HOUSE OF REPRESENTATIVES
THIRTY-FIRST LEGISLATURE, 2021
STATE OF HAWAII

H.B. NO. 1314

A BILL FOR AN ACT

RELATING TO TAXATION.

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

PART I

SECTION 1. The legislature finds that the current property tax structure caters to non-residents and burdens local residents, particularly the senior population and first-time home buyers. According to a 2017 real property tax analysis report by the department of business, economic development, and tourism, about twenty per cent of all real properties in the State are owned by non-residents and 12.5 per cent of residential properties are owned by non-residents. The legislature believes that the State has the capacity to shift a portion of the property tax burden to out-of-state homebuyers without placing a further financial burden on local residents who own real property and use it as their principal residence. Under existing law, non-residents are afforded the luxury of an investment in highly appreciable land while, at the same time, they are able to export their income tax to a state where the rate is lower. This results in raising the cost of living and home ownership for Hawaii residents.

While the legislature believes that the tax burden should be shifted to non-residents, the legislature also believes that a fair assessment of homeowner exemptions is needed to offset the burdens local residents face. The legislature finds that the first step in this process should be to take away the portion of transient accommodations tax revenues currently allocated to the counties. Taking away the transient accommodations tax revenues would incentivize counties to increase property taxes. To protect local residents the existing homeowner exemptions for residents would be increased to offset the increase in property taxes. Second, income tax rates for Hawaii residents should be simplified and over time completely eliminated. This can be accomplished by gradually reducing income tax rates and replacing the lost tax revenue with real property tax revenues. Such an elimination of income taxes would truly provide financial security and stability to our most vulnerable working class or ALICE households.

The legislature believes that, over time, the two approaches in this Act will act as a revenue-neutral solution to help lessen the financial burden of the State and its residents, improve the cost of living, and increase the housing supply for residents. Three ideals that the State has long sought to achieve.

Accordingly, the purpose of this Act is to:

(1) Authorize each county to levy a county surcharge on transient accommodations tax if the county satisfies certain real property tax requirements;

(2) Repeal the allocation of transient accommodations tax revenue to the counties and make conforming amendments;

(3) Establish a residential property owner tax credit and a residential circuit breaker tax credit; and

(4) Beginning with taxable years after December 31, 2021, gradually implement new individual income tax and corporation income tax brackets and rates in three-year intervals.

PART II

SECTION 2. Chapter 46, Hawaii Revised Statutes, is amended by adding a new section to part I to be appropriately designated and to read as follows:

"**§46- County surcharge on transient accommodations tax.** (a) Each county may establish a surcharge on transient accommodations tax at the rate enumerated in section 237D- and shall do so by ordinance; provided that:

(1) No ordinance shall be adopted until the county has conducted a public hearing on the proposed ordinance; and

(2) No county shall establish a surcharge pursuant to this subsection unless it satisfies the requirements of subsection (c).

Notice of the public hearing required under paragraph (1) shall be published in a newspaper of general circulation within the county at least twice within a period of thirty days immediately preceding the date of the hearing.

(b) A county electing to exercise the authority granted under this section shall notify the director of taxation within ten days after the county has adopted a surcharge on transient accommodations tax ordinance and the director of taxation shall levy, assess, collect, and otherwise administer the county surcharge on transient accommodations tax.

(c) Prior to establishing a surcharge on transient accommodations tax, a county shall:

(1) Set all real property tax rates as follows:

(A) Beginning January 1, 2022, no less than $5 per $1,000;

(B) Beginning January 1, 2025, no less than $7.50 per $1,000;

(C) Beginning January 1, 2028, no less than $10 per $1,000; and

(D) Beginning January 1, 2031, no less than $15 per $1,000;

provided that this paragraph shall not apply to real property classified as conservation property;

(2) Increase the property exemptions for taxpayers who use the property as their principal residence no less than $ ________ from the existing amounts as of July 1, 2021; and

(3) Lower the minimum age requirement for the home exemption no less than ______ years from the current minimum age requirement as of July 1, 2021."

SECTION 3. Chapter 237D, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"**§237D- County surcharge on transient accommodations tax; administration.** (a) The county surcharge on transient accommodations tax, upon the adoption of county ordinances and in accordance with section 46- , shall be levied, assessed, and collected as provided in this section on all gross rental or gross rental proceeds taxable under this chapter. No county shall set the surcharge on transient accommodations tax at a rate greater than per cent of all gross rental or gross rental proceeds taxable under this chapter. All provisions of this chapter shall apply to the county surcharge on transient accommodations tax. With respect to the surcharge, the director of taxation shall have the exclusive rights and power to determine the county or counties in which a person is engaged in business, and, in the case of a person engaged in business in more than one county, the director shall determine, through apportionment or other means, that portion of the surcharge on transient accommodations tax attributable to business conducted in each county.

(b) Each county surcharge on transient accommodations tax that may be adopted pursuant to section 46-   shall be levied beginning in the taxable year after the adoption of the relevant county ordinance.

(c) The director of taxation shall revise the transient accommodations tax forms to provide for the clear and separate designation of the imposition and payment of the county surcharge on transient accommodations tax.

(d) The taxpayer shall designate the taxation district to which the county surcharge on transient accommodations tax is assigned in accordance with rules adopted by the director of taxation pursuant to chapter 91. The taxpayer shall file a schedule with the taxpayer's periodic and annual transient accommodations tax returns summarizing the amount of taxes assigned to each taxation district.

(e) The penalties provided by section 231-39 for failure to file a tax return shall be imposed on the amount of surcharge due on the return being filed for the failure to file the schedule required to accompany the return. In addition, there shall be added to the tax an amount equal to ten per cent of the amount of the surcharge and tax due on the return being filed for the failure to file the schedule or failure to correctly report the assignment of the transient accommodations tax by taxation district on the schedule required under this subsection.

(f) All taxpayers who file on a fiscal year basis whose fiscal year ends after December 31 of the year prior to the taxable year in which the taxes become effective, shall file a short period annual return for the period preceding January 1 of the taxable year in which the taxes become effective. Each fiscal year, a taxpayer shall file a short period annual return for the period starting on January 1 of the taxable year in which the taxes become effective and ending before January 1 of the following year."

SECTION 4. Chapter 248, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"**§248-   County surcharge on transient accommodations tax; disposition of proceeds.** (a) If adopted by county ordinance, all county surcharges on transient accommodations tax collected by the director of taxation shall be paid into the state treasury quarterly, within ten working days after collection, and shall be placed by the director of finance in special accounts. Out of the revenues generated by county surcharges on transient accommodations tax paid into each respective state treasury special account, the director of finance shall deduct five per cent of the gross proceeds of a respective county's surcharge on transient accommodations tax to reimburse the State for the costs of assessment, collection, and disposition of the county surcharge on transient accommodations tax incurred by the State. Amounts retained shall be general fund realizations of the State.

(b) The amounts deducted for costs of assessment, collection, and disposition of county surcharges on transient accommodations tax shall be withheld from payment to the counties by the State out of the county surcharges on transient accommodations tax collected for the current calendar year.

(c) After the deduction and withholding of the costs under subsections (a) and (b), the director of finance shall pay the remaining balance on a quarterly basis to the director of finance of each county that has adopted a county surcharge on transient accommodations tax under section 46-   . The quarterly payments shall be made after the county surcharges on

<u>transient accommodations tax have been paid into the state treasury special accounts or after the disposition of any tax appeal, as the case may be. All county surcharges on transient accommodations tax collected shall be distributed by the director of finance to the county in which the county surcharge on transient accommodations tax is generated and shall be a general fund realization of the county.</u>

<u>(d) For the purposes of this section, the costs of assessment, collection, and disposition of the county surcharges on transient accommodations tax shall include any and all costs, direct or indirect, that are deemed necessary and proper to effectively administer this section and section 237D-   .</u>"

PART III

SECTION 5. Section 87A-42, Hawaii Revised Statutes, is amended to read as follows:

"**§87A-42 Other post-employment benefits trust.** (a) Notwithstanding sections 87A-31 and 87A-31.5, the board, upon terms and conditions set by the board, shall establish and administer a separate trust fund for the purpose of receiving employer contributions that will prefund other post-employment health and other benefit plan costs for retirees and their beneficiaries. The separate trust fund shall meet the requirements of the Governmental Accounting Standards Board regarding other post-employment benefits trusts. The board shall establish and maintain a separate account for each public employer within the separate trust fund to accept and account for each public employer's contributions. Employer contributions to the separate trust fund shall be irrevocable, all assets of the fund shall be dedicated exclusively to providing health and other benefits to retirees and their beneficiaries, and assets of the fund shall not be subject to appropriation for any other purpose and shall not be subject to claims by creditors of the employers or the board or plan administrator. The board's powers under section 87A-24 shall also apply to the fund established pursuant to this section.

(b) Public employer contributions shall be paid into the fund in each fiscal year, and commencing with the 2018-2019 fiscal year, the amount of the annual public employer contribution shall be equal to the amount of the annual required contribution, as determined by an actuary retained by the board.

(c) In any fiscal year subsequent to the 2017-2018 fiscal year in which the state public employer's contributions into the fund are less than the amount of the annual required contribution, the amount that represents the excess of the annual required contribution over the state public employer's contributions shall be deposited into the appropriate account of the separate trust fund from a portion of all general excise tax revenues collected by the department of taxation under section 237-31.

If any general excise tax revenues are deposited into the separate trust fund in any fiscal year as a result of this subsection, the director of finance shall notify the legislature and governor whether the general fund expenditure ceiling for that fiscal year would have been exceeded if those revenues had been legislatively appropriated instead of deposited without appropriation into the trust fund. The notification shall be submitted within thirty days following the end of the applicable fiscal year.

[~~(d) In any fiscal year subsequent to the 2017-2018 fiscal year in which a county public employer's contributions into the fund are less than the amount of the annual required contribution, the amount that represents the excess of the annual required contribution over the county public employer's~~

~~contributions shall be deposited into the fund from a portion of all transient accommodations tax revenues collected by the department of taxation under section 237D-6.5(b)(4). The director of finance shall deduct the amount necessary to meet the county public employer's annual required contribution from the revenues derived under section 237D-6.5(b)(4) and transfer the amount to the board for deposit into the appropriate account of the separate trust fund.~~

~~(e)~~] (d) In any fiscal year subsequent to fiscal year 2017-2018 in which a public employer's contributions into the fund are less than the amount of the annual required contribution and the public employer is not entitled to transient accommodations tax revenues sufficient to satisfy the total amount of the annual required contribution, the public employer's contributions shall be deposited into the fund from portions of any other revenues collected on behalf of the public employer or held by the State. The director of finance shall deduct the amount necessary to meet the public employer's annual required contribution from any revenues collected on behalf of the public employer held by the State and transfer the amount to the board for deposit into the appropriate account of the separate trust fund.

[~~(f)~~] (e) For the purposes of this section, "annual required contribution" means a public employer's required contribution to the trust fund established in this section that is sufficient to cover:

(1) The normal cost, which is the cost of other post-employment benefits attributable to the current year of service; and

(2) An amortization payment, which is a catch-up payment for past service costs to fund the unfunded actuarial accrued liability over the next thirty years."

SECTION 6. Section 171-19, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is created in the department a special fund to be designated as the "special land and development fund". Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section [~~237D-6.5(b)(5);~~] 237D-6.5(b)(4); and private contributions for the management, maintenance, and development of trails and accesses shall be set apart in the fund and shall be used only as authorized by the legislature for the following purposes:

(1) To reimburse the general fund of the State for advances made that are required to be reimbursed from the proceeds derived from sales, leases, licenses, or permits of public lands;

(2) For the planning, development, management, operations, or maintenance of all lands and improvements under the control and management of the board pursuant to title 12, including but not limited to permanent or temporary staff positions who may be appointed without

regard to chapter 76; provided that transient accommodations tax revenues allocated to the fund shall be expended as provided in section [~~237D-6.5(b)(5);~~] 237D-6.5(b)(4);

(3) To repurchase any land, including improvements, in the exercise by the board of any right of repurchase specifically reserved in any patent, deed, lease, or other documents or as provided by law;

(4) For the payment of all appraisal fees; provided that all fees reimbursed to the board shall be deposited in the fund;

(5) For the payment of publication notices as required under this chapter; provided that all or a portion of the expenditures may be charged to the purchaser or lessee of public lands or any interest therein under rules adopted by the board;

(6) For the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department;

(7) For the payment to private land developers who have contracted with the board for development of public lands under section 171-60;

(8) For the payment of debt service on revenue bonds issued by the department, and the establishment of debt service and other reserves deemed necessary by the board;

(9) To reimburse the general fund for debt service on general obligation bonds issued to finance departmental projects, where the bonds are designated to be reimbursed from the special land and development fund;

(10) For the protection, planning, management, and regulation of water resources under chapter 174C; and

(11) For other purposes of this chapter."

SECTION 7. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Except for the revenues collected pursuant to section 237D-2(e), revenues collected under this chapter shall be distributed in the following priority, with the excess revenues to be deposited into the general fund:

(1) $1,500,000 shall be allocated to the Turtle Bay conservation easement special fund beginning July 1, 2015, for the reimbursement to the state general fund of debt service on reimbursable general obligation bonds, including ongoing expenses related to the issuance of the bonds, the proceeds of which were used to acquire the conservation easement and other real property interests in Turtle Bay, Oahu, for the protection, preservation, and enhancement of natural resources important to the State, until the bonds are fully amortized;

(2) $16,500,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(3) $79,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel

H.B. NO. 1314

opportunities for international visitors to Hawaii;

(B) Of the $79,000,000 allocated:

(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance; and

(ii) 0.5 per cent of the $79,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency special fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of

$5,000,000 in the tourism emergency special fund; and

[~~(4)~~ ~~$103,000,000 shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to remit the total amount of the county's required annual contributions, as required under section 87A-43; and~~

~~(5)~~] (4) $3,000,000 shall be allocated to the special land and development fund established under section 171-19;

provided that the allocation shall be expended in accordance with the Hawaii tourism authority strategic plan for:

(A) The protection, preservation, maintenance, and enhancement of natural resources, including beaches, important to the visitor industry;

(B) Planning, construction, and repair of facilities; and

(C) Operation and maintenance costs of public lands, including beaches, connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

PART IV

SECTION 8. Chapter 235, Hawaii Revised Statutes, is amended by adding two new sections to be appropriately designated and to read as follows:

"**§235-   Residential property owner tax credit.** (a) There shall be allowed to each qualified taxpayer subject to the tax imposed under this chapter, a residential property owner tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for qualified expenses incurred by the entity for the taxable year. The expenses upon which the tax credit is computed shall be determined at the entity level. Distribution and share of credit shall be determined pursuant to section 704(b) of the Internal Revenue Code.

(c) The residential property owner tax credit shall be equal to   per cent of the real property tax owed and paid by a qualified taxpayer in a taxable year; provided that the credit shall not be applied to any value of the property exceeding $1,000,000.

(d) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the tax credit made under this section; and

(3) May adopt rules pursuant to chapter 91 necessary to effectuate the purposes of this section.

(e) If the tax credit claimed by a qualified taxpayer exceeds the amount of income tax payment due from the qualified taxpayer, the excess of the credit over payments due shall be refunded to the qualified taxpayer; provided that the tax credit properly claimed by a qualified individual who has no income tax liability shall be paid to the qualified individual.

(f) All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(g) For the purposes of this section:

"Principal residence" means a residential property in the State in which a taxpayer has occupied for no less than two hundred seventy calendar days of a calendar year.

"Qualified taxpayer" means a resident who pays real property taxes to a county of the State for a residential property that is used as the taxpayer's principal residence during the taxable year;

"Resident" has the same meaning as defined in section 235-1.

§235-   Residential circuit breaker tax credit. (a) There shall be allowed to each qualified taxpayer subject to the tax imposed under this chapter, a circuit breaker tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

(b) The tax credit under this section shall be equal to ____ per cent of the real property tax owed and paid by a qualified taxpayer in a taxable year.

(c) The director of taxation:

(1) Shall prepare any forms that may be necessary to claim a tax credit under this section;

(2) May require the taxpayer to furnish reasonable information to ascertain the validity of the claim for the tax credit made under this section; and

(3) May adopt rules pursuant to chapter 91 necessary to effectuate the purposes of this section.

(d) If the tax credit claimed by a qualified taxpayer exceeds the amount of income tax payment due from the qualified taxpayer, the excess of the credit over payments due shall be refunded to the qualified taxpayer; provided that the tax credit properly claimed by a qualified individual who has no income tax liability shall be paid to the qualified individual.

(e) All claims for the tax credit under this section, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(f) For the purposes of this section:

"Principal residence" means a residential property in the State in which a taxpayer has occupied for no less than two hundred seventy calendar days of a calendar year.

"Qualified taxpayer" means a resident who:

(1) Is sixty-five years of age or older;

(2) Is not a dependent of another taxpayer;

(3) Has a total earned income that is less than $20,000; and

(4) Owns and occupies a residential property that is used as a principal residence and the assessed value of the residential property does not exceed $1,000,000.

"Resident" has the same meaning as defined in section 235-1."

SECTION 9. Section 235-51, Hawaii Revised Statutes, is amended by amending subsections (a) to (c) to read as follows:

"(a) There is hereby imposed on the taxable income of every:

(1) Taxpayer who files a joint return under section 235-93; and

(2) Surviving spouse,

a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is: The tax shall be:

Not over $4,000	1.40% of taxable income
Over $4,000 but not over $8,000	$56.00 plus 3.20% of excess over $4,000
Over $8,000 but not over $16,000	$184.00 plus 5.50% of excess over $8,000
Over $16,000 but not over $24,000	$624.00 plus 6.40% of excess over $16,000
Over $24,000 but not over $32,000	$1,136.00 plus 6.80% of excess over $24,000
Over $32,000 but not over $40,000	$1,680.00 plus 7.20% of excess over $32,000
Over $40,000 but not over $60,000	$2,256.00 plus 7.60% of excess over $40,000
Over $60,000 but not over $80,000	$3,776.00 plus 7.90% of excess over $60,000
Over $80,000	$5,356.00 plus 8.25% of excess over $80,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over $4,800	1.40% of taxable income

Over $4,800 but not over $9,600	$67.00 plus 3.20% of excess over $4,800
Over $9,600 but not over $19,200	$221.00 plus 5.50% of excess over $9,600
Over $19,200 but not over $28,800	$749.00 plus 6.40% of excess over $19,200
Over $28,800 but not over $38,400	$1,363.00 plus 6.80% of excess over $28,800
Over $38,400 but not over $48,000	$2,016.00 plus 7.20% of excess over $38,400
Over $48,000 but not over $72,000	$2,707.00 plus 7.60% of excess over $48,000
Over $72,000 but not over $96,000	$4,531.00 plus 7.90% of excess over $72,000
Over $96,000	$6,427.00 plus 8.25% of excess over $96,000.

In the case of any taxable year beginning after December 31, 2017:

If the taxable income is:	The tax shall be:
Not over $4,800	1.40% of taxable income
Over $4,800 but	$67.00 plus 3.20% of

not over $9,600	excess over $4,800
Over $9,600 but	$221.00 plus 5.50% of
not over $19,200	excess over $9,600
Over $19,200 but	$749.00 plus 6.40% of
not over $28,800	excess over $19,200
Over $28,800 but	$1,363.00 plus 6.80% of
not over $38,400	excess over $28,800
Over $38,400 but	$2,016.00 plus 7.20% of
not over $48,000	excess over $38,400
Over $48,000 but	$2,707.00 plus 7.60% of
not over $72,000	excess over $48,000
Over $72,000 but	$4,531.00 plus 7.90% of
not over $96,000	excess over $72,000
Over $96,000 but	$6,427.00 plus 8.25% of
not over $300,000	excess over $96,000
Over $300,000 but	$23,257.00 plus 9.00% of
not over $350,000	excess over $300,000
Over $350,000 but	$27,757.00 plus 10.00% of
not over $400,000	excess over $350,000
Over $400,000	$32,757.00 plus 11.00% of
	excess over $400,000.

In the case of any taxable year beginning after December 31, 2021:

If the taxable income is:	The tax shall be:
Not over $300,000	6.00% of taxable income
Over $300,000	8.00% of taxable income.

In the case of any taxable year beginning after December 31, 2024:

If the taxable income is:	The tax shall be:
Not over $300,000	3.90% of taxable income
Over $300,000	6.00% of taxable income.

In the case of any taxable year beginning after December 31, 2027:

If the taxable income is:	The tax shall be:
Not over $300,000	$0
Over $300,000	4.50% of taxable income.

In the case of any taxable year beginning after December 31, 2030:

If the taxable income is:	The tax shall be:
Not over $300,000	$0
Over $300,000	$0.

(b) There is hereby imposed on the taxable income of every head of a household a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is:	The tax shall be:
Not over $3,000	1.40% of taxable income
Over $3,000 but not over $6,000	$42.00 plus 3.20% of excess over $3,000
Over $6,000 but not over $12,000	$138.00 plus 5.50% of excess over $6,000
Over $12,000 but not over $18,000	$468.00 plus 6.40% of excess over $12,000
Over $18,000 but not over $24,000	$852.00 plus 6.80% of excess over $18,000
Over $24,000 but not over $30,000	$1,260.00 plus 7.20% of excess over $24,000
Over $30,000 but not over $45,000	$1,692.00 plus 7.60% of excess over $30,000
Over $45,000 but not over $60,000	$2,832.00 plus 7.90% of excess over $45,000

Over $60,000	$4,017.00 plus 8.25% of excess over $60,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over $3,600	1.40% of taxable income
Over $3,600 but not over $7,200	$50.00 plus 3.20% of excess over $3,600
Over $7,200 but not over $14,400	$166.00 plus 5.50% of excess over $7,200
Over $14,400 but not over $21,600	$562.00 plus 6.40% of excess over $14,400
Over $21,600 but not over $28,800	$1,022.00 plus 6.80% of excess over $21,600
Over $28,800 but not over $36,000	$1,512.00 plus 7.20% of excess over $28,800
Over $36,000 but not over $54,000	$2,030.00 plus 7.60% of excess over $36,000
Over $54,000 but not over $72,000	$3,398.00 plus 7.90% of excess over $54,000
Over $72,000	$4,820.00 plus 8.25% of

excess over $72,000.

In the case of any taxable year beginning after December 31, 2017:

If the taxable income is:	The tax shall be:
Not over $3,600	1.40% of taxable income
Over $3,600 but not over $7,200	$50.00 plus 3.20% of excess over $3,600
Over $7,200 but not over $14,400	$166.00 plus 5.50% of excess over $7,200
Over $14,400 but not over $21,600	$562.00 plus 6.40% of excess over $14,400
Over $21,600 but not over $28,800	$1,022.00 plus 6.80% of excess over $21,600
Over $28,800 but not over $36,000	$1,512.00 plus 7.20% of excess over $28,800
Over $36,000 but not over $54,000	$2,030.00 plus 7.60% of excess over $36,000
Over $54,000 but not over $72,000	$3,398.00 plus 7.90% of excess over $54,000
Over $72,000 but not over $225,000	$4,820.00 plus 8.25% of excess over $72,000

Over $225,000 but not over $262,500	$17,443.00 plus 9.00% of excess over $225,000
Over $262,500 but not over $300,000	$20,818.00 plus 10.00% of excess over $262,500
Over $300,000	$24,568.00 plus 11.00% of excess over $300,000.

<u>In the case of any taxable year beginning after December 31, 2021:</u>

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over $300,000</u>	<u>6.00% of taxable income</u>
<u>Over $300,000</u>	<u>8.00% of taxable income.</u>

<u>In the case of any taxable year beginning after December 31, 2024:</u>

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over $300,000</u>	<u>3.90% of taxable income</u>
<u>Over $300,000</u>	<u>6.00% of taxable income.</u>

<u>In the case of any taxable year beginning after December 31, 2027:</u>

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over $300,000</u>	<u>$0</u>
<u>Over $300,000</u>	<u>4.50% of taxable income.</u>

In the case of any taxable year beginning after December 31, 2030:

If the taxable income is:	The tax shall be:
Not over $300,000	$0
Over $300,000	$0.

(c) There is hereby imposed on the taxable income of (1) every unmarried individual (other than a surviving spouse, or the head of a household) and (2) on the taxable income of every married individual who does not make a single return jointly with the individual's spouse under section 235-93 a tax determined in accordance with the following table:

In the case of any taxable year beginning after December 31, 2001:

If the taxable income is:	The tax shall be:
Not over $2,000	1.40% of taxable income
Over $2,000 but not over $4,000	$28.00 plus 3.20% of excess over $2,000
Over $4,000 but not over $8,000	$92.00 plus 5.50% of excess over $4,000
Over $8,000 but not over $12,000	$312.00 plus 6.40% of excess over $8,000

Over $12,000 but not over $16,000	$568.00 plus 6.80% of excess over $12,000
Over $16,000 but not over $20,000	$840.00 plus 7.20% of excess over $16,000
Over $20,000 but not over $30,000	$1,128.00 plus 7.60% of excess over $20,000
Over $30,000 but not over $40,000	$1,888.00 plus 7.90% of excess over $30,000
Over $40,000	$2,678.00 plus 8.25% of excess over $40,000.

In the case of any taxable year beginning after December 31, 2006:

If the taxable income is:	The tax shall be:
Not over $2,400	1.40% of taxable income
Over $2,400 but not over $4,800	$34.00 plus 3.20% of excess over $2,400
Over $4,800 but not over $9,600	$110.00 plus 5.50% of excess over $4,800
Over $9,600 but not over $14,400	$374.00 plus 6.40% of excess over $9,600
Over $14,400 but	$682.00 plus 6.80% of

not over $19,200	excess over $14,400
Over $19,200 but not over $24,000	$1,008.00 plus 7.20% of excess over $19,200
Over $24,000 but not over $36,000	$1,354.00 plus 7.60% of excess over $24,000
Over $36,000 but not over $48,000	$2,266.00 plus 7.90% of excess over $36,000
Over $48,000	$3,214.00 plus 8.25% of excess over $48,000.

In the case of any taxable year beginning after December 31, 2017:

If the taxable income is:	The tax shall be:
Not over $2,400	1.40% of taxable income
Over $2,400 but not over $4,800	$34.00 plus 3.20% of excess over $2,400
Over $4,800 but not over $9,600	$110.00 plus 5.50% of excess over $4,800
Over $9,600 but not over $14,400	$374.00 plus 6.40% of excess over $9,600
Over $14,400 but not over $19,200	$682.00 plus 6.80% of excess over $14,400

Over $19,200 but not over $24,000	$1,008.00 plus 7.20% of excess over $19,200
Over $24,000 but not over $36,000	$1,354.00 plus 7.60% of excess over $24,000
Over $36,000 but not over $48,000	$2,266.00 plus 7.90% of excess over $36,000
Over $48,000 but not over $150,000	$3,214.00 plus 8.25% of excess over $48,000
Over $150,000 but not over $175,000	$11,629.00 plus 9.00% of excess over $150,000
Over $175,000 but not over $200,000	$13,879.00 plus 10.00% of excess over $175,000
Over $200,000	$16,379.00 plus 11.00% of excess over $200,000.

In the case of any taxable year beginning after December 31, 2021:

If the taxable income is:	The tax shall be:
Not over $300,000	6.00% of taxable income
Over $300,000	8.00% of taxable income.

In the case of any taxable year beginning after December 31, 2024:

If the taxable income is:	The tax shall be:
Not over $300,000	3.90% of taxable income
Over $300,000	6.00% of taxable income.

In the case of any taxable year beginning after December 31, 2027:

If the taxable income is:	The tax shall be:
Not over $300,000	$0
Over $300,000	4.50% of taxable income.

In the case of any taxable year beginning after December 31, 2030:

If the taxable income is:	The tax shall be:
Not over $300,000	$0
Over $300,000	$0."

SECTION 10. Section 235-71, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

"(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 per cent if the taxable income is not over $25,000, 5.4 per cent if over $25,000 but not over $100,000, and on all over $100,000, 6.4 per cent.

In the case of any taxable year beginning after December 31, 2021:

If the taxable income is:	The tax shall be:
Not over $25,000	3.30% of taxable income
Over $25,000 but not over $100,000	4.10% of taxable income
Over $100,000	4.80% of taxable income.

In the case of any taxable year beginning after December 31, 2024:

If the taxable income is:	The tax shall be:
Not over $25,000	2.50% of taxable income
Over $25,000 but not over $100,000	3.10% of taxable income

Over $100,000	3.60% of taxable income.

In the case of any taxable year beginning after December 31, 2027:

If the taxable income is:	The tax shall be:
Not over $25,000	1.90% of taxable income
Over $25,000 but not over $100,000	2.30% of taxable income
Over $100,000	2.70% of taxable income.

In the case of any taxable year beginning after December 31, 2030:

If the taxable income is:	The tax shall be:
Not over $25,000	$0
Over $25,000 but not over $100,000	$0
Over $100,000	$0.

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

In the case of any taxable year beginning after December 31, 2021:

If the taxable income is:	The tax shall be:
Not over $25,000	3.30% of taxable income
Over $25,000 but not over $100,000	4.10% of taxable income
Over $100,000	4.80% of taxable income.

In the case of any taxable year beginning after December 31, 2024:

If the taxable income is:	The tax shall be:
Not over $25,000	2.50% of taxable income
Over $25,000 but not over $100,000	3.10% of taxable income
Over $100,000	3.60% of taxable income.

In the case of any taxable year beginning after December 31, 2027:

If the taxable income is:	The tax shall be:

Not over $25,000	1.90% of taxable income
Over $25,000 but not over $100,000	2.30% of taxable income
Over $100,000	2.70% of taxable income.

In the case of any taxable year beginning after December 31, 2030:

If the taxable income is:	The tax shall be:
Not over $25,000	$0
Over $25,000 but not over $100,000	$0
Over $100,000 but	$0."

PART V

SECTION 11. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 12. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2021.

INTRODUCED BY: ______________________

JAN 27 2021

H.B. NO. 1314

Report Title:
County Surcharge; Real Property Tax; Transient Accommodations Tax; Individual Income Tax; Corporation Income Tax; Income Tax Rates

Description:
Authorizes each county to levy a county surcharge on transient accommodations tax if the county satisfies certain real property tax requirements. Repeals the allocation of transient accommodations tax revenue to the counties and makes conforming amendments. Establishes a residential property owner tax credit and a residential circuit breaker tax credit. Beginning with taxable years after 12/31/2021, gradually implements new individual income tax and corporation income tax brackets and rates in three-year intervals.

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