

JAN 22 2026

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## A BILL FOR AN ACT

RELATING TO CAPITAL GAINS.

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

1 SECTION 1. The legislature finds that Hawaii has a capital  
2 gains tax rate of 7.25 per cent, which is lower than the tax  
3 rate many of the State's residents pay on their wages and  
4 salaries. The legislature further finds that the low capital  
5 gains tax rate primarily benefits wealthy individuals, including  
6 nonresidents who invest in real estate in the State. According  
7 to the department of taxation, taxing capital gains at the same  
8 rate as ordinary income could generate over \$132,000,000 in its  
9 first year of implementation, with that amount rising to an  
10 estimated \$187,000,000 within six years.

11 The legislature additionally finds that revenue generated  
12 by taxing capital gains at the same rate as ordinary income  
13 could be used to strengthen basic government programs, including  
14 tax credits for working families, emergency preparedness,  
15 disaster prevention, public education, affordable housing,  
16 construction, mental health services, public preschool



1 programming, childcare access, climate change adaptation and  
2 mitigation, and homeless services.

3 The legislature further finds that because section 55(b) (3)  
4 of the Internal Revenue Code, which covers the maximum rate of  
5 tax on net capital gain of noncorporate taxpayers, is  
6 inoperative for the State, a simple repeal of the applicable  
7 provisions of the State's tax laws will impose the ordinary  
8 income tax rate to capital gains income.

9 Accordingly, the purpose of this Act is to strengthen tax  
10 fairness for working families by taxing capital gains at the  
11 same rate as ordinary income.

12 SECTION 2. Section 235-51, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 **"\$235-51 Tax imposed on individuals; rates.** (a) There is  
15 hereby imposed on the taxable income of every:

16 (1) Taxpayer who files a joint return under section  
17 235-93; and

18 (2) Surviving spouse,

19 a tax determined in accordance with the following table:

20 In the case of any taxable year beginning after  
21 December 31, 2017:



1	If the taxable income is:	The tax shall be:
2	Not over \$4,800	1.40% of taxable income
3	Over \$4,800 but	\$67.00 plus 3.20% of
4	not over \$9,600	excess over \$4,800
5	Over \$9,600 but	\$221.00 plus 5.50% of
6	not over \$19,200	excess over \$9,600
7	Over \$19,200 but	\$749.00 plus 6.40% of
8	not over \$28,800	excess over \$19,200
9	Over \$28,800 but	\$1,363.00 plus 6.80% of
10	not over \$38,400	excess over \$28,800
11	Over \$38,400 but	\$2,016.00 plus 7.20% of
12	not over \$48,000	excess over \$38,400
13	Over \$48,000 but	\$2,707.00 plus 7.60% of
14	not over \$72,000	excess over \$48,000
15	Over \$72,000 but	\$4,531.00 plus 7.90% of
16	not over \$96,000	excess over \$72,000
17	Over \$96,000 but	\$6,427.00 plus 8.25% of
18	not over \$300,000	excess over \$96,000
19	Over \$300,000 but	\$23,257.00 plus 9.00% of
20	not over \$350,000	excess over \$300,000
21	Over \$350,000 but	\$27,757.00 plus 10.00% of



1	not over \$400,000	excess over \$350,000
2	Over \$400,000	\$32,757.00 plus 11.00% of
3		excess over \$400,000.
4	In the case of any taxable year beginning after	
5	December 31, 2024:	
6	If the taxable income is:	The tax shall be:
7	Not over \$19,200	1.40% of taxable income
8	Over \$19,200 but	\$269.00 plus 3.20% of
9	not over \$28,800	excess over \$19,200
10	Over \$28,800 but	\$576.00 plus 5.50% of
11	not over \$38,400	excess over \$28,800
12	Over \$38,400 but	\$1,104.00 plus 6.40% of
13	not over \$48,000	excess over \$38,400
14	Over \$48,000 but	\$1,718.00 plus 6.80% of
15	not over \$72,000	excess over \$48,000
16	Over \$72,000 but	\$3,350.00 plus 7.20% of
17	not over \$96,000	excess over \$72,000
18	Over \$96,000 but	\$5,078.00 plus 7.60% of
19	not over \$250,000	excess over \$96,000
20	Over \$250,000 but	\$16,782.00 plus 7.90% of
21	not over \$350,000	excess over \$250,000



1	Over \$350,000 but not over \$450,000	\$24,682.00 plus 8.25% of excess over \$350,000
3	Over \$450,000 but not over \$550,000	\$32,932.00 plus 9.00% of excess over \$450,000
5	Over \$550,000 but not over \$650,000	\$41,932.00 plus 10.00% of excess over \$550,000
7	Over \$650,000	\$51,932.00 plus 11.00% of excess over \$650,000.
9	In the case of any taxable year beginning after December 31, 2026:	
11	If the taxable income is:	The tax shall be:
12	Not over \$28,800	1.40% of taxable income
13	Over \$28,800 but not over \$38,400	\$403.00 plus 3.20% of excess over \$28,800
15	Over \$38,400 but not over \$48,000	\$710.00 plus 5.50% of excess over \$38,400
17	Over \$48,000 but not over \$72,000	\$1,238.00 plus 6.40% of excess over \$48,000
19	Over \$72,000 but not over \$96,000	\$2,774.00 plus 6.80% of excess over \$72,000
21	Over \$96,000 but	\$4,406.00 plus 7.20% of



1	not over \$250,000	excess over \$96,000
2	Over \$250,000 but	\$15,494.00 plus 7.60% of
3	not over \$350,000	excess over \$250,000
4	Over \$350,000 but	\$23,094.00 plus 7.90% of
5	not over \$450,000	excess over \$350,000
6	Over \$450,000 but	\$30,994.00 plus 8.25% of
7	not over \$550,000	excess over \$450,000
8	Over \$550,000 but	\$39,244.00 plus 9.00% of
9	not over \$650,000	excess over \$550,000
10	Over \$650,000 but	\$48,244.00 plus 10.00% of
11	not over \$800,000	excess over \$650,000
12	Over \$800,000	\$63,244.00 plus 11.00% of
13		excess over \$800,000.
14	In the case of any taxable year beginning after	
15	December 31, 2028:	
16	If the taxable income is:	The tax shall be:
17	Not over \$38,400	1.40% of taxable income
18	Over \$38,400 but	\$538.00 plus 3.20% of
19	not over \$48,000	excess over \$38,400
20	Over \$48,000 but	\$845.00 plus 5.50% of
21	not over \$72,000	excess over \$48,000



1	Over \$72,000 but not over \$96,000	\$2,165.00 plus 6.40% of excess over \$72,000
3	Over \$96,000 but not over \$250,000	\$3,701.00 plus 6.80% of excess over \$96,000
5	Over \$250,000 but not over \$350,000	\$14,173.00 plus 7.20% of excess over \$250,000
7	Over \$350,000 but not over \$450,000	\$21,373.00 plus 7.60% of excess over \$350,000
9	Over \$450,000 but not over \$550,000	\$28,973.00 plus 7.90% of excess over \$450,000
11	Over \$550,000 but not over \$650,000	\$36,873.00 plus 8.25% of excess over \$550,000
13	Over \$650,000 but not over \$800,000	\$45,123.00 plus 9.00% of excess over \$650,000
15	Over \$800,000 but not over \$950,000	\$58,623.00 plus 10.00% of excess over \$800,000
17	Over \$950,000	\$73,623.00 plus 11.00% of excess over \$950,000.
19	(b) There is hereby imposed on the taxable income of every head of a household a tax determined in accordance with the following table:	



1	In the case of any taxable year beginning after	
2	December 31, 2017:	
3	If the taxable income is:	The tax shall be:
4	Not over \$3,600	1.40% of taxable income
5	Over \$3,600 but	\$50.00 plus 3.20% of
6	not over \$7,200	excess over \$3,600
7	Over \$7,200 but	\$166.00 plus 5.50% of
8	not over \$14,400	excess over \$7,200
9	Over \$14,400 but	\$562.00 plus 6.40% of
10	not over \$21,600	excess over \$14,400
11	Over \$21,600 but	\$1,022.00 plus 6.80% of
12	not over \$28,800	excess over \$21,600
13	Over \$28,800 but	\$1,512.00 plus 7.20% of
14	not over \$36,000	excess over \$28,800
15	Over \$36,000 but	\$2,030.00 plus 7.60% of
16	not over \$54,000	excess over \$36,000
17	Over \$54,000 but	\$3,398.00 plus 7.90% of
18	not over \$72,000	excess over \$54,000
19	Over \$72,000 but	\$4,820.00 plus 8.25% of
20	not over \$225,000	excess over \$72,000
21	Over \$225,000 but	\$17,443.00 plus 9.00% of



1	not over \$262,500	excess over \$225,000
2	Over \$262,500 but	\$20,818.00 plus 10.00% of
3	not over \$300,000	excess over \$262,500
4	Over \$300,000	\$24,568.00 plus 11.00% of
5		excess over \$300,000.

6 In the case of any taxable year beginning after  
 7 December 31, 2024:

8	If the taxable income is:	The tax shall be:
9	Not over \$14,400	1.40% of taxable income
10	Over \$14,400 but	\$202.00 plus 3.20% of
11	not over \$21,600	excess over \$14,400
12	Over \$21,600 but	\$432.00 plus 5.50% of
13	not over \$28,800	excess over \$21,600
14	Over \$28,800 but	\$828.00 plus 6.40% of
15	not over \$36,000	excess over \$28,800
16	Over \$36,000 but	\$1,289.00 plus 6.80% of
17	not over \$54,000	excess over \$36,000
18	Over \$54,000 but	\$2,513.00 plus 7.20% of
19	not over \$72,000	excess over \$54,000
20	Over \$72,000 but	\$3,809.00 plus 7.60% of
21	not over \$187,500	excess over \$72,000



1	Over \$187,500 but not over \$262,500	\$12,587.00 plus 7.90% of excess over \$187,500
3	Over \$262,500 but not over \$337,500	\$18,512.00 plus 8.25% of excess over \$262,500
5	Over \$337,500 but not over \$412,500	\$24,699.00 plus 9.00% of excess over \$337,500
7	Over \$412,500 but not over \$487,500	\$31,449.00 plus 10.00% of excess over \$412,500
9	Over \$487,500	\$38,949.00 plus 11.00% of excess over \$487,500.
11	In the case of any taxable year beginning after December 31, 2026:	
13	If the taxable income is:	The tax shall be:
14	Not over \$21,600	1.40% of taxable income
15	Over \$21,600 but not over \$28,800	\$302.00 plus 3.20% of excess over \$21,600
17	Over \$28,800 but not over \$36,000	\$533.00 plus 5.50% of excess over \$28,800
19	Over \$36,000 but not over \$54,000	\$929.00 plus 6.40% of excess over \$36,000
21	Over \$54,000 but	\$2,081.00 plus 6.80% of



1	not over \$72,000	excess over \$54,000
2	Over \$72,000 but	\$3,305.00 plus 7.20% of
3	not over \$187,500	excess over \$72,000
4	Over \$187,500 but	\$11,621.00 plus 7.60% of
5	not over \$262,500	excess over \$187,500
6	Over \$262,500 but	\$17,321.00 plus 7.90% of
7	not over \$337,500	excess over \$262,500
8	Over \$337,500 but	\$23,246.00 plus 8.25% of
9	not over \$412,500	excess over \$337,500
10	Over \$412,500 but	\$29,433.00 plus 9.00% of
11	not over \$487,500	excess over \$412,500
12	Over \$487,500 but	\$36,183.00 plus 10.00% of
13	not over \$600,000	excess over \$487,500
14	Over \$600,000	\$47,433.00 plus 11.00% of
15		excess over \$600,000.

16 In the case of any taxable year beginning after

17 December 31, 2028:

18	If the taxable income is:	The tax shall be:
19	Not over \$28,800	1.40% of taxable income
20	Over \$28,800 but	\$403.00 plus 3.20% of
21	not over \$36,000	excess over \$28,800



1	Over \$36,000 but not over \$54,000	\$634.00 plus 5.50% of excess over \$36,000
3	Over \$54,000 but not over \$72,000	\$1,624.00 plus 6.40% of excess over \$54,000
5	Over \$72,000 but not over \$187,500	\$2,776.00 plus 6.80% of excess over \$72,000
7	Over \$187,500 but not over \$262,500	\$10,630.00 plus 7.20% of excess over \$187,500
9	Over \$262,500 but not over \$337,500	\$16,030.00 plus 7.60% of excess over \$262,500
11	Over \$337,500 but not over \$412,500	\$21,730.00 plus 7.90% of excess over \$337,500
13	Over \$412,500 but not over \$487,500	\$27,655.00 plus 8.25% of excess over \$412,500
15	Over \$487,500 but not over \$600,000	\$33,842.00 plus 9.00% of excess over \$487,500
17	Over \$600,000 but not over \$712,500	\$43,967.00 plus 10.00% of excess over \$600,000
19	Over \$712,500	\$55,217.00 plus 11.00% of excess over \$712,500.
21	(c) There is hereby imposed on the taxable income of (1)	



- 1 every unmarried individual (other than a surviving spouse, or
- 2 the head of a household) and (2) on the taxable income of every
- 3 married individual who does not make a single return jointly
- 4 with the individual's spouse under section 235-93 a tax
- 5 determined in accordance with the following table:

6 In the case of any taxable year beginning after

7 December 31, 2017:

8	If the taxable income is:	The tax shall be:
9	Not over \$2,400	1.40% of taxable income
10	Over \$2,400 but	\$34.00 plus 3.20% of
11	not over \$4,800	excess over \$2,400
12	Over \$4,800 but	\$110.00 plus 5.50% of
13	not over \$9,600	excess over \$4,800
14	Over \$9,600 but	\$374.00 plus 6.40% of
15	not over \$14,400	excess over \$9,600
16	Over \$14,400 but	\$682.00 plus 6.80% of
17	not over \$19,200	excess over \$14,400
18	Over \$19,200 but	\$1,008.00 plus 7.20% of
19	not over \$24,000	excess over \$19,200
20	Over \$24,000 but	\$1,354.00 plus 7.60% of
21	not over \$36,000	excess over \$24,000



1	Over \$36,000 but	\$2,266.00 plus 7.90% of
2	not over \$48,000	excess over \$36,000
3	Over \$48,000 but	\$3,214.00 plus 8.25% of
4	not over \$150,000	excess over \$48,000
5	Over \$150,000 but	\$11,629.00 plus 9.00% of
6	not over \$175,000	excess over \$150,000
7	Over \$175,000 but	\$13,879.00 plus 10.00% of
8	not over \$200,000	excess over \$175,000
9	Over \$200,000	\$16,379.00 plus 11.00% of
10		excess over \$200,000.
11	In the case of any taxable year beginning after	
12	December 31, 2024:	
13	If the taxable income is:	The tax shall be:
14	Not over \$9,600	1.40% of taxable income
15	Over \$9,600 but	\$134.00 plus 3.20% of
16	not over \$14,400	excess over \$9,600
17	Over \$14,400 but	\$288.00 plus 5.50% of
18	not over \$19,200	excess over \$14,400
19	Over \$19,200 but	\$552.00 plus 6.40% of
20	not over \$24,000	excess over \$19,200
21	Over \$24,000 but	\$859.00 plus 6.80% of



1	not over \$36,000	excess over \$24,000
2	Over \$36,000 but	\$1,675.00 plus 7.20% of
3	not over \$48,000	excess over \$36,000
4	Over \$48,000 but	\$2,539.00 plus 7.60% of
5	not over \$125,000	excess over \$48,000
6	Over \$125,000 but	\$8,391.00 plus 7.90% of
7	not over \$175,000	excess over \$125,000
8	Over \$175,000 but	\$12,341.00 plus 8.25% of
9	not over \$225,000	excess over \$175,000
10	Over \$225,000 but	\$16,466.00 plus 9.00% of
11	not over \$275,000	excess over \$225,000
12	Over \$275,000 but	\$20,966.00 plus 10.00% of
13	not over \$325,000	excess over \$275,000
14	Over \$325,000	\$25,966.00 plus 11.00% of
15		excess over \$325,000.
16	In the case of any taxable year beginning after	
17	December 31, 2026:	
18	If the taxable income is:	The tax shall be:
19	Not over \$14,400	1.40% of taxable income
20	Over \$14,400 but	\$202.00 plus 3.20% of
21	not over \$19,200	excess over \$14,400



1	Over \$19,200 but not over \$24,000	\$355.00 plus 5.50% of excess over \$19,200
3	Over \$24,000 but not over \$36,000	\$619.00 plus 6.40% of excess over \$24,000
5	Over \$36,000 but not over \$48,000	\$1,387.00 plus 6.80% of excess over \$36,000
7	Over \$48,000 but not over \$125,000	\$2,203.00 plus 7.20% of excess over \$48,000
9	Over \$125,000 but not over \$175,000	\$7,747.00 plus 7.60% of excess over \$125,000
11	Over \$175,000 but not over \$225,000	\$11,547.00 plus 7.90% of excess over \$175,000
13	Over \$225,000 but not over \$275,000	\$15,497.00 plus 8.25% of excess over \$225,000
15	Over \$275,000 but not over \$325,000	\$19,622.00 plus 9.00% of excess over \$275,000
17	Over \$325,000 but not over \$400,000	\$24,122.00 plus 10.00% of excess over \$325,000
19	Over \$400,000	\$31,622.00 plus 11.00% of excess over \$400,000.
21	In the case of any taxable year beginning after	



1	December 31, 2028:	
2	If the taxable income is:	The tax shall be:
3	Not over \$19,200	1.40% of taxable income
4	Over \$19,200 but	\$269.00 plus 3.20% of
5	not over \$24,000	excess over \$19,200
6	Over \$24,000 but	\$422.00 plus 5.50% of
7	not over \$36,000	excess over \$24,000
8	Over \$36,000 but	\$1,082.00 plus 6.40% of
9	not over \$48,000	excess over \$36,000
10	Over \$48,000 but	\$1,850.00 plus 6.80% of
11	not over \$125,000	excess over \$48,000
12	Over \$125,000 but	\$7,086.00 plus 7.20% of
13	not over \$175,000	excess over \$125,000
14	Over \$175,000 but	\$10,686.00 plus 7.60% of
15	not over \$225,000	excess over \$175,000
16	Over \$225,000 but	\$14,486.00 plus 7.90% of
17	not over \$275,000	excess over \$225,000
18	Over \$275,000 but	\$18,436.00 plus 8.25% of
19	not over \$325,000	excess over \$275,000
20	Over \$325,000 but	\$22,561.00 plus 9.00% of
21	not over \$400,000	excess over \$325,000



1	Over \$400,000 but	\$29,311.00 plus 10.00% of
2	not over \$475,000	excess over \$400,000
3	Over \$475,000	\$36,811.00 plus 11.00% of
4		excess over \$475,000.

5                   (d) The tax imposed by section 235-2.45 on estates and  
 6 trusts shall be determined in accordance with the following  
 7 table:

8                   In the case of any taxable year beginning after  
 9 December 31, 2001:

10	If the taxable income is:	The tax shall be:
11	Not over \$2,000	1.40% of taxable income
12	Over \$2,000 but	\$28.00 plus 3.20% of
13	not over \$4,000	excess over \$2,000
14	Over \$4,000 but	\$92.00 plus 5.50% of
15	not over \$8,000	excess over \$4,000
16	Over \$8,000 but	\$312.00 plus 6.40% of
17	not over \$12,000	excess over \$8,000
18	Over \$12,000 but	\$568.00 plus 6.80% of
19	not over \$16,000	excess over \$12,000
20	Over \$16,000 but	\$840.00 plus 7.20% of
21	not over \$20,000	excess over \$16,000



1	Over \$20,000 but	\$1,128.00 plus 7.60% of
2	not over \$30,000	excess over \$20,000
3	Over \$30,000 but	\$1,888.00 plus 7.90% of
4	not over \$40,000	excess over \$30,000
5	Over \$40,000	\$2,678.00 plus 8.25% of
6		excess over \$40,000.

7       (e) Any taxpayer, other than a corporation, acting as a  
8 business entity in more than one state who is required by this  
9 chapter to file a return may elect to report and pay a tax of .5  
10 per cent of the taxpayer's annual gross sales if the:

11       (1) Taxpayer's only activities in this State consist of  
12           sales;  
13       (2) Taxpayer does not own or rent real estate or tangible  
14           personal property; and  
15       (3) Taxpayer's annual gross sales in or into this State  
16           during the tax year is not in excess of \$100,000.

17       ~~(f) If a taxpayer has a net capital gain for any taxable  
18 year to which this subsection applies, then the tax imposed by  
19 this section shall not exceed the sum of:~~



1           (1) The tax computed at the rates and in the same manner  
2           as if this subsection had not been enacted on the  
3           greater of:  
4           (A) The taxable income reduced by the amount of net  
5           capital gain, or  
6           (B) The amount of taxable income taxed at a rate  
7           below 7.25 per cent, plus  
8           (2) A tax of 7.25 per cent of the amount of taxable income  
9           in excess of the amount determined under paragraph  
10           (1).

11           This subsection shall apply to individuals, estates, and  
12           trusts for taxable years beginning after December 31, 1986.] "

13           SECTION 3. Statutory material to be repealed is bracketed  
14           and stricken.

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

17

INTRODUCED BY: Karl Rhoads



S.B. NO. 2441

**Report Title:**

Capital Gains Tax; Rate; Repeal

**Description:**

Taxes capital gains income at the same rate as ordinary income.

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