
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- **Wealth proceeds surcharge.** (a) Notwithstanding any other law to the contrary, in addition to any other tax imposed under this chapter, there is imposed a wealth proceeds surcharge on every taxpayer other than a corporation. The amount of the surcharge shall be equal to per cent of the lesser of:

(1) Wealth proceeds for the taxable year; or

(2) Federal modified adjusted gross income for the taxable year, less the threshold amount.

(b) For an individual who is not a resident for the entire taxable year, the tax under this subsection shall be calculated as if the individual is a resident for the entire year, and that amount shall be multiplied by a fraction in which:



1 (1) The numerator is wealth proceeds allocable to the
2 State; and

3 (2) The denominator is the total amount of wealth proceeds
4 for the taxable year.

5 (c) For an estate or trust, the surcharge under this
6 section shall be calculated by multiplying the wealth proceeds
7 surcharge by a fraction, the numerator of which is the amount of
8 the estate or trust's wealth proceeds allocated to the State,
9 and the denominator of which is the taxpayer's total wealth
10 proceeds.

11 (d) All provisions of this chapter shall apply to the
12 wealth proceeds surcharge. The director of taxation shall have
13 all the rights and powers provided under this chapter to
14 administer the surcharge.

15 (e) The penalties provided by section 231-39 shall apply.

16 (f) The department of taxation may adopt rules pursuant to
17 chapter 91 to effectuate this section.

18 (g) For the purposes of this section:

19 "Federal modified adjusted gross income" shall be defined
20 to have the same meaning given in section 1411(d) of the
21 Internal Revenue Code, modified in accordance with the same



1 adjustments identified under paragraphs (1) through (4) of the
2 definition of "wealth proceeds".

3 "Threshold amount" shall be defined to have the same
4 meaning given in section 1411(b) of the Internal Revenue Code.

5 "Wealth proceeds" shall be defined to have the same meaning
6 as "net investment income" given in section 1411(c) of the
7 Internal Revenue Code, subject to the following adjustments:

8 (1) Excluding interest on United States obligations that
9 the State is prohibited from taxing under federal law;

10 (2) Including interest on obligations issued by state and
11 local governments other than Hawaii and its
12 subdivisions;

13 (3) Including net gain excluded under section 1202 of the
14 Internal Revenue Code;

15 (4) Including net gain excluded under section 1400Z-2 of
16 the Internal Revenue Code;

17 (5) Including net gain attributable to the disposition of
18 property held in a trade or business not described
19 under section 1411(c) (2) of the Internal Revenue Code;

20 (6) Including net gain described under the exception found
21 in section 1411(c) (4) of the Internal Revenue Code;



1 (7) Including net gain excluded under section 1411(c)(5)
2 of the Internal Revenue Code that is attributable to
3 net unrealized appreciation within the meaning of
4 section 402(e)(4) of the Internal Revenue Code; and

5 (8) Including, for a taxpayer who transferred property to
6 an incomplete gift non-grantor trust, "wealth
7 proceeds" of the trust as described under paragraphs
8 (1) through (7), less any deductions of the trust, to
9 the extent the wealth proceeds and deductions of the
10 trust would be taken into account in computing the
11 taxpayer's federal taxable income if the trust in its
12 entirety were treated as a grantor trust for federal
13 tax purposes.

14 For purposes of this paragraph, an "incomplete gift
15 non-grantor trust" means a resident trust that meets
16 the following conditions:

17 (A) The trust does not qualify as a grantor trust
18 under sections 671 through 679 of the Internal
19 Revenue Code; and

20 (B) The grantor's transfer of assets to the trust is
21 treated as an incomplete gift under section 2511



H.B. NO. 2623

1 of the Internal Revenue Code, and the regulations
2 thereunder."

3 SECTION 2. New statutory material is underscored.

4 SECTION 3. This Act, upon its approval, shall apply to
5 taxable years beginning after December 31, 2026.

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INTRODUCED BY: _____

A large, stylized handwritten signature in black ink, written over a horizontal line.

JAN 28 2026



H.B. NO. 2623

Report Title:

Income Tax; Wealth Proceeds Surcharge

Description:

Establishes a wealth proceeds surcharge on high-income individuals, estates, and trusts. Applies to taxable years beginning after 12/31/2026.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

