

STAND. COM. REP. NO.

498

Honolulu, Hawaii

FEB 12 , 2025

RE: H.B. No. 476

H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred H.B. No. 476 entitled:

"A BILL FOR AN ACT RELATING TO CAPITAL GAINS TAX,"

begs leave to report as follows:

The purpose of this measure is to increase the capital gains tax rate for individuals, estates, and trusts to nine percent and the alternative capital gains tax rate for corporations to five percent.

Your Committee received testimony in support of this measure from IATSE Local 665; Hawaii Appleseed Center for Law & Economic Justice; Hawaii State AFL-CIO; Education Caucus of the Democratic Party of Hawai'i; and one individual. Your Committee received testimony in opposition to this measure from the Grassroot Institute of Hawaii; Hawai'i Association of REALTORS; and six individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that eighty percent of all long-term capital gains in the State are earned by the wealthiest group of taxpayers, who have incomes greater than \$400,000, exacerbating the State's income inequality. This measure addresses this issue by increasing the capital gains tax rate to nine percent and the alternative capital gains tax for corporations to five percent.

2025-1205 HB476 HD1 HSCR HMSO



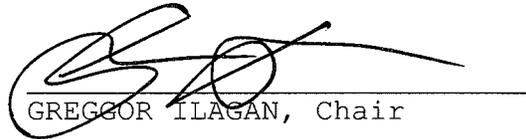
Your Committee has amended this measure by changing the effective date to July 1, 3000, to encourage further discussion.

Your Committee notes, as a reference for potential fiscal impact of this measure, estimates made in 2021 of revenue that would be generated by the same capital gains tax rate increases proposed by this measure are as follows:

- (1) \$53,700,000 for fiscal year 2025;
- (2) \$55,500,000 for fiscal year 2026; and
- (3) \$57,000,000 for fiscal year 2027.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 476, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 476, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Technology,


GREGGOR ILAGAN, Chair



