

JAN 23 2026

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

2 SECTION 1. The legislature finds that the State is facing
3 fiscal difficulties that significantly impact the general fund.
4 The council on revenues acknowledged the high level of
5 uncertainty surrounding federal policy changes that impact the
6 State's fiscal health. Federal uncertainty already impacted the
7 State in fiscal year 2025-2026 during the federal government
8 shutdown, which saw the State utilize state funds to temporarily
9 replace frozen federal programs. The actions at the federal
10 level combined with weaker revenue collections create
11 significant risk for the State's general fund. The State's
12 general fund is essential to maintaining programs that benefit
13 state residents, including social services, infrastructure
14 maintenance, and education services. The legislature recognizes
15 the potential burdens that may fall on residents should general
16 fund revenues be at risk.



1 The legislature further finds that the administration's
2 proposed repeal of certain tax credits passed in Act 46, Session
3 Laws of Hawaii 2024, would have a significant impact on
4 residents with regards to the high cost of living in the State.
5 Accordingly, the legislature finds that general fund revenues
6 should be protected, while also ensuring that any measures that
7 affect tax relief from Act 46, Session Laws of Hawaii 2024, are
8 limited.

9 The purpose of this Act is to protect the fiscal health of
10 the State while also protecting past legislative efforts to
11 address the cost of living in the State for residents. These
12 actions support the general fund while also minimizing the
13 impacts to Act 46, Session Laws of Hawaii 2024, tax credits by
14 redirecting more tax revenues into the general fund and
15 temporarily suspending certain income tax credits.

PART II

17 SECTION 2. Section 247-7, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§247-7 Disposition of taxes.** All taxes collected under
20 this chapter shall be paid into the state treasury to the credit
21 of the general fund of the State, to be used and expended for



1 the purposes for which the general fund was created and exists
2 by law; provided that of the taxes collected each fiscal
3 year [±],

4 [+] ~~Ten~~ ten per cent or \$5,100,000, whichever is less,
5 shall be paid into the land conservation fund
6 established pursuant to section 173A-5[; and
7 (+2) ~~Fifty per cent or \$38,000,000, whichever is less,~~
8 ~~shall be paid into the rental housing revolving fund~~
9 ~~established by section 201H-202].~~"

10 PART III

11 SECTION 3. Unless otherwise provided by law, the following
12 sections of the Hawaii Revised Statutes are temporarily
13 suspended from January 1, 2026 to December 31, 2031:

	Hawaii Revised Statutes	Subject Matter
15	(1) §235-12.5	Renewable Energy Technologies Tax Credit;
17	(2) §235-110.7	Capital Goods Excise Tax Credit;
19	(3) §235-110.9	High Technology Business Investment Tax Credit;



1 (4) \$235-110.32 Renewable Fuels Production Tax
2 Credit;
3 (5) \$235-110.51 Technology Infrastructure
4 Renovation Tax Credit;
5 (6) \$235-110.65 Ship Repair Industry Tax
6 Credit;
7 (7) \$235-110.91 Tax Credit for Research
8 Activities.

PART IV

10 SECTION 4. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 5. This Act shall take effect upon its approval;
13 provided that part III shall be applied retroactively to
14 January 1, 2026.

15

INTRODUCED BY: Dan K. H. Lee



S.B. NO. 2801

Report Title:

Conveyance Tax; Rental Housing Revolving Fund; Suspension of Tax Credits

Description:

Repeals allocation of conveyance tax revenues to the rental housing revolving fund. Temporarily suspends selected state income tax credits retroactively to 1/1/2026.

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