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## A BILL FOR AN ACT

RELATING TO INCOME TAX.

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

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

4           "§235-     Anti-speculation capital gains tax on real  
5 property. (a) In addition to the capital gains tax imposed  
6 under this chapter, there shall be an anti-speculation capital  
7 gains tax on the net capital gains realized by a seller of real  
8 property, less commissions, fees, and other charges, if any,  
9 related to the sale. The tax shall be as follows:

10           (1) If the real property was held by the seller for less  
11           than six months prior to the sale, the tax shall be  
12           sixty per cent of the capital gains tax owed;

13           (2) If the real property was held by the seller for six  
14           months but less than twelve months prior to the sale,  
15           the tax shall be thirty per cent of the capital gains  
16           tax owed; or

17           (3) If the real property was held by the seller for twelve  
18           months up to and including twenty-four months, the tax



1 shall be fifteen per cent of the capital gains tax  
2 owed.

3 (b) This section shall not apply to real property sold to  
4 provide affordable rental housing for a period of not less than  
5 ten years to a resident earning less than one hundred forty per  
6 cent of the median Hawaii income, as determined by the  
7 department of taxation.

8 (c) The sale of unimproved real property shall not be  
9 subject to this section, but shall be determined under section  
10 235-51(f).

11 (d) The department shall deposit all tax realizations  
12 pursuant to this section into the rental housing trust fund  
13 under section 201H-202."

14 SECTION 2. Section 201H-202, Hawaii Revised Statutes, is  
15 amended by amending subsection (c) to read as follows:

16 "(c) The following may be deposited into the fund:  
17 appropriations made by the legislature, private contributions,  
18 moneys derived from the anti-speculation capital gains taxes  
19 under section 235- , repayment of loans, interest, other  
20 returns, and moneys from other sources."

21 SECTION 3. Section 235-51, Hawaii Revised Statutes, is  
22 amended by amending subsection (f) to read as follows:



1           "(f) [~~f~~] Except as provided under section 235- , if a  
2 taxpayer has a net capital gain for any taxable year to which  
3 this subsection applies, then the tax imposed by this section  
4 shall not exceed the sum of:

5           (1) The tax computed at the rates and in the same manner  
6 as if this subsection had not been enacted on the  
7 greater of:

8           (A) The taxable income reduced by the amount of net  
9 capital gain, or

10           (B) The amount of taxable income taxed at a rate  
11 below 7.25 per cent, plus

12           (2) A tax of 7.25 per cent of the amount of taxable income  
13 in excess of the amount determined under paragraph  
14 (1).

15           This subsection shall apply to individuals, estates, and  
16 trusts for taxable years beginning after December 31, 1986."

17           SECTION 4. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

19           SECTION 5. This Act does not affect rights and duties that  
20 matured, penalties that were incurred, and proceedings that were  
21 begun, before its effective date.



1 SECTION 6. This Act shall take effect upon its approval  
2 and shall apply to taxable years beginning after December 31,  
3 2006.

4 Calvin K. ... ~~...~~

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**Report Title:**

Income Tax; Real Property; Anti-speculation

**Description:**

Assesses a graduated anti-speculation tax on the capital gains realized on real property held from less than 6 months and up to 24 months before sold. Deposits realizations to rental housing trust fund.

