

JAN 23 2026

A BILL FOR AN ACT

RELATING TO TAXATION.

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

PART I

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



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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

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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



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

~~[(1) Ten]~~ ten per cent or \$5,100,000, whichever is less,

shall be paid into the land conservation fund

established pursuant to section 173A-5~~[+and~~

~~(2) Fifty per cent or \$38,000,000, whichever is less,~~

~~shall be paid into the rental housing revolving fund~~

~~established by section 201H-202]."~~

PART III

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

Hawaii Revised Statutes

Subject Matter

(1) §235-12.5

Renewable Energy Technologies

Tax Credit;

(2) §235-110.7

Capital Goods Excise Tax

Credit;

(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.

9 PART IV

SECTION 4. Statutory material to be repealed is bracketed
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.

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INTRODUCED BY: James W. [Signature]



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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