

JAN 22 2026

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 recent federal tax
2 cuts enacted primarily for the benefit of the nation's highest-
3 income individuals have been financed, in part, through
4 reductions and restructuring in federal medicaid funding. These
5 federal policy choices have shifted significant costs and
6 responsibilities onto states, requiring them to absorb funding
7 gaps in order to preserve access to essential health care
8 services for vulnerable populations. As a result, states such
9 as Hawaii face increased fiscal pressure to maintain medicaid
10 coverage, support health care providers, and prevent the erosion
11 of critical health services for residents who rely on them.

12 The legislature further finds that federal cuts and changes
13 to medicaid have also resulted in the potential loss of
14 \$400,000,000 in federal medicaid spending in the State that will
15 strain hospitals and community health centers and result in the
16 potential loss of health care coverage for as many as forty-one
17 thousand Hawaii residents.



1 The legislature further finds that a modest surcharge on
2 taxable income exceeding \$1,000,000 would provide dedicated
3 revenue to address these needs while ensuring that Hawaii's
4 highest-income taxpayers contribute their fair share to the
5 State's priorities.

6 Similar taxes have been successfully implemented in other
7 states, including Massachusetts, which enacted a four per cent
8 surtax on taxable income over \$1,000,000 in 2023. Early data
9 from Massachusetts shows that the tax has generated substantial
10 revenue without causing significant taxpayer migration or
11 economic harm.

12 Accordingly, the purpose of this Act is to establish a two
13 per cent surcharge on taxable income exceeding \$1,000,000 to
14 provide funding, if approved by the legislature, for the State's
15 medicaid program.

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

18 "**§235-51 Tax imposed on individuals; rates.** (a) There is
19 hereby imposed on the taxable income of every:

20 (1) Taxpayer who files a joint return under section 235-
21 93; and



(2) Surviving spouse,
a tax determined in accordance with the following table:
In the case of any taxable year beginning after December
31, 2017:

If the taxable income is:	The tax shall be:
Not over \$4,800	1.40% of taxable income
Over \$4,800 but not over \$9,600	\$67.00 plus 3.20% of excess over \$4,800
Over \$9,600 but not over \$19,200	\$221.00 plus 5.50% of excess over \$9,600
Over \$19,200 but not over \$28,800	\$749.00 plus 6.40% of excess over \$19,200
Over \$28,800 but not over \$38,400	\$1,363.00 plus 6.80% of excess over \$28,800
Over \$38,400 but not over \$48,000	\$2,016.00 plus 7.20% of excess over \$38,400
Over \$48,000 but not over \$72,000	\$2,707.00 plus 7.60% of excess over \$48,000
Over \$72,000 but not over \$96,000	\$4,531.00 plus 7.90% of excess over \$72,000
Over \$96,000 but	\$6,427.00 plus 8.25% of



1	not over \$300,000	excess over \$96,000
2	Over \$300,000 but	\$23,257.00 plus 9.00% of
3	not over \$350,000	excess over \$300,000
4	Over \$350,000 but	\$27,757.00 plus 10.00% of
5	not over \$400,000	excess over \$350,000
6	Over \$400,000	\$32,757.00 plus 11.00% of
7		excess over \$400,000.
8	In the case of any taxable year beginning after December	
9	31, 2024:	
10	If the taxable income is:	The tax shall be:
11	Not over \$19,200	1.40% of taxable income
12	Over \$19,200 but	\$269.00 plus 3.20% of
13	not over \$28,800	excess over \$19,200
14	Over \$28,800 but	\$576.00 plus 5.50% of
15	not over \$38,400	excess over \$28,800
16	Over \$38,400 but	\$1,104.00 plus 6.40% of
17	not over \$48,000	excess over \$38,400
18	Over \$48,000 but	\$1,718.00 plus 6.80% of
19	not over \$72,000	excess over \$48,000
20	Over \$72,000 but	\$3,350.00 plus 7.20% of
21	not over \$96,000	excess over \$72,000



1	Over \$96,000 but	\$5,078.00 plus 7.60% of
2	not over \$250,000	excess over \$96,000
3	Over \$250,000 but	\$16,782.00 plus 7.90% of
4	not over \$350,000	excess over \$250,000
5	Over \$350,000 but	\$24,682.00 plus 8.25% of
6	not over \$450,000	excess over \$350,000
7	Over \$450,000 but	\$32,932.00 plus 9.00% of
8	not over \$550,000	excess over \$450,000
9	Over \$550,000 but	\$41,932.00 plus 10.00% of
10	not over \$650,000	excess over \$550,000
11	Over \$650,000	\$51,932.00 plus 11.00% of
12		excess over \$650,000.
13	In the case of any taxable year beginning after December	
14	31, 2026:	
15	If the taxable income is:	The tax shall be:
16	Not over \$28,800	1.40% of taxable income
17	Over \$28,800 but	\$403.00 plus 3.20% of
18	not over \$38,400	excess over \$28,800
19	Over \$38,400 but	\$710.00 plus 5.50% of
20	not over \$48,000	excess over \$38,400
21	Over \$48,000 but	\$1,238.00 plus 6.40% of



S.B. NO. 2468

1	not over \$72,000	excess over \$48,000
2	Over \$72,000 but	\$2,774.00 plus 6.80% of
3	not over \$96,000	excess over \$72,000
4	Over \$96,000 but	\$4,406.00 plus 7.20% of
5	not over \$250,000	excess over \$96,000
6	Over \$250,000 but	\$15,494.00 plus 7.60% of
7	not over \$350,000	excess over \$250,000
8	Over \$350,000 but	\$23,094.00 plus 7.90% of
9	not over \$450,000	excess over \$350,000
10	Over \$450,000 but	\$30,994.00 plus 8.25% of
11	not over \$550,000	excess over \$450,000
12	Over \$550,000 but	\$39,244.00 plus 9.00% of
13	not over \$650,000	excess over \$550,000
14	Over \$650,000 but	\$48,244.00 plus 10.00% of
15	not over \$800,000	excess over \$650,000
16	Over \$800,000	\$63,244.00 plus 11.00% of
17		excess over \$800,000.

18 In the case of any taxable year beginning after December
 19 31, 2028:

20	If the taxable income is:	The tax shall be:
21	Not over \$38,400	1.40% of taxable income



1	Over \$38,400 but	\$538.00 plus 3.20% of
2	not over \$48,000	excess over \$38,400
3	Over \$48,000 but	\$845.00 plus 5.50% of
4	not over \$72,000	excess over \$48,000
5	Over \$72,000 but	\$2,165.00 plus 6.40% of
6	not over \$96,000	excess over \$72,000
7	Over \$96,000 but	\$3,701.00 plus 6.80% of
8	not over \$250,000	excess over \$96,000
9	Over \$250,000 but	\$14,173.00 plus 7.20% of
10	not over \$350,000	excess over \$250,000
11	Over \$350,000 but	\$21,373.00 plus 7.60% of
12	not over \$450,000	excess over \$350,000
13	Over \$450,000 but	\$28,973.00 plus 7.90% of
14	not over \$550,000	excess over \$450,000
15	Over \$550,000 but	\$36,873.00 plus 8.25% of
16	not over \$650,000	excess over \$550,000
17	Over \$650,000 but	\$45,123.00 plus 9.00% of
18	not over \$800,000	excess over \$650,000
19	Over \$800,000 but	\$58,623.00 plus 10.00% of
20	not over \$950,000	excess over \$800,000
21	Over \$950,000	\$73,623.00 plus 11.00% of



1 excess over \$950,000.

2 (b) There is hereby imposed on the taxable income of every
3 head of a household a tax determined in accordance with the
4 following table:

5 In the case of any taxable year beginning after December
6 31, 2017:

7	If the taxable income is:	The tax shall be:
8	Not over \$3,600	1.40% of taxable income
9	Over \$3,600 but	\$50.00 plus 3.20% of
10	not over \$7,200	excess over \$3,600
11	Over \$7,200 but	\$166.00 plus 5.50% of
12	not over \$14,400	excess over \$7,200
13	Over \$14,400 but	\$562.00 plus 6.40% of
14	not over \$21,600	excess over \$14,400
15	Over \$21,600 but	\$1,022.00 plus 6.80% of
16	not over \$28,800	excess over \$21,600
17	Over \$28,800 but	\$1,512.00 plus 7.20% of
18	not over \$36,000	excess over \$28,800
19	Over \$36,000 but	\$2,030.00 plus 7.60% of
20	not over \$54,000	excess over \$36,000
21	Over \$54,000 but	\$3,398.00 plus 7.90% of



1	not over \$72,000	excess over \$54,000
2	Over \$72,000 but	\$4,820.00 plus 8.25% of
3	not over \$225,000	excess over \$72,000
4	Over \$225,000 but	\$17,443.00 plus 9.00% of
5	not over \$262,500	excess over \$225,000
6	Over \$262,500 but	\$20,818.00 plus 10.00% of
7	not over \$300,000	excess over \$262,500
8	Over \$300,000	\$24,568.00 plus 11.00% of
9		excess over \$300,000.

10 In the case of any taxable year beginning after December
11 31, 2024:

12	If the taxable income is:	The tax shall be:
13	Not over \$14,400	1.40% of taxable income
14	Over \$14,400 but	\$202.00 plus 3.20% of
15	not over \$21,600	excess over \$14,400
16	Over \$21,600 but	\$432.00 plus 5.50% of
17	not over \$28,800	excess over \$21,600
18	Over \$28,800 but	\$828.00 plus 6.40% of
19	not over \$36,000	excess over \$28,800
20	Over \$36,000 but	\$1,289.00 plus 6.80% of
21	not over \$54,000	excess over \$36,000



1	Over \$54,000 but	\$2,513.00 plus 7.20% of
2	not over \$72,000	excess over \$54,000
3	Over \$72,000 but	\$3,809.00 plus 7.60% of
4	not over \$187,500	excess over \$72,000
5	Over \$187,500 but	\$12,587.00 plus 7.90% of
6	not over \$262,500	excess over \$187,500
7	Over \$262,500 but	\$18,512.00 plus 8.25% of
8	not over \$337,500	excess over \$262,500
9	Over \$337,500 but	\$24,699.00 plus 9.00% of
10	not over \$412,500	excess over \$337,500
11	Over \$412,500 but	\$31,449.00 plus 10.00% of
12	not over \$487,500	excess over \$412,500
13	Over \$487,500	\$38,949.00 plus 11.00% of
14		excess over \$487,500.

15 In the case of any taxable year beginning after December
 16 31, 2026:

17	If the taxable income is:	The tax shall be:
18	Not over \$21,600	1.40% of taxable income
19	Over \$21,600 but	\$302.00 plus 3.20% of
20	not over \$28,800	excess over \$21,600
21	Over \$28,800 but	\$533.00 plus 5.50% of



S.B. NO. 2468

1	not over \$36,000	excess over \$28,800
2	Over \$36,000 but	\$929.00 plus 6.40% of
3	not over \$54,000	excess over \$36,000
4	Over \$54,000 but	\$2,081.00 plus 6.80% of
5	not over \$72,000	excess over \$54,000
6	Over \$72,000 but	\$3,305.00 plus 7.20% of
7	not over \$187,500	excess over \$72,000
8	Over \$187,500 but	\$11,621.00 plus 7.60% of
9	not over \$262,500	excess over \$187,500
10	Over \$262,500 but	\$17,321.00 plus 7.90% of
11	not over \$337,500	excess over \$262,500
12	Over \$337,500 but	\$23,246.00 plus 8.25% of
13	not over \$412,500	excess over \$337,500
14	Over \$412,500 but	\$29,433.00 plus 9.00% of
15	not over \$487,500	excess over \$412,500
16	Over \$487,500 but	\$36,183.00 plus 10.00% of
17	not over \$600,000	excess over \$487,500
18	Over \$600,000	\$47,433.00 plus 11.00% of
19		excess over \$600,000.
20	In the case of any taxable year beginning after December	
21	31, 2028:	



1	If the taxable income is:	The tax shall be:
2	Not over \$28,800	1.40% of taxable income
3	Over \$28,800 but	\$403.00 plus 3.20% of
4	not over \$36,000	excess over \$28,800
5	Over \$36,000 but	\$634.00 plus 5.50% of
6	not over \$54,000	excess over \$36,000
7	Over \$54,000 but	\$1,624.00 plus 6.40% of
8	not over \$72,000	excess over \$54,000
9	Over \$72,000 but	\$2,776.00 plus 6.80% of
10	not over \$187,500	excess over \$72,000
11	Over \$187,500 but	\$10,630.00 plus 7.20% of
12	not over \$262,500	excess over \$187,500
13	Over \$262,500 but	\$16,030.00 plus 7.60% of
14	not over \$337,500	excess over \$262,500
15	Over \$337,500 but	\$21,730.00 plus 7.90% of
16	not over \$412,500	excess over \$337,500
17	Over \$412,500 but	\$27,655.00 plus 8.25% of
18	not over \$487,500	excess over \$412,500
19	Over \$487,500 but	\$33,842.00 plus 9.00% of
20	not over \$600,000	excess over \$487,500
21	Over \$600,000 but	\$43,967.00 plus 10.00% of



1	not over \$712,500	excess over \$600,000
2	Over \$712,500	\$55,217.00 plus 11.00% of
3		excess over \$712,500.

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

10 In the case of any taxable year beginning after December
 11 31, 2017:

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



1	Over \$19,200 but	\$1,008.00 plus 7.20% of
2	not over \$24,000	excess over \$19,200
3	Over \$24,000 but	\$1,354.00 plus 7.60% of
4	not over \$36,000	excess over \$24,000
5	Over \$36,000 but	\$2,266.00 plus 7.90% of
6	not over \$48,000	excess over \$36,000
7	Over \$48,000 but	\$3,214.00 plus 8.25% of
8	not over \$150,000	excess over \$48,000
9	Over \$150,000 but	\$11,629.00 plus 9.00% of
10	not over \$175,000	excess over \$150,000
11	Over \$175,000 but	\$13,879.00 plus 10.00% of
12	not over \$200,000	excess over \$175,000
13	Over \$200,000	\$16,379.00 plus 11.00% of
14		excess over \$200,000.

15 In the case of any taxable year beginning after December
 16 31, 2024:

17	If the taxable income is:	The tax shall be:
18	Not over \$9,600	1.40% of taxable income
19	Over \$9,600 but	\$134.00 plus 3.20% of
20	not over \$14,400	excess over \$9,600
21	Over \$14,400 but	\$288.00 plus 5.50% of



1	not over \$19,200	excess over \$14,400
2	Over \$19,200 but	\$552.00 plus 6.40% of
3	not over \$24,000	excess over \$19,200
4	Over \$24,000 but	\$859.00 plus 6.80% of
5	not over \$36,000	excess over \$24,000
6	Over \$36,000 but	\$1,675.00 plus 7.20% of
7	not over \$48,000	excess over \$36,000
8	Over \$48,000 but	\$2,539.00 plus 7.60% of
9	not over \$125,000	excess over \$48,000
10	Over \$125,000 but	\$8,391.00 plus 7.90% of
11	not over \$175,000	excess over \$125,000
12	Over \$175,000 but	\$12,341.00 plus 8.25% of
13	not over \$225,000	excess over \$175,000
14	Over \$225,000 but	\$16,466.00 plus 9.00% of
15	not over \$275,000	excess over \$225,000
16	Over \$275,000 but	\$20,966.00 plus 10.00% of
17	not over \$325,000	excess over \$275,000
18	Over \$325,000	\$25,966.00 plus 11.00% of
19		excess over \$325,000.
20	In the case of any taxable year beginning after December	
21	31, 2026:	



1	If the taxable income is:	The tax shall be:
2	Not over \$14,400	1.40% of taxable income
3	Over \$14,400 but	\$202.00 plus 3.20% of
4	not over \$19,200	excess over \$14,400
5	Over \$19,200 but	\$355.00 plus 5.50% of
6	not over \$24,000	excess over \$19,200
7	Over \$24,000 but	\$619.00 plus 6.40% of
8	not over \$36,000	excess over \$24,000
9	Over \$36,000 but	\$1,387.00 plus 6.80% of
10	not over \$48,000	excess over \$36,000
11	Over \$48,000 but	\$2,203.00 plus 7.20% of
12	not over \$125,000	excess over \$48,000
13	Over \$125,000 but	\$7,747.00 plus 7.60% of
14	not over \$175,000	excess over \$125,000
15	Over \$175,000 but	\$11,547.00 plus 7.90% of
16	not over \$225,000	excess over \$175,000
17	Over \$225,000 but	\$15,497.00 plus 8.25% of
18	not over \$275,000	excess over \$225,000
19	Over \$275,000 but	\$19,622.00 plus 9.00% of
20	not over \$325,000	excess over \$275,000
21	Over \$325,000 but	\$24,122.00 plus 10.00% of



S.B. NO. 2468

1 not over \$400,000 excess over \$325,000
2 Over \$400,000 \$31,622.00 plus 11.00% of
3 excess over \$400,000.
4 In the case of any taxable year beginning after December
5 31, 2028:
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 \$24,000 excess over \$19,200
10 Over \$24,000 but \$422.00 plus 5.50% of
11 not over \$36,000 excess over \$24,000
12 Over \$36,000 but \$1,082.00 plus 6.40% of
13 not over \$48,000 excess over \$36,000
14 Over \$48,000 but \$1,850.00 plus 6.80% of
15 not over \$125,000 excess over \$48,000
16 Over \$125,000 but \$7,086.00 plus 7.20% of
17 not over \$175,000 excess over \$125,000
18 Over \$175,000 but \$10,686.00 plus 7.60% of
19 not over \$225,000 excess over \$175,000
20 Over \$225,000 but \$14,486.00 plus 7.90% of
21 not over \$275,000 excess over \$225,000



1	Over \$275,000 but	\$18,436.00 plus 8.25% of
2	not over \$325,000	excess over \$275,000
3	Over \$325,000 but	\$22,561.00 plus 9.00% of
4	not over \$400,000	excess over \$325,000
5	Over \$400,000 but	\$29,311.00 plus 10.00% of
6	not over \$475,000	excess over \$400,000
7	Over \$475,000	\$36,811.00 plus 11.00% of
8		excess over \$475,000.

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

12 In the case of any taxable year beginning after December
13 31, 2001:

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



1	Over \$12,000 but	\$568.00 plus 6.80% of
2	not over \$16,000	excess over \$12,000
3	Over \$16,000 but	\$840.00 plus 7.20% of
4	not over \$20,000	excess over \$16,000
5	Over \$20,000 but	\$1,128.00 plus 7.60% of
6	not over \$30,000	excess over \$20,000
7	Over \$30,000 but	\$1,888.00 plus 7.90% of
8	not over \$40,000	excess over \$30,000
9	Over \$40,000	\$2,678.00 plus 8.25% of
10		excess over \$40,000.

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

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



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

4 (1) The tax computed at the rates and in the same manner
5 as if this subsection had not been enacted on the
6 greater of:

7 (A) The taxable income reduced by the amount of net
8 capital gain, or

9 (B) The amount of taxable income taxed at a rate
10 below 7.25 per cent, plus

11 (2) A tax of 7.25 per cent of the amount of taxable income
12 in excess of the amount determined under paragraph

13 (1).

14 This subsection shall apply to individuals, estates, and
15 trusts for taxable years beginning after December 31, 1986.

16 (g) In addition to the taxes imposed under subsections
17 (a), (b), and (c), there is hereby imposed on the taxable income
18 of every taxpayer filing a return under this chapter, a
19 surcharge of two per cent of the taxable income in excess of
20 \$1,000,000.



1 The surcharge imposed by this subsection shall apply to the
2 taxable income of every taxpayer, regardless of filing status.

3 The surcharge calculated under this subsection shall be a
4 separate liability and shall be added to the tax liability
5 calculated under subsections (a), (b), and (c).

6 Revenues collected under this subsection for a taxable year
7 shall be deposited into a subaccount and earmarked for the state
8 medicaid program. If the legislature in the regular session
9 immediately following the taxable year so approves, by
10 concurrent resolution, the revenues shall be released and
11 expended for the purposes of funding the state medicaid program.
12 If the legislature fails to approve such use, the revenues shall
13 be deposited into the general fund."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect upon its approval
16 and shall apply to taxable years beginning after December 31,
17 2025.

18
INTRODUCED BY: Karl Rhoads



S.B. NO. 2468

Report Title:

Income Tax Surcharge; State Medicaid Program; Legislative Approval

Description:

Establishes a surcharge on taxable income exceeding \$1,000,000 to provide funding, if approved by the Legislature, for the State Medicaid Program.

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

