

JAN 21 2021

# A BILL FOR AN ACT

RELATING TO REVENUE GENERATION.

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

1 PART I

2 SECTION 1. The legislature finds that the virus known as  
3 SARS-CoV-2 causes a disease named coronavirus disease 2019  
4 (COVID-19), which spread globally and was declared a pandemic by  
5 the World Health Organization on March 11, 2020. Upon reaching  
6 Hawaii's shores, the COVID-19 outbreak disrupted the local  
7 economy, resulting in a budget shortfall that was estimated to  
8 exceed two billion dollars as of December of 2020.

9 The legislature additionally finds that it is necessary to  
10 generate revenue to allow the State to meet its strategic goals,  
11 avoid furloughs and layoffs for state workers, and prevent  
12 disruptions to essential government services. While the current  
13 governor proposed furloughing state workers to manufacture  
14 approximately \$300,000,000 in savings beginning in January of  
15 2021, the university of Hawaii economic research organization  
16 has found that every \$1 in state salary reductions results in a  
17 \$1.50 decrease in overall economic activity.



1       Accordingly, the purpose of this Act is to preserve  
2       essential services and prevent employment reductions by  
3       generating revenue for the State by:

- 4       (1)   Increasing the personal income tax rate and  
5             implementing a rate recapture mechanism that phases  
6             out lower tax brackets for high earners;  
7       (2)   Increasing the tax on capital gains;  
8       (3)   Increasing the corporate income tax and establishing a  
9             single corporate income tax rate;  
10       (4)   Temporarily repealing certain general excise tax  
11             exemptions; and  
12       (5)   Increasing conveyance taxes for the sale of properties  
13             valued at \$1,000,000 or greater.

14                               PART II

15       SECTION 2.   Section 235-51, Hawaii Revised Statutes, is  
16       amended by amending subsections (a) through (c) to read as  
17       follows:

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

- 20       (1)   Taxpayer who files a joint return under section 235-  
21             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



1 excess over \$80,000.

2 In the case of any taxable year beginning after December  
3 31, 2006:

4	If the taxable income is:	The tax shall be:
5	Not over \$4,800	1.40% of taxable income
6	Over \$4,800 but	\$67.00 plus 3.20% of
7	not over \$9,600	excess over \$4,800
8	Over \$9,600 but	\$221.00 plus 5.50% of
9	not over \$19,200	excess over \$9,600
10	Over \$19,200 but	\$749.00 plus 6.40% of
11	not over \$28,800	excess over \$19,200
12	Over \$28,800 but	\$1,363.00 plus 6.80% of
13	not over \$38,400	excess over \$28,800
14	Over \$38,400 but	\$2,016.00 plus 7.20% of
15	not over \$48,000	excess over \$38,400
16	Over \$48,000 but	\$2,707.00 plus 7.60% of
17	not over \$72,000	excess over \$48,000
18	Over \$72,000 but	\$4,531.00 plus 7.90% of
19	not over \$96,000	excess over \$72,000
20	Over \$96,000	\$6,427.00 plus 8.25% of
21		excess over \$96,000.



1 In the case of any taxable year beginning after December  
2 31, 2017:

3	If the taxable income is:	The tax shall be:
4	Not over \$4,800	1.40% of taxable income
5	Over \$4,800 but	\$67.00 plus 3.20% of
6	not over \$9,600	excess over \$4,800
7	Over \$9,600 but	\$221.00 plus 5.50% of
8	not over \$19,200	excess over \$9,600
9	Over \$19,200 but	\$749.00 plus 6.40% of
10	not over \$28,800	excess over \$19,200
11	Over \$28,800 but	\$1,363.00 plus 6.80% of
12	not over \$38,400	excess over \$28,800
13	Over \$38,400 but	\$2,016.00 plus 7.20% of
14	not over \$48,000	excess over \$38,400
15	Over \$48,000 but	\$2,707.00 plus 7.60% of
16	not over \$72,000	excess over \$48,000
17	Over \$72,000 but	\$4,531.00 plus 7.90% of
18	not over \$96,000	excess over \$72,000
19	Over \$96,000 but	\$6,427.00 plus 8.25% of
20	not over \$300,000	excess over \$96,000
21	Over \$300,000 but	\$23,257.00 plus 9.00% of



1	not over \$350,000	excess over \$300,000
2	Over \$350,000 but	\$27,757.00 plus 10.00% of
3	not over \$400,000	excess over \$350,000
4	Over \$400,000	\$32,757.00 plus 11.00% of
5		excess over \$400,000.

6 In the case of any taxable year beginning after December  
 7 31, 2020:

8	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
9	<u>Not over \$4,800</u>	<u>1.40% of taxable income</u>
10	<u>Over \$4,800 but</u>	<u>\$67.00 plus 3.20% of</u>
11	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
12	<u>Over \$9,600 but</u>	<u>\$221.00 plus 5.50% of</u>
13	<u>not over \$19,200</u>	<u>excess over \$9,600</u>
14	<u>Over \$19,200 but</u>	<u>\$749.00 plus 6.40% of</u>
15	<u>not over \$28,800</u>	<u>excess over \$19,200</u>
16	<u>Over \$28,800 but</u>	<u>\$1,363.00 plus 6.80% of</u>
17	<u>not over \$38,400</u>	<u>excess over \$28,800</u>
18	<u>Over \$38,400 but</u>	<u>\$2,016.00 plus 7.20% of</u>
19	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
20	<u>Over \$48,000 but</u>	<u>\$2,707.00 plus 7.60% of</u>
21	<u>not over \$72,000</u>	<u>excess over \$48,000</u>



1	<u>Over \$72,000 but</u>	<u>\$4,531.00 plus 7.90% of</u>
2	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
3	<u>Over \$96,000 but</u>	<u>\$6,427.00 plus 8.25% of</u>
4	<u>not over \$200,000</u>	<u>excess over \$96,000</u>
5	<u>Over \$200,000 but</u>	<u>\$4,531.00 plus 9.00% of</u>
6	<u>not over \$300,000</u>	<u>excess over \$72,000</u>
7	<u>Over \$300,000 but</u>	<u>\$2,016.00 plus 10.00% of</u>
8	<u>not over \$400,000</u>	<u>excess over \$38,400</u>
9	<u>Over \$400,000 but</u>	<u>\$749.00 plus 11.00% of</u>
10	<u>not over \$450,000</u>	<u>excess over \$19,200</u>
11	<u>Over \$450,000 but</u>	<u>\$67.00 plus 12.00% of</u>
12	<u>not over \$500,000</u>	<u>excess over \$4,800</u>
13	<u>Over \$500,000</u>	<u>13.00% of all taxable</u>
14		<u>income.</u>

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

18 In the case of any taxable year beginning after December  
 19 31, 2001:

20	If the taxable income is:	The tax shall be:
21	Not over \$3,000	1.40% of taxable income



1	Over \$3,000 but	\$42.00 plus 3.20% of
2	not over \$6,000	excess over \$3,000
3	Over \$6,000 but	\$138.00 plus 5.50% of
4	not over \$12,000	excess over \$6,000
5	Over \$12,000 but	\$468.00 plus 6.40% of
6	not over \$18,000	excess over \$12,000
7	Over \$18,000 but	\$852.00 plus 6.80% of
8	not over \$24,000	excess over \$18,000
9	Over \$24,000 but	\$1,260.00 plus 7.20% of
10	not over \$30,000	excess over \$24,000
11	Over \$30,000 but	\$1,692.00 plus 7.60% of
12	not over \$45,000	excess over \$30,000
13	Over \$45,000 but	\$2,832.00 plus 7.90% of
14	not over \$60,000	excess over \$45,000
15	Over \$60,000	\$4,017.00 plus 8.25% of
16		excess over \$60,000.

17 In the case of any taxable year beginning after December  
 18 31, 2006:

19	If the taxable income is:	The tax shall be:
20	Not over \$3,600	1.40% of taxable income
21	Over \$3,600 but	\$50.00 plus 3.20% of





1	not over \$7,200	excess over \$3,600
2	Over \$7,200 but	\$166.00 plus 5.50% of
3	not over \$14,400	excess over \$7,200
4	Over \$14,400 but	\$562.00 plus 6.40% of
5	not over \$21,600	excess over \$14,400
6	Over \$21,600 but	\$1,022.00 plus 6.80% of
7	not over \$28,800	excess over \$21,600
8	Over \$28,800 but	\$1,512.00 plus 7.20% of
9	not over \$36,000	excess over \$28,800
10	Over \$36,000 but	\$2,030.00 plus 7.60% of
11	not over \$54,000	excess over \$36,000
12	Over \$54,000 but	\$3,398.00 plus 7.90% of
13	not over \$72,000	excess over \$54,000
14	Over \$72,000	\$4,820.00 plus 8.25% of
15		excess over \$72,000.

16 In the case of any taxable year beginning after December  
 17 31, 2017:

18	If the taxable income is:	The tax shall be:
19	Not over \$3,600	1.40% of taxable income
20	Over \$3,600 but	\$50.00 plus 3.20% of
21	not over \$7,200	excess over \$3,600



1	Over \$7,200 but	\$166.00 plus 5.50% of
2	not over \$14,400	excess over \$7,200
3	Over \$14,400 but	\$562.00 plus 6.40% of
4	not over \$21,600	excess over \$14,400
5	Over \$21,600 but	\$1,022.00 plus 6.80% of
6	not over \$28,800	excess over \$21,600
7	Over \$28,800 but	\$1,512.00 plus 7.20% of
8	not over \$36,000	excess over \$28,800
9	Over \$36,000 but	\$2,030.00 plus 7.60% of
10	not over \$54,000	excess over \$36,000
11	Over \$54,000 but	\$3,398.00 plus 7.90% of
12	not over \$72,000	excess over \$54,000
13	Over \$72,000 but	\$4,820.00 plus 8.25% of
14	not over \$225,000	excess over \$72,000
15	Over \$225,000 but	\$17,443.00 plus 9.00% of
16	not over \$262,500	excess over \$225,000
17	Over \$262,500 but	\$20,818.00 plus 10.00% of
18	not over \$300,000	excess over \$262,500
19	Over \$300,000	\$24,568.00 plus 11.00% of
20		excess over \$300,000.



1        In the case of any taxable year beginning after December  
2        31, 2020:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$3,600</u>	<u>1.40% of taxable income</u>
<u>Over \$3,600 but</u>	<u>\$50.00 plus 3.20% of</u>
<u>not over \$7,200</u>	<u>excess over \$3,600</u>
<u>Over \$7,200 but</u>	<u>\$166.00 plus 5.50% of</u>
<u>not over \$14,400</u>	<u>excess over \$7,200</u>
<u>Over \$14,400 but</u>	<u>\$562.00 plus 6.40% of</u>
<u>not over \$21,600</u>	<u>excess over \$14,400</u>
<u>Over \$21,600 but</u>	<u>\$1,022.00 plus 6.80% of</u>
<u>not over \$28,800</u>	<u>excess over \$21,600</u>
<u>Over \$28,800 but</u>	<u>\$1,512.00 plus 7.20% of</u>
<u>not over \$36,000</u>	<u>excess over \$28,800</u>
<u>Over \$36,000 but</u>	<u>\$2,030.00 plus 7.60% of</u>
<u>not over \$54,000</u>	<u>excess over \$36,000</u>
<u>Over \$54,000 but</u>	<u>\$3,398.00 plus 7.90% of</u>
<u>not over \$72,000</u>	<u>excess over \$54,000</u>
<u>Over \$72,000 but</u>	<u>\$4,820.00 plus 8.25% of</u>
<u>not over \$150,000</u>	<u>excess over \$72,000</u>
<u>Over \$150,000 but</u>	<u>\$3,398.00 plus 9.00% of</u>



1	<u>not over \$225,000</u>	<u>excess over \$54,000</u>
2	<u>Over \$225,000 but</u>	<u>\$1,512.00 plus 10.00% of</u>
3	<u>not over \$300,000</u>	<u>excess over \$28,800</u>
4	<u>Over \$300,000 but</u>	<u>\$562.00 plus 11.00% of</u>
5	<u>not over \$350,000</u>	<u>excess over \$14,400</u>
6	<u>Over \$350,000 but</u>	<u>\$50.00 plus 12.00% of</u>
7	<u>not over \$400,000</u>	<u>excess over \$3,600</u>
8	<u>Over \$400,000</u>	<u>13% of all taxable</u>
9		<u>income.</u>

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

16 In the case of any taxable year beginning after December  
 17 31, 2001:

18	If the taxable income is:	The tax shall be:
19	Not over \$2,000	1.40% of taxable income
20	Over \$2,000 but	\$28.00 plus 3.20% of
21	not over \$4,000	excess over \$2,000



1	Over \$4,000 but	\$92.00 plus 5.50% of
2	not over \$8,000	excess over \$4,000
3	Over \$8,000 but	\$312.00 plus 6.40% of
4	not over \$12,000	excess over \$8,000
5	Over \$12,000 but	\$568.00 plus 6.80% of
6	not over \$16,000	excess over \$12,000
7	Over \$16,000 but	\$840.00 plus 7.20% of
8	not over \$20,000	excess over \$16,000
9	Over \$20,000 but	\$1,128.00 plus 7.60% of
10	not over \$30,000	excess over \$20,000
11	Over \$30,000 but	\$1,888.00 plus 7.90% of
12	not over \$40,000	excess over \$30,000
13	Over \$40,000	\$2,678.00 plus 8.25% of
14		excess over \$40,000.

15 In the case of any taxable year beginning after December  
 16 31, 2006:

17	If the taxable income is:	The tax shall be:
18	Not over \$2,400	1.40% of taxable income
19	Over \$2,400 but	\$34.00 plus 3.20% of
20	not over \$4,800	excess over \$2,400
21	Over \$4,800 but	\$110.00 plus 5.50% of



1	not over \$9,600	excess over \$4,800
2	Over \$9,600 but	\$374.00 plus 6.40% of
3	not over \$14,400	excess over \$9,600
4	Over \$14,400 but	\$682.00 plus 6.80% of
5	not over \$19,200	excess over \$14,400
6	Over \$19,200 but	\$1,008.00 plus 7.20% of
7	not over \$24,000	excess over \$19,200
8	Over \$24,000 but	\$1,354.00 plus 7.60% of
9	not over \$36,000	excess over \$24,000
10	Over \$36,000 but	\$2,266.00 plus 7.90% of
11	not over \$48,000	excess over \$36,000
12	Over \$48,000	\$3,214.00 plus 8.25% of
13		excess over \$48,000.

14 In the case of any taxable year beginning after December  
 15 31, 2017:

16	If the taxable income is:	The tax shall be:
17	Not over \$2,400	1.40% of taxable income
18	Over \$2,400 but	\$34.00 plus 3.20% of
19	not over \$4,800	excess over \$2,400
20	Over \$4,800 but	\$110.00 plus 5.50% of
21	not over \$9,600	excess over \$4,800



1	Over \$9,600 but	\$374.00 plus 6.40% of
2	not over \$14,400	excess over \$9,600
3	Over \$14,400 but	\$682.00 plus 6.80% of
4	not over \$19,200	excess over \$14,400
5	Over \$19,200 but	\$1,008.00 plus 7.20% of
6	not over \$24,000	excess over \$19,200
7	Over \$24,000 but	\$1,354.00 plus 7.60% of
8	not over \$36,000	excess over \$24,000
9	Over \$36,000 but	\$2,266.00 plus 7.90% of
10	not over \$48,000	excess over \$36,000
11	Over \$48,000 but	\$3,214.00 plus 8.25% of
12	not over \$150,000	excess over \$48,000
13	Over \$150,000 but	\$11,629.00 plus 9.00% of
14	not over \$175,000	excess over \$150,000
15	Over \$175,000 but	\$13,879.00 plus 10.00% of
16	not over \$200,000	excess over \$175,000
17	Over \$200,000	\$16,379.00 plus 11.00% of
18		excess over \$200,000.

19 In the case of any taxable year beginning after December  
20 31, 2020:

21 If the taxable income is: The tax shall be:



1	<u>Not over \$2,400</u>	<u>1.40% of taxable income</u>
2	<u>Over \$2,400 but</u>	<u>\$34.00 plus 3.20% of</u>
3	<u>not over \$4,800</u>	<u>excess over \$2,400</u>
4	<u>Over \$4,800 but</u>	<u>\$110.00 plus 5.50% of</u>
5	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
6	<u>Over \$9,600 but</u>	<u>\$374.00 plus 6.40% of</u>
7	<u>not over \$14,400</u>	<u>excess over \$9,600</u>
8	<u>Over \$14,400 but</u>	<u>\$682.00 plus 6.80% of</u>
9	<u>not over \$19,200</u>	<u>excess over \$14,400</u>
10	<u>Over \$19,200 but</u>	<u>\$1,008.00 plus 7.20% of</u>
11	<u>not over \$24,000</u>	<u>excess over \$19,200</u>
12	<u>Over \$24,000 but</u>	<u>\$1,354.00 plus 7.60% of</u>
13	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
14	<u>Over \$36,000 but</u>	<u>\$2,266.00 plus 7.90% of</u>
15	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
16	<u>Over \$48,000 but</u>	<u>\$3,214.00 plus 8.25% of</u>
17	<u>not over \$100,000</u>	<u>excess over \$48,000</u>
18	<u>Over \$100,000 but</u>	<u>\$2,266.00 plus 9.00% of</u>
19	<u>not over \$150,000</u>	<u>excess over \$36,000</u>
20	<u>Over \$150,000 but</u>	<u>\$1,008.00 plus 10.00% of</u>
21	<u>not over \$200,000</u>	<u>excess over \$19,200</u>





1	<u>Over \$200,000 but</u>	<u>\$374.00 plus 11.00% of</u>
2	<u>not over \$250,000</u>	<u>excess over \$9,600</u>
3	<u>Over \$250,000 but</u>	<u>\$34.00 plus 12.00% of</u>
4	<u>not over \$300,000</u>	<u>excess over \$2,400</u>
5	<u>Over \$300,000</u>	<u>13.00% of all taxable</u>
6		<u>income."</u>

## PART III

SECTION 3. Section 235-51, Hawaii Revised Statutes, is amended by amending subsection (f) to read as follows:

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

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

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

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



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

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

## PART IV

SECTION 4. Section 235-71, Hawaii Revised Statutes, is amended as follows:

1. By amending subsections (a) and (b) to read:

"(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~~



1 ~~if over \$25,000 but not over \$100,000, and on all over \$100,000,~~  
2 ~~6.4]~~ 9.6 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  
10 [~~the 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]~~ 9.6 per cent."

13 2. By amending subsection (d) to read:

14 "(d) In the case of a real estate investment trust there  
15 is imposed on the taxable income, computed as provided in  
16 sections 857 and 858 of the Internal Revenue Code but with the  
17 changes and adjustments made by this chapter (without prejudice  
18 to the generality of the foregoing, the deduction for dividends  
19 paid is limited to such amount of dividends as is attributable  
20 to income taxable under this chapter), a tax [~~consisting in the~~  
21 ~~sum~~] of [~~the following: 4.4 per cent if the taxable income is~~



1 ~~not over \$25,000, 5.4 per cent if over \$25,000 but not over~~  
2 ~~\$100,000, and on all over \$100,000, 6.4]~~ 9.6 per cent. In  
3 addition to any other penalty provided by law any real estate  
4 investment trust whose tax liability for any taxable year is  
5 deemed to be increased pursuant to section 859(b)(2)(A) or  
6 860(c)(1)(A) after December 31, 1978, (relating to interest and  
7 additions to tax determined with respect to the amount of the  
8 deduction for deficiency dividends allowed) of the Internal  
9 Revenue Code shall pay a penalty in an amount equal to the  
10 amount of interest for which such trust is liable that is  
11 attributable solely to such increase. The penalty payable under  
12 this subsection with respect to any determination shall not  
13 exceed one-half of the amount of the deduction allowed by  
14 section 859(a), or 860(a) after December 31, 1978, of the  
15 Internal Revenue Code for such taxable year."

## PART V

17 SECTION 5. Chapter 237, Hawaii Revised Statutes, is  
18 amended by adding two new sections to be appropriately  
19 designated and to read as follows:

20 "§237- Temporary suspension of exemption of certain  
21 amounts; levy of tax. (a) Notwithstanding any other law to the



1 contrary, the exemption of the following amounts from taxation  
2 under this chapter shall be suspended from July 1, 2021, through  
3 June 30, 2023:

- 4       (1) Amounts deducted from the gross income received by  
5           contractors as described under section 237-13(3) (B);
- 6       (2) Reimbursements received by federal cost-plus  
7           contractors for the costs of purchased materials,  
8           plant, and equipment as described under section  
9           237-13(3) (C);
- 10       (3) Gross receipts of home service providers acting as  
11           service carriers providing mobile telecommunications  
12           services to other home service providers as described  
13           under section 237-13(6) (D);
- 14       (4) Amounts deducted from the gross income of real  
15           property lessees because of receipt from sublessees as  
16           described under section 237-16.5;
- 17       (5) Amounts received by sugarcane producers as described  
18           under section 237-24(14);
- 19       (6) Amounts received from the loading, transportation, and  
20           unloading of agricultural commodities shipped  
21           interisland as described under section 237-24.3(1);



- 1        (7) Amounts received or accrued from the loading or  
2        unloading of cargo as described under section  
3        237-24.3(3)(A);
- 4        (8) Amounts received or accrued from tugboat and towage  
5        services as described under section 237-24.3(3)(B);
- 6        (9) Amounts received or accrued from the transportation of  
7        pilots or governmental officials and other  
8        maritime-related services as described under section  
9        237-24.3(3)(C);
- 10       (10) Amounts received as rent for aircraft or aircraft  
11       engines used for interstate air transportation as  
12       described under section 237-24.3(11);
- 13       (11) Amounts received by exchanges and exchange members as  
14       described under section 237-24.5;
- 15       (12) Amounts received as high technology research and  
16       development grants under section 206M-15 as described  
17       under section 237-24.7(10);
- 18       (13) Amounts received from the servicing and maintenance of  
19       aircraft or construction of aircraft service and  
20       maintenance facilities as described under section  
21       237-24.9;



1        (14) Gross proceeds from the sale of the following:

2            (A) Intoxicating liquor, as described under section  
3            237-25(a)(1), to the United States (including any  
4            agency or instrumentality of the United States  
5            that is wholly owned or otherwise so constituted  
6            as to be immune from the levy of a tax under  
7            chapter 238 or 244D, but not including national  
8            banks) or any organization to which the sale is  
9            permitted by the proviso of "Class 3" of section  
10           281-31 that is located on any Army, Navy, or Air  
11           Force reservation;

12           (B) Tobacco products and cigarettes, as described  
13           under section 237-25(a)(2), to the United States  
14           (including any agency or instrumentality thereof  
15           that is wholly owned or otherwise so constituted  
16           as to be immune from the levy of tax under  
17           chapter 238 or 245, but not including national  
18           banks); and

19           (C) Other tangible personal property, as described  
20           under section 237-25(a)(3), to the United States  
21           (including any agency, instrumentality, or



1           federal credit union thereof, but not including  
2           national banks) and any state-chartered credit  
3           union;

4       (15) Amounts received by petroleum product refiners from  
5           other refiners for further refining of petroleum  
6           products as described under section 237-27;

7       (16) Gross proceeds received from the construction,  
8           reconstruction, erection, operation, use, maintenance,  
9           or furnishing of air pollution control facilities, as  
10          described under section 237-27.5, that do not have  
11          valid certificates of exemption on July 1, 2021;

12       (17) Gross proceeds received from shipbuilding and ship  
13          repairs as described under section 237-28.1;

14       (18) Amounts received by telecommunications common carriers  
15          from call center operators for interstate or foreign  
16          telecommunications services as described under section  
17          237-29.8;

18       (19) Gross proceeds received by qualified businesses in  
19          enterprise zones, as described under section 209E-11,  
20          that do not have valid certificates of qualification





1 from the department of business, economic development,  
2 and tourism on July 1, 2021; and

3 (20) Gross proceeds received by contractors licensed under  
4 chapter 444 for construction within enterprise zones  
5 performed for qualified businesses within the  
6 enterprise zones or businesses approved by the  
7 department of business, economic development, and  
8 tourism to enroll into the enterprise zone program, as  
9 described under section 209E-11.

10 (b) Except as otherwise provided under subsection (e),  
11 (f), or (g), there is levied, assessed, and collected annually  
12 against a taxpayer receiving or deriving previously exempt gross  
13 income or gross proceeds of sale from July 1, 2021, to June 30,  
14 2023, a tax at the rate of four per cent on that previously  
15 exempt gross income or gross proceeds of sale.

16 (c) The taxpayer against whom the tax is levied and  
17 assessed under this section shall be responsible for payment of  
18 the tax to the director of taxation.

19 (d) Notwithstanding section 237-8.6, no county surcharge  
20 shall be levied, assessed, or collected on any previously exempt



1 gross income or gross proceeds of sale that is subject to  
2 taxation under subsection (b).

3 (e) This section shall not apply to gross income or gross  
4 proceeds from binding written contracts entered into prior to  
5 July 1, 2021, that do not permit the passing on of increased  
6 rates of taxes.

7 (f) This section shall not apply to gross income or gross  
8 proceeds from stevedoring services and related services, as  
9 defined in section 382-1, furnished to a company by its wholly  
10 owned subsidiary.

11 (g) The tax imposed under subsection (b) shall not apply  
12 to any gross income or gross proceeds of sale that cannot  
13 legally be so taxed under the Constitution or laws of the United  
14 States, but only so long as, and only to the extent, to which  
15 the State is without power to impose the tax.

16 To the extent that any exemption, exclusion, or  
17 apportionment is necessary to comply with the preceding  
18 sentence, the director of taxation shall:

19 (1) Exempt or exclude the gross income or gross proceeds  
20 of sale from the tax under subsection (b); or



1       (2) Apportion the gross income or gross proceeds of sale  
2       derived within the State by persons engaged in  
3       business both within and without the State to  
4       determine the gross income or gross proceeds of sale  
5       that is subject to taxation under this chapter for the  
6       purposes of section 237-21.

7       (h) This chapter shall apply to the payment, collection,  
8       enforcement, and appeal of the tax levied under this section.

9       (i) The director of taxation may establish additional  
10      requirements, procedures, and forms pursuant to rules adopted  
11      under chapter 91 to effectuate this section.

12      (j) As used in this section, "previously exempt gross  
13      income or gross proceeds of sale" means the amount of the gross  
14      income or gross proceeds of sale the exemption for which is  
15      suspended under subsection (a).

16      **\$237- Information reporting.** Beginning July 1, 2021,  
17      the director of taxation shall require information reporting on  
18      all exclusions or exemptions of all amounts, persons, or  
19      transactions from this chapter, except for the following:

20      (1) Amounts received that are exempt under section  
21      237-24(1) through (7); and



(2) Any other amounts, persons, or transactions as determined by the director to be in the best interest of tax administration and made by official pronouncement."

SECTION 6. Chapter 238, Hawaii Revised Statutes, is amended by adding two new sections to be appropriately designated and to read as follows:

**"§238- Temporary suspension of exemption of certain amounts; levy of tax.** (a) Notwithstanding any other law to the contrary, the exemption of the following from taxation under this chapter shall be suspended from July 1, 2021, through June 30, 2023:

(1) The leasing or renting of aircraft or keeping of aircraft solely for leasing or renting for commercial transportation of passengers and goods or the acquisition or importation of aircraft or aircraft engines by a lessee or renter engaged in interstate air transportation, as described under section 238-1, paragraph (6) of the definition of "use";

(2) The use of oceangoing vehicles for passenger or passenger and goods transportation from one point to



1        another within the State as a public utility, as  
2        described under section 238-1, paragraph (7) of the  
3        definition of "use";

4        (3) The use of material, parts, or tools imported or  
5        purchased by a person licensed under chapter 237 that  
6        are used for aircraft service and maintenance or the  
7        construction of an aircraft service and maintenance  
8        facility, as described under section 238-1, paragraph  
9        (8) of the definition of "use";

10       (4) The use or sale of intoxicating liquor and cigarettes  
11       and tobacco products imported into the State and sold  
12       to any person or common carrier in interstate  
13       commerce, whether ocean-going or air, for consumption  
14       out of State by the person, crew, or passengers on the  
15       shipper's vessels or airplanes, as described under  
16       section 238-3(g);

17       (5) The use of any vessel constructed under section 189-25  
18       prior to July 1, 1969, as described under section  
19       238-3(h); and



1       (6) The use of any air pollution control facility subject  
2           to section 237-27.5 as described under section  
3           238-3(k).

4       (b) Except as otherwise provided under subsection (e) or  
5       (f), there is levied, assessed, and collected annually against a  
6       taxpayer who imports or purchases previously exempt property,  
7       services, or contracting for use in this State that becomes  
8       subject to the State's taxing jurisdiction from July 1, 2021, to  
9       June 30, 2023, a tax at the rate of four per cent on the value  
10       of that previously exempt property, services, or contracting.

11       (c) The taxpayer against whom the tax is levied and  
12       assessed under this section shall be responsible for payment of  
13       the tax to the director of taxation.

14       (d) Notwithstanding section 238-2.6, no county surcharge  
15       shall be levied, assessed, or collected on the value of any  
16       previously exempt property, services, or contracting that is  
17       subject to taxation under subsection (b).

18       (e) This section shall not apply to any property,  
19       services, or contracting imported or purchased under binding  
20       written contracts entered into prior to July 1, 2021, that do  
21       not permit the passing on of increased rates of taxes.



1        (f) The tax imposed under subsection (b) shall not apply  
2 to any property, services, or contracting or to any use of the  
3 property, services, or contracting that cannot legally be so  
4 taxed under the Constitution or laws of the United States, but  
5 only so long as, and only to the extent to which, the State is  
6 without power to impose the tax.

7        To the extent that any exemption, exclusion, or  
8 apportionment is necessary to comply with the preceding  
9 sentence, the director of taxation shall:

10        (1) Exempt or exclude the property, services, or  
11 contracting or the use of the property, services, or  
12 contracting, from the tax under subsection (b); or

13        (2) Apportion the gross value of services or contracting  
14 sold to customers within the State by persons engaged  
15 in business both within and without the State to  
16 determine the value of that portion of the services or  
17 contracting that is subject to taxation under chapter  
18 237 for the purposes of section 237-21.

19        (g) This chapter shall apply to the payment, collection,  
20 enforcement, and appeal of the tax levied under this section.



(h) The director of taxation may establish additional requirements, procedures, and forms pursuant to rules adopted under chapter 91 to effectuate this section.

(i) As used in this section, "previously exempt property, services, or contracting" means property, services, or contracting, the exemption for which is suspended under subsection (a).

**\$238- Information reporting.** Beginning July 1, 2021,  
the director of taxation shall require information reporting on  
all exclusions or exemptions of all amounts, persons, or  
transactions from this chapter, except for any amounts, persons,  
or transactions as determined by the director to be in the best  
interest of tax administration and made by official  
pronouncement."

## PART VI

SECTION 7. Section 247-2, Hawaii Revised Statutes, is amended to read as follows:

"§247-2 Basis and rate of tax. The tax imposed by section 247-1 shall be based on the actual and full consideration (whether cash or otherwise, including any promise, act, forbearance, property interest, value, gain, advantage, benefit,





1 or profit), paid or to be paid for all transfers or conveyance  
2 of realty or any interest therein, that shall include any liens  
3 or encumbrances thereon at the time of sale, lease, sublease,  
4 assignment, transfer, or conveyance, and shall be at the  
5 following rates:

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

7 (A) [~~Ten cents per \$100 for~~] For properties with a  
8 value of less than \$600,000[+]: ten cents per  
9 \$100;

10 (B) [~~Twenty cents per \$100 for~~] For properties with a  
11 value of at least \$600,000, but less than  
12 \$1,000,000[+]: twenty cents per \$100;

13 (C) [~~Thirty cents per \$100 for~~] For properties with a  
14 value of at least \$1,000,000, but less than  
15 \$2,000,000[+]: sixty cents per \$100;

16 (D) [~~Fifty cents per \$100 for~~] For properties with a  
17 value of at least \$2,000,000, but less than  
18 \$4,000,000[+]: \$1.00 per \$100;

19 (E) [~~Seventy cents per \$100 for~~] For properties with  
20 a value of at least \$4,000,000, but less than  
21 \$6,000,000[+]: \$1.40 per \$100;



(F) ~~[Ninety cents per \$100 for]~~ For properties with a value of at least \$6,000,000, but less than \$10,000,000~~;~~ : \$1.80 per \$100; and

(G) ~~[One dollar per \$100 for]~~ For properties with a value of \$10,000,000 or greater~~;~~ : \$2.00 per \$100; and

(2) For the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption on property tax:

(A) ~~[Fifteen cents per \$100 for]~~ For properties with a value of less than \$600,000~~;~~ : fifteen cents per \$100;

(B) ~~[Twenty-five cents per \$100 for]~~ For properties with a value of at least \$600,000, but less than \$1,000,000~~;~~ : twenty-five cents per \$100;

(C) ~~[Forty cents per \$100 for]~~ For properties with a value of at least \$1,000,000, but less than \$2,000,000~~;~~ : eighty cents per \$100;

(D) ~~[Sixty cents per \$100 for]~~ For properties with a value of at least \$2,000,000, but less than \$4,000,000~~;~~ : \$1.20 per \$100;



(E) ~~[Eighty-five cents per \$100 for]~~ For properties with a value of at least \$4,000,000, but less than \$6,000,000~~[+]~~: \$1.70 per \$100;

(F) ~~[One dollar and ten cents per \$100 for]~~ For properties with a value of at least \$6,000,000, but less than \$10,000,000~~[+ and]~~: \$2.20 per \$100;  
and

(G) ~~[One dollar and twenty-five cents per \$100 for]~~ For properties with a value of \$10,000,000 or greater~~[+]~~: \$2.50 per \$100,

of such actual and full consideration; provided that in the case of a lease or sublease, this chapter shall apply only to a lease or sublease whose full unexpired term is for a period of five years or more, and in those cases, including ~~[+where appropriate)]~~, where appropriate, those cases where the lease has been extended or amended, the tax in this chapter shall be based on the cash value of the lease rentals discounted to present day value and capitalized at the rate of six per cent, plus the actual and full consideration paid or to be paid for any and all improvements, if any, that shall include on-site as well as off-site improvements, applicable to the leased



1 premises; and provided further that the tax imposed for each  
2 transaction shall be [~~not~~] no less than \$1."

3 PART VII

4 SECTION 8. The department of taxation shall have the  
5 authority to postpone the payment of the tax imposed under  
6 sections 5 and 6 of this Act until the deadline to file the  
7 general excise or use tax annual return and reconciliation form,  
8 as applicable, without regard to any extension.

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

11 SECTION 10. This Act shall take effect on July 1, 2021;  
12 provided that:

13 (1) Section 2 shall apply to taxable years beginning after  
14 December 31, 2020; and

15 (2) Sections 5 and 6 shall be repealed on June 30, 2023.  
16

INTRODUCED BY: 



# S.B. NO. 56

**Report Title:**

Revenue Generation; Personal Income Tax; Corporate Income Tax; Capital Gains; General Excise Tax Exemptions; Conveyance Tax

**Description:**

Increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020. Increases the tax on capital gains. Increases the corporate income tax and establishes a single corporate income tax rate. From 7/1/2021 through 6/30/23, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at \$1,000,000 or greater.

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

