
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

2 SECTION 1. The legislature finds that the federal
3 government has significantly raised the threshold for the
4 federal estate tax. The federal estate tax grants an exemption
5 of \$5,490,000 per individual and up to \$10,980,000 for a
6 surviving spouse; provided that the surviving spouse elects to
7 use portability of the predeceased spouse's exemption on the
8 predeceased spouse's estate tax return. Estates valued at less
9 than these amounts are exempt from paying federal estate taxes.
10 The recently enacted Public Law No. 115-97, originally
11 introduced in Congress as the Tax Cuts and Jobs Act, doubles the
12 threshold to approximately \$11,180,000 and \$22,360,000,
13 respectively, and will result in a reduction in federal estate
14 tax revenues. According to Internal Revenue Service data,
15 twenty-one estates in Hawaii paid a total of \$23,471,000 in
16 federal estate taxes in 2015.



1 The legislature further finds that these changes to the
2 federal estate tax provide the State with an opportunity to
3 benefit Hawaii residents. By amending Hawaii's estate tax
4 thresholds and rates, the State can capture some of the money
5 that certain residents will no longer be required to pay to the
6 federal government and redirect that money to the State.

7 The legislature additionally finds that any additional
8 estate tax revenue paid to the State can be used to pay for
9 priorities that the federal government will no longer be able to
10 support due to the significant reduction of estate tax revenues.

11 The purpose of this part is to maintain the responsibility
12 of Hawaii residents to pay a fair and equitable tax on large
13 estates.

14 SECTION 2. Section 236E-8, Hawaii Revised Statutes, is
15 amended by amending subsection (b) to read as follows:

16 "(b) With respect to the estates of decedents dying after
17 January 25, 2012, the tax based on the Hawaii net taxable estate
18 shall be as provided in the following schedule:

19 If the Hawaii net taxable

20 estate is:

21 \$1,000,000 or less

The tax shall be:

10.0% of the Hawaii net



1 taxable estate
2
3 Over \$1,000,000 but \$100,000 plus 11.0% of the
4 not over \$2,000,000 amount by which the Hawaii
5 net taxable estate
6 exceeds \$1,000,000
7
8 Over \$2,000,000 but \$210,000 plus 12% of the
9 not over \$3,000,000 amount by which the Hawaii
10 net taxable estate
11 exceeds \$2,000,000
12
13 Over \$3,000,000 but \$330,000 plus 13% of the
14 not over \$4,000,000 amount by which the Hawaii
15 net taxable estate
16 exceeds \$3,000,000
17
18 Over \$4,000,000 but \$460,000 plus 14% of the
19 not over \$5,000,000 amount by which the Hawaii
20 net taxable estate
21 exceeds \$4,000,000



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2

Over \$5,000,000 but \$600,000 plus 15.7% of the

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not over \$10,000,000 amount by which the Hawaii

4

net taxable estate

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exceeds \$5,000,000 [-]

6

7

Over \$10,000,000 \$1,385,000 plus 20% of the

8

amount by which the Hawaii

9

net taxable estate

10

exceeds \$10,000,000."

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PART II

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SECTION 3. Section 247-2, Hawaii Revised Statutes, is

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amended to read as follows:

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"§247-2 **Basis and rate of tax.** The tax imposed by section

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247-1 shall be based on the actual and full consideration

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(whether cash or otherwise, including any promise, act,

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forbearance, property interest, value, gain, advantage, benefit,

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or profit), paid or to be paid for all transfers or conveyance

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of realty or any interest therein, that shall include any liens

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or encumbrances thereon at the time of sale, lease, sublease,



1 assignment, transfer, or conveyance, and shall be at the
2 following rates:

3 (1) Except as provided in paragraph (2):

4 (A) Ten cents per \$100 for properties with a value of
5 less than \$600,000;

6 (B) Twenty cents per \$100 for properties with a value
7 of at least \$600,000, but less than \$1,000,000;

8 (C) Thirty cents per \$100 for properties with a value
9 of at least \$1,000,000, but less than \$2,000,000;

10 (D) Fifty cents per \$100 for properties with a value
11 of at least \$2,000,000, but less than \$4,000,000;

12 (E) Seventy cents per \$100 for properties with a
13 value of at least \$4,000,000, but less than
14 \$6,000,000;

15 (F) Ninety cents per \$100 for properties with a value
16 of at least \$6,000,000, but less than
17 \$10,000,000; and

18 (G) One dollar per \$100 for properties with a value
19 of \$10,000,000 or greater; and



- 1 (2) For the sale of a condominium or single family
2 residence for which the purchaser is ineligible for a
3 county homeowner's exemption on property tax:
- 4 (A) Fifteen cents per \$100 for properties with a
5 value of less than \$600,000;
- 6 (B) Twenty-five cents per \$100 for properties with a
7 value of at least \$600,000, but less than
8 \$1,000,000;
- 9 (C) Forty cents per \$100 for properties with a value
10 of at least \$1,000,000, but less than \$2,000,000;
- 11 (D) [~~Sixty cents~~] One dollar per \$100 for properties
12 with a value of at least \$2,000,000, but less
13 than \$4,000,000;
- 14 (E) [~~Eighty five cents~~] Two dollars per \$100 for
15 properties with a value of at least \$4,000,000,
16 but less than \$6,000,000;
- 17 (F) [~~One dollar and ten cents~~] Three dollars per \$100
18 for properties with a value of at least
19 \$6,000,000, but less than \$10,000,000; and



- 1 (1) Part I shall apply to decedents dying or taxable
- 2 transfers occurring after December 31, 2017; and
- 3 (2) Part II shall take effect on July 1, 2018.



Report Title:

Estate and Generation-Skipping Transfer Tax; Conveyance Tax;
Investment Property

Description:

Increases estate taxes for Hawaii net taxable estates valued at over \$10,000,000. Raises the conveyance tax rates for residential investment properties with a value of at least \$2,000,000. (SD1 Proposed)

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