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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The legislature finds that medium to large  
2 businesses should not be allowed to take advantage of employees  
3 who live near or below federal poverty levels. The legislature  
4 believes that if the majority of a business' employees are  
5 welfare recipients, the business has failed in its duty to  
6 provide its employees with a living wage.

7           The purpose of this Act is to provide medium to large  
8 businesses with an incentive to provide its employees with a  
9 living wage by increasing the corporate income tax rate for  
10 companies:

- 11           (1) That have twenty or more employees; and  
12           (2) Where the majority of the company's employees have  
13           federal adjusted gross incomes that are at or near  
14           federal poverty guidelines.

15           SECTION 2. Section 235-71, Hawaii Revised Statutes, is  
16 amended to read as follows:



1           "§235-71 Tax on corporations; rates; credit of shareholder  
2 of regulated investment company. (a) A tax at the rates herein  
3 provided shall be assessed, levied, collected, and paid for each  
4 taxable year on the taxable income of every corporation,  
5 including a corporation carrying on business in partnership,  
6 except that in the case of a regulated investment company the  
7 tax is as provided by subsection (b) and further that in the  
8 case of a real estate investment trust as defined in section 856  
9 of the Internal Revenue Code of 1954 the tax is as provided in  
10 subsection (d). "Corporation" includes any professional  
11 corporation incorporated pursuant to chapter 415A.

12           The tax on all taxable income shall be at the rate of 4.4  
13 per cent if the taxable income is not over \$25,000, 5.4 per cent  
14 if over \$25,000 but not over \$100,000, and on all over \$100,000,  
15 6.4 per cent [-]; provided that if the corporation has twenty or  
16 more employees and the majority of the corporation's employees  
17 have federal adjusted gross incomes at or below one hundred  
18 twenty-five per cent of the federal poverty guidelines, the tax  
19 on all taxable income shall be at the rate of           per cent  
20 if the taxable income is not over \$25,000,           per cent if



1 over \$25,000 but not over \$100,000, and on all over \$100,000,  
2                   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 the  
10 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 per cent [-]; provided that if the  
13 regulated investment company has twenty or more employees and  
14 the majority of the regulated investment company's employees  
15 have federal adjusted gross incomes at or below one hundred  
16 twenty-five per cent of the federal poverty guidelines, the tax  
17 shall consist in the sum of the following:                  per cent if  
18 the taxable income is not over \$25,000,                  per cent if  
19 over \$25,000 but not over \$100,000, and on all over \$100,000,  
20                   per cent.



1 (c) In the case of a shareholder of a regulated investment  
2 company there is hereby allowed a credit in the amount of the  
3 tax imposed on the amount of capital gains which by section  
4 852(b)(3)(D) of the Internal Revenue Code is required to be  
5 included in the shareholder's return and on which there has been  
6 paid to the State by the regulated investment company the tax at  
7 the rate imposed by subsection (b); the amount of this credit  
8 may be applied or refunded as provided in section 235-110.

9 (d) In the case of a real estate investment trust there is  
10 imposed on the taxable income, computed as provided in sections  
11 857 and 858 of the Internal Revenue Code but with the changes  
12 and adjustments made by this chapter (without prejudice to the  
13 generality of the foregoing, the deduction for dividends paid is  
14 limited to such amount of dividends as is attributable to income  
15 taxable under this chapter), a tax consisting in the sum of the  
16 following: 4.4 per cent if the taxable income is not over  
17 \$25,000, 5.4 per cent if over \$25,000 but not over \$100,000, and  
18 on all over \$100,000, 6.4 per cent[-]; provided that if the real  
19 estate investment trust has twenty or more employees and the  
20 majority of the real estate investment trust's employees have  
21 federal adjusted gross incomes at or below one hundred twenty-



1 five per cent of the federal poverty guidelines, the tax shall  
 2 consist in the sum of the following: \_\_\_\_\_ per cent if the  
 3 taxable income is not over \$25,000, \_\_\_\_\_ per cent if over  
 4 \$25,000 but not over \$100,000, and on all over \$100,000,  
 5 \_\_\_\_\_ per cent.

6 In addition to any other penalty provided by law any real  
 7 estate investment trust whose tax liability for any taxable year  
 8 is deemed to be increased pursuant to section 859(b)(2)(A) or  
 9 860(c)(1)(A) after December 31, 1978, (relating to interest and  
 10 additions to tax determined with respect to the amount of the  
 11 deduction for deficiency dividends allowed) of the Internal  
 12 Revenue Code shall pay a penalty in an amount equal to the  
 13 amount of interest for which such trust is liable that is  
 14 attributable solely to such increase. The penalty payable under  
 15 this subsection with respect to any determination shall not  
 16 exceed one-half of the amount of the deduction allowed by  
 17 section 859(a), or 860(a) after December 31, 1978, of the  
 18 Internal Revenue Code for such taxable year.

19 (e) Any corporation acting as a business entity in more  
 20 than one state and which is required by this chapter to file a  
 21 return and whose only activities in this State consist of sales



1 and which does not own or rent real estate or tangible personal  
2 property and whose annual gross sales in or into this State  
3 during the tax year are not in excess of \$100,000 may elect to  
4 report and pay a tax of .5 per cent of such annual gross sales.

5 (f) As used in this section, "federal poverty guidelines"  
6 means the guidelines set forth each year by the United States  
7 Department of Health and Human Services."

8 SECTION 3. Section 235-71.5, Hawaii Revised Statutes, is  
9 amended to read as follows:

10 **"§235-71.5 Alternative tax for corporations.** (a) Section  
11 1201 (with respect to alternative tax for corporations) of the  
12 Internal Revenue Code of 1986, as amended as of December 31,  
13 1996, shall be operative for the purposes of this chapter and  
14 shall be applied as set forth in this section. If for any  
15 taxable year a corporation, regulated investment company, or  
16 real estate investment trust has a net capital gain, then, in  
17 lieu of the tax imposed by section 235-71, there is hereby  
18 imposed a tax (if such tax is less than the tax imposed under  
19 section 235-71) which shall consist of the sum of:

20 (1) A tax computed on the taxable income reduced by the  
21 amount of the net capital gain, at the rates and in



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1           the manner as if this section had not been enacted,  
2           plus  
3       (2) The sum of:  
4           (A) 3.08 per cent of the lesser of:  
5               (i) The net capital gain determined by including  
6               only the gain or loss which is properly  
7               taken into account for the portion of the  
8               taxable year before April 1, 1987 (i.e., the  
9               amount in paragraph (1)), or  
10           (ii) The net capital gain for the taxable year,  
11               plus  
12           (B) 4 per cent of the excess (if any) of:  
13               (i) The net capital gain for the taxable year,  
14               over  
15               (ii) The amount of the net capital gain taken  
16               into account under subparagraph (A) [-];  
17           provided that if the corporation, regulated investment  
18           company, or real estate investment trust has twenty or  
19           more employees and the majority of the employees have  
20           federal adjusted gross incomes at or below one hundred  
21           twenty-five per cent of the federal poverty



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1 guidelines, the percentages is subparagraphs (A) and  
2 (B) shall be \_\_\_\_\_ per cent.

3 (b) As used in this section, "federal poverty guidelines"  
4 means the guidelines set forth each year by the United States  
5 Department of Health and Human Services."

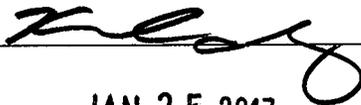
6 SECTION 4. This Act does not affect rights and duties that  
7 matured, penalties that were incurred, and proceedings that were  
8 begun before its effective date.

9 SECTION 5. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 6. This Act, upon its approval, shall apply to  
12 taxable years beginning after December 31, 2016.

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INTRODUCED BY:

  
\_\_\_\_\_

JAN 25 2017



# H.B. NO. 1458

**Report Title:**

Corporate Income Tax; Employee Compensation; Rates

**Description:**

Increases to an unspecified percentage, the corporate income tax rates for companies: (1) that have 20 or more employees; and (2) the majority of the employees have federal adjusted gross incomes of 125% or less of the federal poverty guidelines set forth each year by the United States Department of Health and Human Services.

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

