
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 more non-residents
2 are investing in Hawaii real estate due to the low property tax
3 rates imposed by the counties. From 2008 to 2015, non-residents
4 purchased approximately twenty-five per cent of the homes sold
5 in the State and roughly forty-seven per cent of all homes sold
6 in the counties of Maui, Kauai, and Hawaii.

7 The legislature further finds that a constitutional
8 amendment to article VIII, section 3, to give the State the
9 ability to also collect real property taxes will provide the
10 State with greater flexibility and control in its taxation of
11 residents and non-residents. If the State has the authority in
12 determining real property taxes, then it may allow for the
13 ability to remove other assessed taxes like the personal and
14 corporate income tax.

15 The intention of the legislature is to eliminate personal
16 and business income taxes and offset these tax revenue sources
17 with real property taxes. The legislature intends to eventually



1 double the homeowner and senior exemptions on real property
2 taxes to lessen the overall tax burden on local residents. This
3 Act is contingent upon the enactment of House Bill No. 1208,
4 House Draft 2, Regular Session of 2022, and the ratification of
5 an amendment to the Hawaii State Constitution that repeals the
6 counties' exclusive authority for real property taxation.

7 The purpose of this Act is to require the department of
8 taxation, by January 1, 2026, to suspend and refund certain
9 income tax amounts received or withheld upon the enactment of a
10 state law specifying real property tax amounts, and upon the
11 passage and ratification of a constitutional amendment of
12 article VIII, section 3, authorizing the State to have real
13 property taxing authority.

14 SECTION 2. By January 1, 2026, the department of taxation
15 shall suspend and refund personal and corporate income tax
16 amounts received or withheld under chapter 235, Hawaii Revised
17 Statutes; provided that the State enacts a state law specifying
18 real property tax amounts to be levied and assessed by the
19 department of taxation.

20 SECTION 3. This Act shall take effect on July 1, 2050;
21 provided that section 2 of this Act shall take effect upon the



1 ratification of a constitutional amendment of article VIII,
2 section 3, authorizing the State to have real property taxing
3 authority.

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H.B. NO. 1209 H.D. 2

Report Title:

Income Tax Law; Real Property Tax; DOTAX

Description:

By 1/1/2026, requires the department of taxation to suspend and refund certain income tax amounts received or withheld upon the enactment of a state law specifying real property tax amounts. Takes effect upon the ratification of a constitutional amendment authorizing the State to have real property taxing authority. Effective 7/1/2050. (HD2)

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