

STAND. COM. REP. NO.

1742

Honolulu, Hawaii

APR 04 2025

RE: H.B. No. 476  
H.D. 2  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 476, H.D. 2, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to amend the capital gains tax.

More specifically, this measure:

- (1) Amends the capital gains tax rate for individuals, estates, and trusts from 7.25 per cent to an unspecified percentage; and
- (2) Amends the alternative capital gains tax rate for corporations from four per cent to an unspecified percentage.

Your Committee received testimony in support of this measure from Activities and Attractions Association of Hawaii, Inc.; Democratic Party of Hawaii Education Caucus; Hawaii Alliance for Progressive Action; Hawaii Appleseed Center for Law and Economic Justice; Hawaii Children's Action Network Speaks!; Hawaii State AFL-CIO; League of Women Voters of Hawaii; and fifteen individuals.



Your Committee received testimony in opposition to this measure from The Chamber of Commerce Hawaii, Grassroot Institute of Hawaii, Hawaii Association of REALTORS, Hawaii Patriot Republicans, Maui Chamber of Commerce, and numerous individuals.

Your Committee received comments on this measure from the Department of Taxation, Hawaii Food Industry Association, and Tax Foundation of Hawaii.

Your Committee finds that the current tax code allows Hawaii taxpayers to either pay the top marginal rate of their income tax bracket or the capital gains rate of 7.25 per cent, whichever is lesser on capital gains. As a result of Act 41, Session Laws of Hawaii 2024, the increases to the income tax brackets and decreases to the income tax rates allow taxpayers who earn less than \$150,000 to pay at the marginal rate, which will be lower than the current 7.25 per cent capital gains tax rate. Therefore, any increases to the capital gains tax will not have a meaningful effect on the tax rates for working families, thus allaying any concerns that the measure would negatively impact working families.

If a Committee on Conference is convened on this measure, your Committee respectfully requests that the Committee on Conference consider amending the capital gains tax rate for individuals, estates, and trusts from 7.25 per cent to eight per cent.

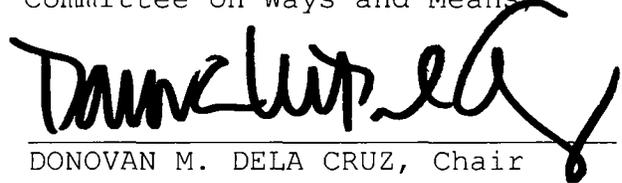
Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (2) Specifying the taxable years to which the measure applies.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 476, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 476, H.D. 2, S.D. 1, and be placed on the calendar for Third Reading.



Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means



A handwritten signature in black ink, appearing to read "Donovan M. DeLa Cruz", written over a horizontal line.

DONOVAN M. DELA CRUZ, Chair



