
A BILL FOR AN ACT

RELATING TO CAPITAL GAINS.

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

1 SECTION 1. Section 235-51, Hawaii Revised Statutes, is
2 amended by amending subsection (f) to read as follows:

3 "(f) If a taxpayer has a net capital gain for any taxable
4 year to which this subsection applies, then the tax imposed by
5 this section shall not exceed the sum of:

6 (1) The tax computed at the rates and in the same manner
7 as if this subsection had not been enacted on the
8 greater of:

9 (A) The taxable income reduced by the amount of net
10 capital gain, or

11 (B) The amount of taxable income taxed at a rate
12 below [~~7.25~~] 9 per cent, plus

13 (2) A tax of [~~7.25~~] 9 per cent of the amount of taxable
14 income in excess of the amount determined under
15 paragraph (1).

16 This subsection shall apply to individuals, estates, and
17 trusts for taxable years beginning after December 31, 1986."



1 SECTION 2. Section 235-71.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 **"§235-71.5 Alternative tax for corporations.** Section 1201
4 (with respect to alternative tax for corporations) of the
5 Internal Revenue Code of 1986, as amended as of December 31,
6 1996, shall be operative for the purposes of this chapter and
7 shall be applied as set forth in this section. If for any
8 taxable year a corporation, regulated investment company, or
9 real estate investment trust has a net capital gain, then, in
10 lieu of the tax imposed by section 235-71, there is hereby
11 imposed a tax (if such tax is less than the tax imposed under
12 section 235-71) which shall consist of the sum of:

13 (1) A tax computed on the taxable income reduced by the
14 amount of the net capital gain, at the rates and in
15 the manner as if this section had not been enacted,
16 plus

17 (2) The sum of:

18 (A) 3.08 per cent of the lesser of:

19 (i) The net capital gain determined by including
20 only the gain or loss which is properly
21 taken into account for the portion of the



1 taxable year before April 1, 1987 (i.e., the
2 amount in paragraph (1)), or

3 (ii) The net capital gain for the taxable year,
4 plus

5 (B) [~~4~~] 5 per cent of the excess (if any) of:

6 (i) The net capital gain for the taxable year,
7 over

8 (ii) The amount of the net capital gain taken
9 into account under subparagraph (A)."

10 SECTION 3. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 4. This Act shall take effect on July 1, 2021, and
13 shall apply to taxable years beginning after December 31, 2020.



Report Title:

Capital Gains Tax; Income Tax; Increase

Description:

Increases the capital gains tax threshold from 7.25% to 9%.
Increases the alternative capital gains tax for corporations
from 4 to 5%. Applies for tax years beginning after 12/31/2020.
(SD1)

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