

JAN 26 2022

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. Chapter 235, Hawaii Revised Statutes, is
3 amended by adding a new section to part I to be appropriately
4 designated and to read as follows:

5 "§235- Surcharge on high-income individuals, estates,
6 and trusts. (a) Notwithstanding any other law to the contrary,
7 there is imposed an income tax surcharge on every taxpayer other
8 than a corporation. The amount of the surcharge shall be equal
9 to:

10 (1) Five per cent of the taxpayer's modified adjusted
11 gross income that exceeds:

12 (A) \$10,000,000, in the case of a taxpayer filing a
13 joint return or as a surviving spouse;

14 (B) \$7,500,000, in the case of a taxpayer filing as a
15 head of household;



1 (C) \$5,000,000, in the case of a taxpayer filing a
2 single return or a married person filing
3 separately; and

4 (D) \$200,000, in the case of an estate or trust; plus

5 (2) Three per cent of the taxpayer's modified adjusted
6 gross income that exceeds:

7 (A) \$25,000,000, in the case of a taxpayer filing a
8 joint return or as a surviving spouse;

9 (B) \$18,750,000, in the case of a taxpayer filing as
10 a head of household;

11 (C) \$12,500,000, in the case of a taxpayer filing a
12 single return or a married person filing
13 separately; and

14 (D) \$500,000, in the case of an estate or trust.

15 (b) All provisions of this chapter shall apply to the
16 income tax surcharge. The director of taxation shall have all
17 the rights and powers provided under this chapter to administer
18 the surcharge.

19 (c) The penalties provided by section 231-39 for failure
20 to file a tax return shall be imposed on the amount of surcharge
21 due on the return being filed for the failure to file the



1 schedule required to accompany the return. In addition, there
2 shall be added to the tax an amount equal to ten per cent of the
3 amount of the surcharge and tax due on the return being filed
4 for the failure to file the schedule.

5 (d) All taxpayers who file on a fiscal year basis whose
6 fiscal year ends after December 31 of the year prior to the
7 taxable year in which the taxes become effective, shall file a
8 short period annual return for the period preceding January 1 of
9 the taxable year in which the taxes become effective. Each
10 fiscal year taxpayer shall also file a short period annual
11 return for the period starting on January 1 of the taxable year
12 in which the taxes become effective, and ending before January 1
13 of the following year.

14 (e) The department of taxation may adopt rules pursuant to
15 chapter 91 to effectuate this Act.

16 (f) For the purposes of this section, "modified adjusted
17 gross income" means federal adjusted gross income reduced by any
18 deduction (not taken into account in determining adjusted gross
19 income) allowed for investment interest (as defined in section
20 163(d) of the Internal Revenue Code) or business interest (as
21 defined in section 163(j) of the Internal Revenue Code). In the



1 case of an estate or trust, adjusted gross income shall be
2 determined as provided in section 67(e) of the Internal Revenue
3 Code, and reduced by the amount allowed as a deduction under
4 section 642(c) of the Internal Revenue Code."

5 PART II

6 SECTION 2. (a) There is established within the department
7 of taxation for administrative purposes only a wealth tax
8 working group. The working group shall develop a proposal to
9 establish a state wealth tax.

10 (b) The wealth tax working group shall comprise the
11 following:

12 (1) The director of taxation or the director's designee,
13 who shall serve as chairperson of the working group;

14 (2) The chairperson of the state tax review commission or
15 the chairperson's designee; and

16 (3) The chairperson of the council on revenues or the
17 chairperson's designee.

18 (c) In addition to the members designated by subsection
19 (b), the working group may invite any other appropriate person
20 to join the working group.



1 (d) The initial meeting of the working group shall take
2 place no later than sixty days after the effective date of this
3 Act and shall be convened by the director of taxation or the
4 director's designee.

5 (e) Members of the working group shall serve without
6 compensation. No member of the working group shall be subject
7 to section 84-17, Hawaii Revised Statutes, solely because of
8 that member's participation on the working group.

9 (f) As part of its proposal the working group shall
10 develop:

- 11 (1) A procedure for imposing a wealth tax on individuals
12 having assets of more than \$10,000,000;
- 13 (2) An appropriate wealth tax rate; and
- 14 (3) Revenue projections for the wealth tax.

15 (g) The department of taxation shall provide
16 administrative and clerical support as required by the working
17 group.

18 (h) The working group shall submit a report of its
19 findings and recommendations, including any proposed
20 legislation, to the legislature no later than twenty days prior
21 to the convening of the regular session of 2023.



1 (i) The working group shall cease to exist on June 30,
2 2023.

3 PART III

4 SECTION 3. New statutory material is underscored.

5 SECTION 4. This Act shall take effect upon its approval;
6 provided that part I shall apply to taxable years beginning
7 after December 31, 2021.

8

INTRODUCED BY:

Lynn D. Crote



S.B. NO. 3250

Report Title:

Income Tax; Surcharge on High-Income Individuals, Estates, and Trusts; DOTAX; Wealth Tax; Working Group

Description:

Establishes an income tax surcharge on high-income individuals, estates, and trusts. Establishes a working group within the Department of Taxation to develop a proposal for a state wealth tax.

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