
A BILL FOR AN ACT

RELATING TO CORPORATE INCOME TAX.

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

SECTION 1. Section 235-71, Hawaii Revised Statutes, is amended to read as follows:

"§235-71 Tax on corporations; rates; credit of shareholder of regulated investment company. (a) A tax at the rates herein provided shall be assessed, levied, collected, and paid for each taxable year on the taxable income of every corporation, including a corporation carrying on business in partnership, except that in the case of a regulated investment company the tax is as provided by subsection (b) and further that in the case of a real estate investment trust as defined in section 856 of the Internal Revenue Code of 1954 the tax is as provided in subsection (d). "Corporation" includes any professional corporation incorporated pursuant to chapter 415A.

The tax on all taxable income shall be at the rate of ~~[4.4]~~ 3.3 per cent if the taxable income is not over \$25,000, ~~[5.4]~~ 4.05 per cent if over \$25,000 but not over \$100,000, and on all over \$100,000, ~~[6.4]~~ 4.8 per cent.



1 (b) In the case of a regulated investment company there is
2 imposed on the taxable income, computed as provided in sections
3 852 and 855 of the Internal Revenue Code but with the changes
4 and adjustments made by this chapter (without prejudice to the
5 generality of the foregoing, the deduction for dividends paid is
6 limited to such amount of dividends as is attributable to income
7 taxable under this chapter), a tax consisting in the sum of the
8 following: [~~4.4~~] 3.3 per cent if the taxable income is not over
9 \$25,000, [~~5.4~~] 4.05 per cent if over \$25,000 but not over
10 \$100,000, and on all over \$100,000, [~~6.4~~] 4.8 per cent.

11 (c) In the case of a shareholder of a regulated investment
12 company there is hereby allowed a credit in the amount of the
13 tax imposed on the amount of capital gains which by section
14 852(b)(3)(D) of the Internal Revenue Code is required to be
15 included in the shareholder's return and on which there has been
16 paid to the State by the regulated investment company the tax at
17 the rate imposed by subsection (b); the amount of this credit
18 may be applied or refunded as provided in section 235-110.

19 (d) In the case of a real estate investment trust there is
20 imposed on the taxable income, computed as provided in sections
21 857 and 858 of the Internal Revenue Code but with the changes



1 and adjustments made by this chapter (without prejudice to the
2 generality of the foregoing, the deduction for dividends paid is
3 limited to such amount of dividends as is attributable to income
4 taxable under this chapter), a tax consisting in the sum of the
5 following: [~~4.4~~] 3.3 per cent if the taxable income is not over
6 \$25,000, [~~5.4~~] 4.05 per cent if over \$25,000 but not over
7 \$100,000, and on all over \$100,000, [~~6.4~~] 4.8 per cent. In
8 addition to any other penalty provided by law any real estate
9 investment trust whose tax liability for any taxable year is
10 deemed to be increased pursuant to section 859(b)(2)(A) or
11 860(c)(1)(A) after December 31, 1978, (relating to interest and
12 additions to tax determined with respect to the amount of the
13 deduction for deficiency dividends allowed) of the Internal
14 Revenue Code shall pay a penalty in an amount equal to the
15 amount of interest for which such trust is liable that is
16 attributable solely to such increase. The penalty payable under
17 this subsection with respect to any determination shall not
18 exceed one-half of the amount of the deduction allowed by
19 section 859(a), or 860(a) after December 31, 1978, of the
20 Internal Revenue Code for such taxable year.



1 (e) Any corporation acting as a business entity in more
2 than one state and which is required by this chapter to file a
3 return and whose only activities in this State consist of sales
4 and which does not own or rent real estate or tangible personal
5 property and whose annual gross sales in or into this State
6 during the tax year are not in excess of \$100,000 may elect to
7 report and pay a tax of ~~[-5]~~ .375 per cent of such annual gross
8 sales.

9 (f) Beginning January 1, 2017, revenues collected under
10 this section shall be distributed as follows:

11 (1) \$5,000,000 of the revenues collected under this
12 section shall be allocated to the HI growth initiative
13 until January 1, 2022; and

14 (2) All other revenues collected under this section shall
15 be deposited in the general fund of the State.

16 All taxes on corporations shall be paid into the state treasury
17 and shall be kept by the state director of finance in special
18 accounts for distribution as provided in this subsection."

19 SECTION 2. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

21 SECTION 3. This Act shall take effect on July 1, 2016.



Report Title:

Corporate Income Tax; HI Growth Initiative

Description:

Reduces the corporate income tax rate by twenty-five per cent.
Allocates \$5,000,000 of corporate income tax revenues to the HI
growth initiative until 1/1/2022. (SD1)

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