
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 the State has a
2 compelling interest in ensuring that public schools, affordable
3 higher education, transportation infrastructure, public health
4 services, and emergency services are adequately funded to meet
5 current and future needs. Fewer than 0.5 per cent of households
6 in Hawaii earn over \$1,000,000 per year, according to the
7 Internal Revenue Service. The wealth of households earning over
8 \$1,000,000 has grown significantly in recent years, while those
9 earning under \$1,000,000 continue to struggle to afford basic
10 necessities. Despite their significant wealth growth, Hawaii's
11 highest-earning households contribute a smaller proportion of
12 their income in state and local taxes compared to middle- and
13 lower-income families, creating an inequitable distribution of
14 the tax burden. While the lowest twenty per cent of income
15 earners in Hawaii, who make less than \$22,000 per year, pay
16 fourteen per cent of their income in state and local taxes, the
17 top one per cent, who earn over \$595,000 per year, pay only ten



1 per cent, according to the Institute on Taxation and Economic
2 Policy.

3 The legislature further finds that in the five years
4 between 2018 and 2022, Hawaii was in the top five states for
5 worsening income inequality, according to the State Science and
6 Technology Institute. In the ten years between 2013 and 2022,
7 Hawaii was in the top seven. Meanwhile, the wealthiest Hawaii
8 residents will receive disproportionate tax breaks due to the
9 federal One Big Beautiful Bill Act. In Hawaii, those in the top
10 one per cent of income will get a federal tax break of over
11 \$65,000 per year, while those in the lowest twenty per cent will
12 receive only \$50, according to the Institute on Taxation and
13 Economic Policy. In addition, while the tax breaks for the
14 wealthy were made permanent by the One Big Beautiful Bill Act,
15 those that benefit lower-income and working-class people will
16 expire at the end of 2028.

17 The legislature also finds that other states have tax
18 surcharges on millionaires. For example, California taxes
19 income above \$1,000,000 at a rate of 14.4 per cent. Other
20 states with similar millionaire surcharge tax rates include



1 Connecticut, Massachusetts, New Jersey, New York, and the
2 District of Columbia, according to the Tax Foundation.

3 The legislature believes that establishing a high-income
4 surtax is a fiscally responsible means of ensuring that those
5 who can most afford to pay are contributing proportionately to
6 the funding of shared public services, promoting equity,
7 economic stability, and long-term prosperity for the State.

8 Accordingly, the purpose of this Act is to establish an
9 additional three per cent income surtax for certain high-earning
10 taxpayers.

11 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
12 amended by adding a new section to part III to be appropriately
13 designated and to read as follows:

14 "§235- High-earners; surtax. (a) In addition to any
15 other tax imposed under this chapter, there shall be imposed a
16 surtax equal to three per cent of that portion of a taxpayer's
17 taxable income that exceeds the following threshold, based on
18 filing status:

19 (1) Joint filer: \$1,000,000;

20 (2) Head of household or surviving spouse: \$750,000; and



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1 (3) Unmarried individual (other than a surviving spouse or
 2 head of household) or married individual filing a
 3 separate return: \$500,000.


4 (b) The director of taxation shall annually adjust and
 5 publish the threshold amounts in subsection (a) to reflect any
 6 increases in the cost of living by the same method used for
 7 federal income tax brackets.

8 (c) The revenues collected under this section shall be
 9 expended for public education and transportation purposes,
 10 subject to legislative approval. The director of taxation shall
 11 report to the director of finance the total revenue collected
 12 each taxable year pursuant to this section."

13 SECTION 3. New statutory material is underscored.

14 SECTION 4. This Act, upon its approval, shall apply to
 15 taxable years beginning after December 31, 2025.

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INTRODUCED BY: 
 JAN 22 2026



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Report Title:

Income Tax; High-Earners Surtax

Description:

Establishes a high-earners surtax on taxable income for certain taxpayers.

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