		that is wholly owned or otherwise so constituted
20		as to be immune from the levy of a tax under
21		chapter 238 or 244D, but not including national

1			banks) or any organization to which the sale is
2			permitted by the proviso of "Class 3" of section
3			281-31 that is located on any Army, Navy, or Air
4			Force reservation;
5		(B)	Tobacco products and cigarettes, as described
6			under section 237-25(a)(2), to the United States
7			(including any agency or instrumentality thereof
8			that is wholly owned or otherwise so constituted
9			as to be immune from the levy of tax under
10			chapter 238 or 245, but not including national
11			banks); and
12		<u>(C)</u>	Other tangible personal property, as described
13			under section 237-25(a)(3), to the United States
14			(including any agency, instrumentality, or
15			federal credit union thereof, but not including
16			national banks) and any state-chartered credit
17			union;
18	(12)	Amou	nts received by petroleum product refiners from
19		othe	r refiners for further refining of petroleum
20		prod	ucts as described under section 237-27;

1	(13)	Gross proceeds received from the construction,
2		reconstruction, erection, operation, use, maintenance,
3		or furnishing of air pollution control facilities, as
4		described under section 237-27.5, that do not have
5		valid certificates of exemption on July 1, 2021;
6	(14)	Gross proceeds received from shipbuilding and ship
7		repairs as described under section 237-28.1;
8	(15)	Amounts received by telecommunications common carriers
9		from call center operators for interstate or foreign
10		telecommunications services as described under section
11		237-29.8;
12	(16)	Gross proceeds received by qualified businesses in
13		enterprise zones, as described under section 209E-11,
14		that do not have valid certificates of qualification
15		from the department of business, economic development,
16		and tourism on July 1, 2021; and
17	(17)	Gross proceeds received by contractors licensed under
18		chapter 444 for construction within enterprise zones
19		performed for qualified businesses within the
20		enterprise zones or businesses approved by the
21		department of business, economic development, and



1	tourism to enroll into the enterprise zone program, as
2	described under section 209E-11.
3	(b) Except as otherwise provided under subsection (e),
4	(f), or (g), there is levied, assessed, and collected annually
5	against a taxpayer receiving or deriving previously exempt gross
6	income or gross proceeds of sale from July 1, 2021, to June 30,
7	2023, a tax at the rate of four per cent on that previously
8	exempt gross income or gross proceeds of sale.
9	(c) The taxpayer against whom the tax is levied and
10	assessed under this section shall be responsible for payment of
11	the tax to the director of taxation.
12	(d) Notwithstanding section 237-8.6, no county surcharge
13	shall be levied, assessed, or collected on any previously exempt
14	gross income or gross proceeds of sale that is subject to
15	taxation under subsection (b).
16	(e) This section shall not apply to gross income or gross
17	proceeds from binding written contracts entered into prior to
18	July 1, 2021, that do not permit the passing on of increased
19	rates of taxes.
20	(f) This section shall not apply to gross income or gross
21	proceeds from stevedoring services and related services, as

1 defined in section 382-1, furnished to a company by its wholly 2 owned subsidiary. 3 (g) The tax imposed under subsection (b) shall not apply 4 to any gross income or gross proceeds of sale that cannot 5 legally be so taxed under the Constitution or laws of the United 6 States, but only so long as, and only to the extent, to which 7 the State is without power to impose the tax. 8 To the extent that any exemption, exclusion, or 9 apportionment is necessary to comply with the preceding sentence, the director of taxation shall: 10 11 (1) Exempt or exclude the gross income or gross proceeds 12 of sale from the tax under subsection (b); or 13 (2) Apportion the gross income or gross proceeds of sale 14 derived within the State by persons engaged in 15 business both within and without the State to 16 determine the gross income or gross proceeds of sale 17 that is subject to taxation under this chapter for the 18 purposes of section 237-21. 19 (h) This chapter shall apply to the payment, collection,

enforcement, and appeal of the tax levied under this section.

20

1	(i) The director of taxation may establish additional
2	requirements, procedures, and forms pursuant to rules adopted
3	under chapter 91 to effectuate this section.
4	(j) As used in this section, "previously exempt gross
5	income or gross proceeds of sale" means the amount of the gross
6	income or gross proceeds of sale the exemption for which is
7	suspended under subsection (a).
8	§237- Information reporting. Beginning July 1, 2021,
9	the director of taxation shall require information reporting on
10	all exclusions or exemptions of all amounts, persons, or
11	transactions from this chapter, except for the following:
12	(1) Amounts received that are exempt under section
13	237-24(1) through (7); and
14	(2) Any other amounts, persons, or transactions as
15	determined by the director to be in the best interest
16	of tax administration and made by official
17	pronouncement."
18	SECTION 6. Chapter 238, Hawaii Revised Statutes, is
19	amended by adding two new sections to be appropriately
20	designated and to read as follows:

1	" <u>§23</u>	8- Temporary suspension of exemption of certain
2	amounts;	levy of tax. (a) Notwithstanding any other law to the
3	contrary,	the exemption of the following from taxation under
4	this chap	ter shall be suspended from July 1, 2021, through
5	June 30,	2023:
6	(1)	The use or sale of intoxicating liquor and cigarettes
7		and tobacco products imported into the State and sold
8		to any person or common carrier in interstate
9		commerce, whether ocean-going or air, for consumption
10		out of State by the person, crew, or passengers on the
11		shipper's vessels or airplanes, as described under
12		<pre>section 238-3(g);</pre>
13	(2)	The use of any vessel constructed under section 189-25
14		prior to July 1, 1969, as described under section
15		238-3(h); and
16	(3)	The use of any air pollution control facility subject
17		to section 237-27.5 as described under section
18		<u>238-3(k).</u>
19	(b)	Except as otherwise provided under subsection (e) or
20	(f), ther	e is levied, assessed, and collected annually against a
21	taynaver	who imports or purchases previously exempt property.

- 1 services, or contracting for use in this State that becomes
- 2 subject to the State's taxing jurisdiction from July 1, 2021, to
- 3 June 30, 2023, a tax at the rate of four per cent on the value
- 4 of that previously exempt property, services, or contracting.
- 5 (c) The taxpayer against whom the tax is levied and
- 6 assessed under this section shall be responsible for payment of
- 7 the tax to the director of taxation.
- 8 (d) Notwithstanding section 238-2.6, no county surcharge
- 9 shall be levied, assessed, or collected on the value of any
- 10 previously exempt property, services, or contracting that is
- 11 subject to taxation under subsection (b).
- (e) This section shall not apply to any property,
- 13 services, or contracting imported or purchased under binding
- 14 written contracts entered into prior to July 1, 2021, that do
- 15 not permit the passing on of increased rates of taxes.
- 16 (f) The tax imposed under subsection (b) shall not apply
- 17 to any property, services, or contracting or to any use of the
- 18 property, services, or contracting that cannot legally be so
- 19 taxed under the Constitution or laws of the United States, but
- 20 only so long as, and only to the extent to which, the State is
- 21 without power to impose the tax.



1	To the extent that any exemption, exclusion, or			
2	apportion	ment is necessary to comply with the preceding		
3	sentence,	the director of taxation shall:		
4	(1)	Exempt or exclude the property, services, or		
5		contracting or the use of the property, services, or		
6		contracting, from the tax under subsection (b); or		
7	(2)	Apportion the gross value of services or contracting		
8		sold to customers within the State by persons engaged		
9		in business both within and without the State to		
10		determine the value of that portion of the services or		
11		contracting that is subject to taxation under chapter		
12		237 for the purposes of section 237-21.		
13	<u>(g)</u>	This chapter shall apply to the payment, collection,		
14	enforceme	nt, and appeal of the tax levied under this section.		
15	(h)	The director of taxation may establish additional		
16	requireme	nts, procedures, and forms pursuant to rules adopted		
17	under cha	pter 91 to effectuate this section.		
18	<u>(i)</u>	As used in this section, "previously exempt property,		
19	services,	or contracting" means property, services, or		
20	contracti	ng, the exemption for which is suspended under		
21	subsection (a).			

- 1 §238- Information reporting. Beginning July 1, 2021,
- 2 the director of taxation shall require information reporting on
- 3 all exclusions or exemptions of all amounts, persons, or
- 4 transactions from this chapter, except for any amounts, persons,
- 5 or transactions as determined by the director to be in the best
- 6 interest of tax administration and made by official
- 7 pronouncement."
- 8 PART VI
- 9 SECTION 7. Section 247-2, Hawaii Revised Statutes, is
- 10 amended to read as follows:
- 11 "§247-2 Basis and rate of tax. The tax imposed by section
- 12 247-1 shall be based on the actual and full consideration
- 13 (whether cash or otherwise, including any promise, act,
- 14 forbearance, property interest, value, gain, advantage, benefit,
- 15 or profit), paid or to be paid for all transfers or conveyance
- 16 of realty or any interest therein, that shall include any liens
- 17 or encumbrances thereon at the time of sale, lease, sublease,
- 18 assignment, transfer, or conveyance, and shall be at the
- 19 following rates:
- 20 (1) Except as provided in paragraph (2):

1	(A)	[Ten cents per \$100 for] <u>For</u> properties with a
2		value of less than \$600,000[+]: ten cents per
3		<u>\$100;</u>
4	(B)	[Twenty cents per \$100 for] <u>For</u> properties with a
5		value of at least \$600,000, but less than
6		\$1,000,000[+]: twenty cents per \$100;
7	(C)	[Thirty cents per \$100 for] For properties with a
8		value of at least \$1,000,000, but less than
9		\$2,000,000[+]: thirty cents per \$100;
10	(D)	[Fifty cents per \$100 for] For properties with a
11		value of at least \$2,000,000, but less than
12		\$4,000,000[+]: fifty cents per \$100;
13	(E)	[Seventy cents per \$100 for] For properties with
14		a value of at least \$4,000,000, but less than
15		\$6,000,000[+]: \$1.40 per \$100;
16	(F)	[Ninety cents per \$100 for] For properties with a
17		value of at least \$6,000,000, but less than
18		\$10,000,000[; and]: \$2.70 per \$100; and
19	(G)	[One dollar per \$100 for] <u>For</u> properties with a
20		value of \$10,000,000 or greater[; and]: \$4.00 per
21		\$100: and

1 .	(2)	For	the sale of a condominium or single family
2		resi	dence for which the purchaser is ineligible for a
3		coun	ty homeowner's exemption on property tax:
4		(A)	[Fifteen cents per \$100 for] For properties with
5			a value of less than \$600,000[+]: fifteen cents
6			per \$100;
7		(B)	[Twenty-five-cents per \$100 for] <u>For</u> properties
8			with a value of at least \$600,000, but less than
9			\$1,000,000[+]: twenty-five cents per \$100;
10		(C)	[Forty cents per \$100 for] For properties with a
11			value of at least \$1,000,000, but less than
12			\$2,000,000[+]: forty cents per \$100;
13		(D)	[Sixty cents per \$100 for] For properties with a
14			value of at least \$2,000,000, but less than
15			\$4,000,000[+]: sixty cents per \$100;
16		(E)	[Eighty five cents per \$100 for] <u>For</u> properties
17			with a value of at least \$4,000,000, but less
18			than \$6,000,000[+]: \$1.70 per \$100;
19		(F)	[One dollar and ten cents per \$100 for] For
20			properties with a value of at least \$6,000,000

1	but less than \$10,000,000[; and]: \$3.30 per \$100;
2	and
3	(G) [One dollar and twenty five cents per \$100 for]
4	For properties with a value of \$10,000,000 or
5	greater[-]: \$5.00 per \$100,
6	of such actual and full consideration; provided that in the case
7	of a lease or sublease, this chapter shall apply only to a lease
8	or sublease whose full unexpired term is for a period of five
9	years or more, and in those cases, including [{where
10	appropriate)], where appropriate, those cases where the lease
11	has been extended or amended; the tax in this chapter shall be
12	based on the cash value of the lease rentals discounted to
13	present day value and capitalized at the rate of six per cent,
14	plus the actual and full consideration paid or to be paid for
15	any and all improvements, if any, that shall include on-site as
16	well as off-site improvements, applicable to the leased
17	premises; and provided further that the tax imposed for each
18	transaction shall be $[not]$ no less than \$1."
19	PART VII
20	SECTION 8. The department of taxation shall have the
21	authority to postnone the naument of the tax imposed under

- 1 sections 5 and 6 of this Act until the deadline to file the
- 2 general excise or use tax annual return and reconciliation form,
- 3 as applicable, without regard to any extension.
- 4 SECTION 9. Statutory material to be repealed is bracketed
- 5 and stricken. New statutory material is underscored.
- 6 SECTION 10. This Act shall take effect on July 1, 2021;
- 7 provided that:
- 8 (1) Section 2 shall apply to taxable years beginning after
- 9 December 31, 2020; and
- 10 (2) Sections 5 and 6 shall be repealed on June 30, 2023.

Report Title:

Revenue Generation; Personal Income Tax; Corporate Income Tax; Capital Gains; General Excise Tax Exemptions; Conveyance Tax

Description:

Increases the personal income tax rate for high earners for taxable years beginning after 12/31/2020. Increases the tax on capital gains. Increases the corporate income tax and establishes a single corporate income tax rate. From 7/1/2021 through 6/30/2023, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at \$4,000,000 or greater. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.