JAN 2 7 2010

A BILL FOR AN ACT

RELATING TO PUBLIC FINANCE.

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

has become highly regressive, with the lowest twenty per cent of Hawaii's citizens experiencing a total tax burden of 12.2 per cent of their income after the federal offset and the highest one per cent of citizens experiencing a total tax burden of onl 6.3 per cent after the federal offset. The legislature also finds that at the same time, tax collections have plummeted, resulting in furloughs, layoffs, ar reductions in services. In particular, funding for education has been reduced by approximately \$ million. Regardless of whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year,	1	PART I
4 Hawaii's citizens experiencing a total tax burden of 12.2 per 5 cent of their income after the federal offset and the highest 6 one per cent of citizens experiencing a total tax burden of onl 7 6.3 per cent after the federal offset. 8 The legislature also finds that at the same time, tax 9 collections have plummeted, resulting in furloughs, layoffs, ar 10 reductions in services. In particular, funding for education 11 has been reduced by approximately \$ million. Regardless of 12 whether a solution is implemented in time to restore lost 13 instructional days for the 2009-2010 school year, 14 instructional days for ten-month non-charter public school 15 students and twelve-month non-charter public school 16 are scheduled to be canceled for the 2010-2011 school year. 17 The legislature further finds that any approach to 18 restoring instructional days and funding for education and other	2	SECTION 1. The legislature finds that Hawaii's tax system
cent of their income after the federal offset and the highest one per cent of citizens experiencing a total tax burden of onl for 6.3 per cent after the federal offset. The legislature also finds that at the same time, tax collections have plummeted, resulting in furloughs, layoffs, ar reductions in services. In particular, funding for education has been reduced by approximately \$ million. Regardless of whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year, instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to	3	has become highly regressive, with the lowest twenty per cent of
one per cent of citizens experiencing a total tax burden of only 6.3 per cent after the federal offset. The legislature also finds that at the same time, tax collections have plummeted, resulting in furloughs, layoffs, and reductions in services. In particular, funding for education has been reduced by approximately \$ million. Regardless of whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year, instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other	4	Hawaii's citizens experiencing a total tax burden of 12.2 per
The legislature also finds that at the same time, tax Collections have plummeted, resulting in furloughs, layoffs, ar reductions in services. In particular, funding for education has been reduced by approximately \$ million. Regardless of whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year, instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other	5	cent of their income after the federal offset and the highest
The legislature also finds that at the same time, tax collections have plummeted, resulting in furloughs, layoffs, ar reductions in services. In particular, funding for education has been reduced by approximately \$ million. Regardless of the million whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year, instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and others.	6	one per cent of citizens experiencing a total tax burden of only
collections have plummeted, resulting in furloughs, layoffs, are reductions in services. In particular, funding for education has been reduced by approximately \$ million. Regardless of whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year,	7	6.3 per cent after the federal offset.
reductions in services. In particular, funding for education has been reduced by approximately \$ million. Regardless of whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year, instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other	8	The legislature also finds that at the same time, tax
has been reduced by approximately \$ million. Regardless of whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year, instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other sections.	9	collections have plummeted, resulting in furloughs, layoffs, and
whether a solution is implemented in time to restore lost instructional days for the 2009-2010 school year, instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other	10	reductions in services. In particular, funding for education
instructional days for the 2009-2010 school year, instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other	11	has been reduced by approximately \$ million. Regardless of
instructional days for ten-month non-charter public school students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other	12	whether a solution is implemented in time to restore lost
students and twelve-month non-charter public schools are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other	13	instructional days for the 2009-2010 school year,
are scheduled to be canceled for the 2010-2011 school year. The legislature further finds that any approach to restoring instructional days and funding for education and other	14	instructional days for ten-month non-charter public school
The legislature further finds that any approach to restoring instructional days and funding for education and other	15	students and twelve-month non-charter public schools
18 restoring instructional days and funding for education and other	16	are scheduled to be canceled for the 2010-2011 school year.
	17	The legislature further finds that any approach to
SB LRB 10-1211.doc	18	restoring instructional days and funding for education and other
		SB LRB 10-1211.doc

- 1 priorities should be forward-thinking to prevent short-sighted
- 2 solutions. A combination of appropriations from the Hawaii
- 3 hurricane relief fund, the emergency and budget reserve fund,
- 4 the federal Troubled Asset Relief Program, and increasing income
- 5 taxes for the highest earning citizens, closing of corporate tax
- 6 loopholes, and taxing capital gains at ordinary income tax rates
- 7 would provide a viable means of restoring funding for education
- 8 and other high need, high priority programs.
- 9 The legislature declares that this Act shall not be
- 10 construed to mean that the legislature, in any way, intends to
- 11 interfere with the processes of public sector collective
- 12 bargaining as authorized under the state constitution and
- 13 chapter 89, Hawaii Revised Statutes.
- 14 The purpose of this Act is to generate revenue, make the
- 15 tax system more progressive, appropriate funds for public
- 16 education, and to establish a commission to evaluate Hawaii's
- 17 tax structure and means of financing public education.
- 18 PART II
- 19 SECTION 2. The legislature finds that citizens whose
- 20 income exceed \$200,000 have benefited from the growth of
- 21 Hawaii's economy over the years and even during the current
- 22 recession, continue to benefit from the State's economy. These



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residents should pay their fair share. Specifically, this part
 1
 2
    is designed to increase revenue by increasing income tax
 3
    brackets and rates for high-income individual taxpayers.
 4
         SECTION 3. Section 235-51, Hawaii Revised Statutes, is
 5
    amended by amending subsections (a), (b), (c), and (d) to read
 6
    as follows:
         "(a) There is hereby imposed on the taxable income of (1)
 7
 8
    every taxpayer who files a joint return under section 235-93;
 9
    and (2) every surviving spouse a tax determined in accordance
10
    with the following table:
11
         In the case of any taxable year beginning after
12
    December 31, 2001:
13
              If the taxable income is:
                                            The tax shall be:
14
              Not over $4,000
                                            1.40% of taxable income
              Over $4,000 but
                                            $56.00 plus 3.20% of
15
                                               excess over $4,000
16
                not over $8,000
17
              Over $8,000 but
                                            $184.00 plus 5.50% of
18
                not over $16,000
                                               excess over $8,000
19
              Over $16,000 but
                                            $624.00 plus 6.40% of
20
                not over $24,000
                                               excess over $16,000
                                          $1,136.00 plus 6.80% of
21
              Over $24,000 but
22
                not over $32,000
                                               excess over $24,000
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1	Over \$32,000 but	\$1,680.00 plus 7.20% of
2	not over \$40,000	excess over \$32,000
3	Over \$40,000 but	\$2,256.00 plus 7.60% of
4	not over \$60,000	excess over \$40,000
5	Over \$60,000 but	\$3,776.00 plus 7.90% of
6	not over \$80,000	excess over \$60,000
7	Over \$80,000	\$5,356.00 plus 8.25% of
8		excess over \$80,000.
9	In the case of any taxable year b	eginning after
10	December 31, 2006:	
11	If the taxable income is:	The tax shall be:
12	Not over \$4,800	1.40% of taxable income
13	Over \$4,800 but	\$67.00 plus 3.20% of
		· · · · · · · · · · · · · · · · · · ·
14	not over \$9,600	excess over \$4,800
14 15	not over \$9,600 Over \$9,600 but	
		excess over \$4,800
15	Over \$9,600 but	excess over \$4,800 \$221.00 plus 5.50% of
15 16	Over \$9,600 but not over \$19,200	excess over \$4,800 \$221.00 plus 5.50% of excess over \$9,600
15 16 17	Over \$9,600 but not over \$19,200 Over \$19,200 but	excess over \$4,800 \$221.00 plus 5.50% of excess over \$9,600 \$749.00 plus 6.40% of
15 16 17 18	Over \$9,600 but not over \$19,200 Over \$19,200 but not over \$28,800	excess over \$4,800 \$221.00 plus 5.50% of excess over \$9,600 \$749.00 plus 6.40% of excess over \$19,200
15 16 17 18 19	Over \$9,600 but not over \$19,200 Over \$19,200 but not over \$28,800 Over \$28,800 but	excess over \$4,800 \$221.00 plus 5.50% of excess over \$9,600 \$749.00 plus 6.40% of excess over \$19,200 \$1,363.00 plus 6.80% of

1	Over \$48,000 but	\$2,707.00 plus 7.60% of
2	not over \$72,000	excess over \$48,000
3	Over \$72,000 but	\$4,531.00 plus 7.90% of
4	not over \$96,000	excess over \$72,000
5	Over \$96,000	\$6,427.00 plus 8.25% of
6		excess over \$96,000.
7	In the case of any taxable year	beginning after December
8	31, 2008:	
9	If the taxable income is:	The tax shall be:
10	Not over \$4,800	1.40% of taxable income
11	Over \$4,800 but	\$67.00 plus 3.20% of
12	not over \$9,600	excess over \$4,800
13	Over \$9,600 but	\$221.00 plus 5.50% of
14	not over \$19,200	excess over \$9,600
15	Over \$19,200 but	\$749.00 plus 6.40% of
16	not over \$28,800	excess over \$19,200
17	Over \$28,800 but	\$1,363.00 plus 6.80% of
18	not over \$38,400	excess over \$28,800
19	Over \$38,400 but	\$2,016.00 plus 7.20% of
20	not over \$48,000	excess over \$38,400
21	Over \$48,000 but	\$2,707.00 plus 7.60% of
22	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 11.00% of
10		excess over \$400,000.
11	In the case of any taxable year be	eginning after
12	December 31, 2009:	
13	If the taxable income is:	The tax shall be:
13 14	If the taxable income is: Not over \$4,800	The tax shall be: 1.40% of taxable income
14	Not over \$4,800	1.40% of taxable income
14 15	Not over \$4,800 Over \$4,800 but	1.40% of taxable income \$67.00 plus 3.20% of
14 15 16	Not over \$4,800 Over \$4,800 but not over \$9,600	1.40% of taxable income \$67.00 plus 3.20% of excess over \$4,800
14151617	Not over \$4,800 Over \$4,800 but not over \$9,600 Over \$9,600 but	1.40% of taxable income \$67.00 plus 3.20% of excess over \$4,800 \$221.00 plus 5.50% of
14 15 16 17 18	Not over \$4,800 Over \$4,800 but not over \$9,600 Over \$9,600 but not over \$19,200	1.40% of taxable income \$67.00 plus 3.20% of excess over \$4,800 \$221.00 plus 5.50% of excess over \$9,600
14 15 16 17 18 19	Not over \$4,800 Over \$4,800 but not over \$9,600 Over \$9,600 but not over \$19,200 Over \$19,200 but	1.40% of taxable income \$67.00 plus 3.20% of excess over \$4,800 \$221.00 plus 5.50% of excess over \$9,600 \$749.00 plus 6.40% of

	·	
1	Over \$38,400 but	\$2,016.00 plus 7.20% of
2	not over \$48,000	excess over \$38,400
3	Over \$48,000 but	\$2,707.00 plus 7.60% of
4	not over \$72,000	excess over \$48,000
5	Over \$72,000 but	\$4,531.00 plus 7.90% of
6	not over \$96,000	excess over \$72,000
7	Over \$96,000 but	\$6,427.00 plus 8.25% of
8	not over \$200,000	excess over \$96,000
9	Over \$200,000 but	\$ plus 10.55% of
10	not over \$400,000	excess over \$200,000
11	Over \$400,000	\$ plus 13.55% of
12		excess over \$400,000.
13	(b) There is hereby imposed on	the taxable income of every
14	head of a household a tax determined	in accordance with the
15	following table:	
16	In the case of any taxable year	beginning after
17	December 31, 2001:	
18	If the taxable income is:	The tax shall be:
	II one canadic into me in	
19	Not over \$3,000	1.40% of taxable income
19 20		
	Not over \$3,000	1.40% of taxable income

1	not over \$12,000	excess over \$6,000
2	Over \$12,000 but	\$468.00 plus 6.40% of
3	not over \$18,000	excess over \$12,000
4	Over \$18,000	\$852.00 plus 6.80% of
5	but not over \$24,000	excess over \$18,000
6	Over \$24,000 but	\$1,260.00 plus 7.20% of
7	not over \$30,000	excess over \$24,000
8	Over \$30,000 but	\$1,692.00 plus 7.60% of
9	not over \$45,000	excess over \$30,000
10	Over \$45,000 but	\$2,832.00 plus 7.90% of
11	not over \$60,000	excess over \$45,000
12	Over \$60,000	\$4,017.00 plus 8.25% of
13		excess over \$60,000.
14	In the case of any taxable year be	eginning after
15	December 31, 2006:	
16	If the taxable income is:	The tax shall be:
17	Not over \$3,600	1.40% of taxable income
18	Over \$3,600 but	\$50.00 plus 3.20% of
19	not over \$7,200	excess over \$3,600
20	Over \$7,200 but	\$166.00 plus 5.50% of
21	not over \$14,400	excess over \$7,200
22	Over \$14,400 but	\$562.00 plus 6.40% of

1	not over \$21,600	excess over \$14,400
2	Over \$21,600 but	\$1,022.00 plus 6.80% of
3	not over \$28,800	excess over \$21,600
4	Over \$28,800 but	\$1,512.00 plus 7.20% of
5	not over \$36,000	excess over \$28,800
6	Over \$36,000 but	\$2,030.00 plus 7.60% of
7	not over \$54,000	excess over \$36,000
8	Over \$54,000 but	\$3,398.00 plus 7.90% of
9	not over \$72,000	excess over \$54,000
10	Over \$72,000	\$4,820.00 plus 8.25% of
11		excess over \$72,000.
	·	
12	In the case of any taxable year be	eginning after
	In the case of any taxable year be December 31, 2008:	eginning after
12		
12 13	December 31, 2008:	
12 13 14	December 31, 2008: If the taxable income is:	The tax shall be:
12 13 14 15	December 31, 2008: If the taxable income is: Not over \$3,600	The tax shall be: 1.40% of taxable income
12 13 14 15 16	December 31, 2008: If the taxable income is: Not over \$3,600 Over \$3,600 but not over \$7,200	The tax shall be: 1.40% of taxable income \$50.00 plus 3.20% of
12 13 14 15 16 17	December 31, 2008: If the taxable income is: Not over \$3,600 Over \$3,600 but not over \$7,200	The tax shall be: 1.40% of taxable income \$50.00 plus 3.20% of excess over \$3,600 \$166.00 plus 5.50% of
12 13 14 15 16 17 18	December 31, 2008: If the taxable income is: Not over \$3,600 Over \$3,600 but not over \$7,200 Over \$7,200 but	The tax shall be: 1.40% of taxable income \$50.00 plus 3.20% of excess over \$3,600 \$166.00 plus 5.50% of
12 13 14 15 16 17 18 19	December 31, 2008: If the taxable income is: Not over \$3,600 Over \$3,600 but not over \$7,200 Over \$7,200 but not over \$14,400	The tax shall be: 1.40% of taxable income \$50.00 plus 3.20% of excess over \$3,600 \$166.00 plus 5.50% of excess over \$7,200

1	not over \$28,800	excess over \$21,600
2	Over \$28,800 but	\$1,512.00 plus 7.20% of
3,	not over \$36,000	excess over \$28,800
4	Over \$36,000 but	\$2,030.00 plus 7.60% of
, 5	not over \$54,000	excess over \$36,000
6	Over \$54,000 but	\$3,398.00 plus 7.90% of
7	not over \$72,000	excess over \$54,000
8	Over \$72,000 but	\$4,820.00 plus 8.25% of
9	not over \$225,000	excess over \$72,000
10	Over \$225,000 but	\$17,443.00 plus 9.00% of
11	not over \$262,500	excess over \$225,000
12	Over \$262,500 but	\$20,818.00 plus 10.00% of
13	not over \$300,000	excess over \$262,500
14	Over \$300,000	\$24,568.00 plus 11.00% of
15		excess over \$300,000.
16	In the case of any taxable year b	eginning after
17	December 31, 2009:	
18	If the taxable income is:	The tax shall be:
19	Not over \$3,600	1.40% of taxable income
20	Over \$3,600 but	\$50.00 plus 3.20% of
21	not over \$7,200	excess over \$3,600
22	Over \$7,200 but	\$166.00 plus 5.50% of



1	not over \$14,400	excess over \$7,200
2	Over \$14,400 but	\$562.00 plus 6.40% of
3	not over \$21,600	excess over \$14,400
4	Over \$21,600 but	\$1,022.00 plus 6.80% of
5 ⁻	not over \$28,800	excess over \$21,600
. 6	Over \$28,800 but	\$1,512.00 plus 7.20% of
7	not over \$36,000	excess over \$28,800
8	Over \$36,000 but	\$2,030.00 plus 7.60% of
9	not over \$54,000	excess over \$36,000
10	Over \$54,000 but	\$3,398.00 plus 7.90% of
11	not over \$72,000	excess over \$54,000
12	Over \$72,000 but	\$4,820.00 plus 8.25% of
13	not over \$96,000	excess over \$72,000
14	Over \$96,000 but	\$6,427.00 plus 8.25% of
15	not over \$200,000	excess over \$96,000
16	Over \$200,000 but	\$ plus 10.55% of
17	not over \$400,000	excess over \$200,000
18	Over \$400,000	\$ plus 13.55% of
19		excess over \$400,000.
20	(c) There is hereby imposed on the	ne taxable income of (1)
21	every unmarried individual (other than	a surviving spouse, or
22	the head of a household) and (2) on the	e taxable income of every
	SB LRB 10-1211 doc	

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1
    married individual who does not make a single return jointly
 2
    with the individual's spouse under section 235-93 a tax
 3
    determined in accordance with the following table:
 4
         In the case of any taxable year beginning after
    December 31, 2001:
 5
 6
              If the taxable income is:
                                            The tax shall be:
 7
              Not over $2,000
                                             1.40% of taxable income
 8
              Over $2,000 but
                                             $28.00 plus 3.20% of
 9
                 not over $4,000
                                              excess over $2,000
10
              Over $4,000 but
                                             $92.00 plus 5.50% of
11
                                               excess over $4,000
                not over $8,000
12
              Over $8,000 but
                                             $312.00 plus 6.40% of
13
                                               excess over $8,000
                 not over $12,000
14
                                             $568.00 plus 6.80% of
              Over $12,000 but
15
                 not over $16,000
                                            excess over $12,000
16
              Over $16,000 but
                                            $840.00 plus 7.20% of
17
                not over $20,000
                                            excess over $16,000
18
              Over $20,000 but
                                            $1,128.00 plus 7.60% of
19
                 not over $30,000
                                               excess over $20,000
20
              Over $30,000 but
                                             $1,888.00 plus 7.90% of
21
                 not over $40,000
                                               excess over $30,000
22
              Over $40,000
                                             $2,678.00 plus 8.25% of
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1		excess over \$40,000.
2	In the case of any taxable year beg	ginning after
3	December 31, 2006:	
4	If the taxable income is:	The tax shall be:
5	Not over \$2,400	1.40% of taxable income
6	Over \$2,400 but	\$34.00 plus 3.20% of
7	not over \$4,800	excess over \$2,400
8	Over \$4,800 but	\$110.00 plus 5.50% of
9	not over \$9,600	excess over \$4,800
10	Over \$9,600 but	\$374.00 plus 6.40% of
11	not over \$14,400	excess over \$9,600
12	Over \$14,400 but	\$682.00 plus 6.80% of
13	not over \$19,200	excess over \$14,400
14	Over \$19,200 but	\$1,008.00 plus 7.20% of
15	not over \$24,000	excess over \$19,200
16	Over \$24,000 but	\$1,354.00 plus 7.60% of
17	not over \$36,000	excess over \$24,000
18	Over \$36,000 but	\$2,266.00 plus 7.90% of
19	not over \$48,000	excess over \$36,000
20	Over \$48,000	\$3,214.00 plus 8.25% of
21		excess over \$48,000.

1	In the case of any taxable year beg	inning after
2	December 31, 2008:	
3	If the taxable income is:	The tax shall be:
4	Not over \$2,400	1.40% of taxable income
5	Over \$2,400 but	\$34.00 plus 3.20% of
6	not over \$4,800	excess over \$2,400
7	Over \$4,800 but	\$110.00 plus 5.50% of
8	not over \$9,600	excess over \$4,800
9	Over \$9,600 but	\$374.00 plus 6.40% of
10	not over \$14,400	excess over \$9,600
11	Over \$14,400 but	\$682.00 plus 6.80% of
12	not over \$19,200	excess over \$14,400
13	Over \$19,200 but	\$1,008.00 plus 7.20% of
14	not over \$24,000	excess over \$19,200
15	Over \$24,000 but	\$1,354.00 plus 7.60% of
16	not over \$36,000	excess over \$24,000
17	Over \$36,000 but	\$2,266.00 plus 7.90% of
18	not over \$48,000	excess over \$36,000
19	Over \$48,000 but	\$3,214.00 plus 8.25% of
20	not over \$150,000	excess over \$48,000
21	Over \$150,000 but	\$11,629.00 plus 9.00% of
22	not over \$175,000	excess over \$150,000

1	Over \$175,000 but	\$13,879.00 plus 10.00% of
2	not over \$200,000	excess over \$175,000
3	Over \$200,000	\$16,379.00 plus 11.00% of
4		excess over \$200,000.
5	In the case of any taxable year be	eginning after December 31,
6	2009:	
. 7	If the taxable income is:	The tax shall be:
8	Not over \$2,400	1.40% of taxable income
9	Over \$2,400 but	\$34.00 plus 3.20% of
10	not over \$4,800	excess over \$2,400
11	Over \$4,800 but	\$110.00 plus 5.50% of
12	not over \$9,600	excess over \$4,800
13	Over \$9,600 but	\$374.00 plus 6.40% of
14	not over \$14,400	excess over \$9,600
15	Over \$14,400 but	\$682.00 plus 6.80% of
16	not over \$19,200	excess over \$14,400
17	Over \$19,200 but	\$1,008.00 plus 7.20% of
18	not over \$24,000	excess over \$19,200
19	Over \$24,000 but	\$1,354.00 plus 7.60% of
20	not over \$36,000	excess over \$24,000
21	Over \$36,000 but	\$2,266.00 plus 7.90% of
22	not over \$48,000	excess over \$36,000

1	Over \$48,000 but	\$3,214.00 plus 8.25% of
2	not over \$200,000	excess over \$48,000
3	Over \$200,000 but	\$ plus 11% of
4	not over \$400,000	excess over \$200,000
5	Over \$400,000	\$ plus 13.55% of
6		excess over \$400,000.
7	(d) The tax imposed by secti	on 235-2.45 on estates and
8	trusts shall be determined in accordance	e with the following table:
9	In the case of any taxable year be	ginning after
10	December 31, 2001:	
11	If the taxable income is:	The tax shall be:
12	Not over \$2,000	1.40% of taxable income
13	Over \$2,000 but	\$28.00 plus 3.20% of
14	not over \$4,000	excess over \$2,000
15	Over \$4,000 but	\$92.00 plus 5.50% of
16	not over \$8,000	excess over \$4,000
17	Over \$8,000 but	\$312.00 plus 6.40% of
18	not over \$12,000	excess over \$8,000
19	Over \$12,000 but	\$568.00 plus 6.80% of
20	not over \$16,000	excess over \$12,000
21	Over \$16,000 but	\$840.00 plus 7.20% of
22	not over \$20,000	excess over \$16,000

1	Over \$20,000 but	\$1,128.00 plus 7.60% of
2	not over \$30,000	excess over \$20,000
3	Over \$30,000 but	\$1,888.00 plus 7.90% of
4	not over \$40,000	excess over \$30,000
5	Over \$40,000	\$2,678.00 plus 8.25% of
6		excess over \$40,000.
7	In the case of any taxable year	beginning after
8	December 31, 2009:	
9	If the taxable income is:	The tax shall be:
10	Not over \$2,000	1.40% of taxable income
11	Over \$2,000 but	\$28.00 plus 3.20% of
12	not over \$4,000	excess over \$2,000
13	Over \$4,000 but	\$92.00 plus 5.50% of
14	not over \$8,000	excess over \$4,000
15	Over \$8,000 but	\$312.00 plus 6.40% of
16	not over \$12,000	excess over \$8,000
17	Over \$12,000 but	\$568.00 plus 6.80% of
18	not over \$16,000	excess over \$12,000
19	Over \$16,000 but	\$840.00 plus 7.20% of
20	not over \$20,000	excess over \$16,000
21	Over \$20,000 but	\$1,128.00 plus 7.60% of
22	not over \$30,000	excess over \$20,000



1	Over \$30,000 but	\$1,888.00 plus 7.90% of
2	not over \$40,000	excess over \$30,000
3	Over \$40,000 but	\$2,678.00 plus 8.25% of
4	not over \$200,000	excess over \$40,000
5	Over \$200,000 but	\$ plus 10.55% of
6	not over \$400,000	excess over \$200,000
7	Over \$400,000	\$ plus 13.55% of
8		excess over \$400,000.
9	PART III	
10	SECTION 4. The purpose of this	part is to close corporate
11	tax loopholes to provide a viable me	ans of restoring funding for
12	education and other high need and hi	gh priority programs.
13	SECTION 5. Section 235-7, Hawa	ii Revised Statutes, is
14	amended by amending subsection (d) t	o read as follows:
15	"(d) (1) For taxable years end	ing before January 1, 1967,
16	the net operating loss ded	uctions allowed as
17	carrybacks and carryovers	by the Internal Revenue Code
18	shall not be allowed. In	lieu thereof the net
19	operating loss deduction s	hall consist of the excess
20	of the deductions allowed	by this chapter over the
21	gross income, computed wit	h the modifications
22	specified in paragraphs (1) to (4) of section 172(d)

1		OT L	the internal Revenue Code, and with the further
2		modi	fication stated in paragraph (3) hereof; and shall
3		be a	allowed as a deduction in computing the taxable
4		inco	ome of the taxpayer for the succeeding taxable
5		year	
6	(2)	(A)	With respect to net operating loss deductions
7			resulting from net operating losses for taxable
8			years ending after December 31, 1966, the net
9			operating loss deduction provisions of the
10			Internal Revenue Code shall apply; provided that
11			there shall be no net operating loss deduction
12			carried back to any taxable year ending prior to
13			January 1, 1967;
14		(B)	In the case of a taxable year beginning in 1966
15			and ending in 1967, the entire amount of all net
16			operating loss deductions carried back to the
17			taxable year shall be limited to that portion of
18			taxable income for such taxable year which the
19			number of days in 1967 bears to the total days in
20	-		the taxable year ending in 1967; and

The computation of any net operating loss

deduction for a taxable year covered by this

(C)

21

Ţ		subsection shall require the further
2		modifications stated in paragraphs (3), (4), and
3		(5) of this subsection;
4	(3)	In computing the net operating loss deduction allowed
5		by this subsection, there shall be included in gross
6		income the amount of interest which is excluded from
7		gross income by subsection (a), decreased by the
8		amount of interest paid or accrued which is disallowed
9	ð	as a deduction by subsection (e). In determining the
10		amount of the net operating loss deduction under this
11		subsection of any corporation, there shall be
12		disregarded the net operating loss of such corporation
13		for any taxable year for which the corporation is an
14		electing small business corporation;
15	(4)	No net operating loss carryback or carryover shall be
16		allowed by this chapter if not allowed under section
17		172 of the Internal Revenue Code; provided that,
18		notwithstanding any other law to the contrary, no net
19		operating loss carryback or carryover shall be allowed
20		after December 31, 2010;
21	(5)	The election to relinquish the entire carryback period
22		with respect to a net operating loss allowed under

1 section 172(b)(3)(C) of the Internal Revenue Code 2 shall be operative for the purposes of this chapter; 3 provided that no taxpayer shall make such an election 4 as to a net operating loss of a business where such 5 net operating loss occurred in the taxpayer's business 6 prior to the taxpayer entering business in this State; 7 and The five-year carryback period for net operating 8 (6) 9 losses for any taxable year ending during 2001 and 10 2002 in section 172(b)(1)(H) of the Internal Revenue 11 Code shall not be operative for purposes of this 12 chapter." 13 SECTION 6. Section 235-71, Hawaii Revised Statutes, is 14 amended by amending subsection (a) to read as follows: 15 "(a) A tax at the rates herein provided shall be assessed, 16 levied, collected, and paid for each taxable year on the taxable 17 income of every corporation, including a corporation carrying on 18 business in partnership, except that in the case of a regulated 19 investment company the tax is as provided by subsection (b) and 20 further that in the case of a real estate investment trust as 21 defined in section 856 of the Internal Revenue Code of 1954 the

tax is as provided in subsection (d). "Corporation" includes

- 1 any professional corporation incorporated pursuant to chapter
- **2** 415A.
- 3 The tax on all taxable income shall be at the rate of 4.4
- 4 per cent if the taxable income is not over \$25,000, 5.4 per cent
- 5 if over \$25,000 but not over \$100,000, and on all over \$100,000,
- 6 6.4 per cent[-]; provided that after December 31, 2010, no tax
- 7 under this part shall be assessed for less than \$250."
- 8 SECTION 7. Section 235-125, Hawaii Revised Statutes, is
- 9 amended by amending its title and subsection (a) to read as
- 10 follows:
- "[+] §235-125[+] Carryforwards and carrybacks; loss
- 12 limitation[-]; prohibition. (a) Carryforwards and carrybacks
- 13 to and from taxable periods of an S corporation shall be
- 14 restricted in the manner provided in section 1371(b) of the
- 15 Internal Revenue Code.
- 16 Notwithstanding any other law to the contrary, carrybacks
- 17 for an S corporation are prohibited under this chapter after
- 18 December 31, 2010."
- 19 SECTION 8. The Hawaii Revised Statutes is amended to adopt
- 20 the multistate tax commission's proposed combined reporting
- 21 definition.

22 PART IV



1 SECTION 9. The purpose of this part is to tax capital 2 gains at earned income tax rates. 3 SECTION 10. Section 235-51, Hawaii Revised Statutes, is amended by amending subsection (f) to read as follows: 4 If a taxpayer has a net capital gain for any taxable 5 6 year to which this subsection applies, then the tax imposed by this section shall not exceed the sum of: 7 8 The tax computed at the rates and in the same manner (1) 9 as if this subsection had not been enacted on the 10 greater of: 11 The taxable income reduced by the amount of net (A) 12 capital gain, or 13 The amount of taxable income taxed at a rate (B) 14 below 7.25 per cent, plus 15 (2) A tax of 7.25 per cent of the amount of taxable income 16 in excess of the amount determined under paragraph 17 (1)[-];18 provided that after December 31, 2010, all capital gains shall 19 be taxed according to the tax filing status and tax bracket 20 under subsections (a) through (d) that applies to the taxpayer. 21 This subsection shall apply to individuals, estates, and 22 trusts for taxable years beginning after December 31, 1986." SB LRB 10-1211.doc

1 PART V 2 SECTION 11. The purpose of this part is to enhance public 3 disclosure to: Increase school capacity and accountability by 4 (1)5 improving the adequacy and equity of school funding in 6 the State; and 7 (2) Promote school success by improving the foundation 8 provided by the economy and tax structure of the 9 State. 10 SECTION 12. The department of education shall conduct a 11 study, supported by statistical information and a sound 12 methodology, by June 30 in every even-numbered year, on the 13 adequacy and equity of school funding in the State and the 14 extent that adequacy and equity have increased or declined over 15 the previous two years. The study shall include an analysis of 16 the factors contributing to inadequacy and inequity. 17 department shall publish the data on which the study is based 18 and report its findings and recommendations to the legislature 19 no later than twenty days prior to the convening of every odd 20 numbered year regular session. 21 The department of taxation shall conduct a SECTION 13. 22 study, supported by statistical information and a sound SB LRB 10-1211.doc

- 1 methodology, by June 30 in every odd-numbered year, on the
- 2 equity and progressivity of state and local taxes, including:
- 3 (1) An analyses of the equity and progressivity of types
- 4 of tax and the level of government that levies the
- 5 tax;
- 6 (2) An analyses of the aggregate impact of taxes on
- 7 taxpayers, grouped by quintile according to income or
- 8 property ownership, as appropriate, expressed as a per
- 9 cent of the aggregate income or property holdings of
- 10 that group; and
- 11 (3) The data used to determine the equity and
- 12 progressivity of state and county taxes.
- 13 The study shall also include other indicators and analyses of
- 14 equity and progressivity as the department deems appropriate.
- 15 The department shall report its findings and recommendations to
- 16 the legislature no later than twenty days prior to the convening
- 17 of every even numbered year regular session.
- 18 SECTION 14. The department of taxation shall conduct an
- 19 annual study on tax expenditures related to business tax
- 20 incentives and abatements, including explicit information about
- 21 the individuals or entities that receive business tax incentives
- 22 or abatements, amounting to, or projected to amount to, over



1	\$2,000,000 in any five-year period. The department shall		
2	include the source and nature of the tax incentive or abatement		
3	in each case in its study.		
4	The department shall report its findings and		
5	recommendations to the legislature no later than twenty days		
6	prior to the convening of every regular session.		
7	SECTION 15. (a) There is hereby created a state tax		
. 8	structure, economic development, and funding for schools		
9	commission, that shall be an independent agency of state		
10	government that shall be administratively attached to the		
11	department of business, economic development and tourism. The		
12	commission shall exercise the following powers and duties:		
13	(1) Oversee the design and data analyses of studies with		
14	respect to:		
15	(A) Adequacy and equity in school funding;		
16	(B) Equity and progressivity of state and county		
17	taxes; and		
18	(C) Existing and prospective tax expenditures related		
19	to business tax incentives and abatements and		
20	their impact on state and local economies;		
21	(2) Publish the studies under sections 14 and 15 of this		

Act and any other additional reports on:

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1	(A) Equity and progressivity of state and local
2	taxes; and
3	(B) Business tax incentives and abatements, as the
4	commission shall deem appropriate; and
5	(3) Disclose and publish information relevant to any
6	proposed tax incentives or abatements in a timely
7	manner, in proceedings of state or local governments
8	or otherwise, including analyses of the impact of any
9	proposed changes in tax laws or rules on:
10	(A) Adequacy and equity of school funding; and
11	(B) The equity and progressivity of state and county
12	tax structures.
13	(b) The commission shall be composed of nine members,
14	consisting of three public school educators, three community
15	leaders, and three parents of public school students; provided
16	that not more than five members shall be affiliated with the
17	same political party. Members shall not receive any salary but
18	shall be compensated for necessary expenses.
19	(c) The governor, with the advice and consent of the
20	senate, shall appoint the members of the commission pursuant to
21	section 26-34. At least two members shall have been admitted t

professional practice as an attorney or accountant in the State

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- 1 and shall have, for a total of six years preceding their
- 2 appointments, engaged in the practice of state and county tax
- 3 law or accountancy in this State.
- 4 (d) The term of commissioners shall be for six years,
- 5 commencing on the fifteenth day of February and ending on the
- 6 fourteenth day of February. Each member shall hold office from
- 7 the date of an appointment until the end of the term for which
- 8 the member was appointed. Any member appointed to fill a
- 9 vacancy occurring prior to the expiration of the term for which
- 10 the member's predecessor was appointed, shall hold office for
- 11 the remainder of the unexpired term.
- 12 (e) Any member may continue in office subsequent to the
- 13 expiration date of the member's term until the member's
- 14 successor takes office, or until a period of sixty days has
- 15 elapsed, whichever occurs first.
- 16 (f) The commission may appoint staff necessary to
- 17 effectuate the purposes of this part. Each employee of the
- 18 commission shall not hold any position of trust or profit or
- 19 engage in any occupation, employment, or business interfering
- 20 with or inconsistent with the employee's duty. No member or
- 21 employee shall serve on or under any committee of any political
- 22 party.



1		FARI VI
2	SECT	ION 16. Statutory material to be repealed is bracketed
3	and stric	ken. New statutory material is underscored.
4	SECT	ION 17. This Act shall take effect on July 1, 2010;
5	provided	that:
6	(1)	Part II of this Act shall apply to taxable years
7		beginning after December 31, 2009;
8	(2)	Parts III and IV of this Act shall apply to taxable
9	4	years beginning after December 31, 2010; and
10	(3)	Amendments made to section 235-51(a),(b), and (c),
11		Hawaii Revised Statutes, under this Act shall not be
12		repealed when that section is reenacted on December
13		31, 2015, pursuant to Act 60, Session Laws of Hawaii
14		2009.
15		INTRODUCED BY:
		by request

Report Title:

Income Tax; Corporate Tax Exemptions; Capital Gains Tax; Tax Reform Commission

Description:

Creates higher income tax brackets and rates for high-income individual taxpayers. Eliminates certain corporate tax exemptions. Provides for taxation of capital gains as ordinary income. Creates commission to provide a more equitable and progressive tax system. Also provides a means to fund public education and other high priority programs.

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