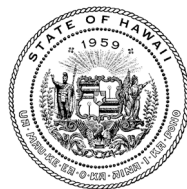


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1850, Relating to Capital Gains Tax

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Wednesday, February 4, 2026

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1850 for your consideration.

H.B. 1850 amends section 235-51(f), Hawaii Revised Statutes (HRS), by increasing the capital gains tax rate for individuals, estates, and trusts from 7.25 percent to 9 percent; and amends section 235-71.5(2)(B), HRS, by increasing the alternative capital gains tax for corporations from 4 percent to 5 percent. The bill has an effective date of July 1, 2026.

The Department requests that the effective date of the bill be amended to apply to taxable years beginning after December 31, 2025 (or to taxable years beginning after December 31, 2026) to provide sufficient time to make form, instruction, and system changes, and to avoid the ambiguity and uncertainty that would arise from a change in tax rate in the middle of a taxable year.

Thank you for the opportunity to provide comments on this measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Capital Gains Tax Increase

BILL NUMBER: HB 1850

INTRODUCED BY: SAYAMA, ILAGAN, TAKAYAMA

EXECUTIVE SUMMARY: Increases the capital gains tax rate for individuals, estates, and trusts to nine percent. Increases the alternative capital gains tax for corporations to five percent.

SYNOPSIS: Amends section 235-51(f), HRS, to increase the maximum capital gains rate for individuals from 7.25% to 9%.

Amends section 235-71.5, HRS, increase the maximum capital gains rate for corporations from 4% to 5%.

EFFECTIVE DATE: July 1, 2026

STAFF COMMENTS: Under current law, capital gains are taxed as income. A capital gain is a profit from the sale of a capital asset—such as a house, stock, bond, or jewelry— from the time that asset is acquired until the time it is sold. The price at which an asset is purchased is called the asset’s “basis,” and taxpayers pay tax on the difference between an asset’s basis and its sales price when they sell, or realize, that capital gain.

In the federal system, for capital gains realized on assets held for less than one year (short-term capital gains), taxpayers pay taxes according to their ordinary individual income tax rate, ranging from 10 percent to 37 percent. For assets held longer than one year (long-term capital gains), taxpayers pay a reduced tax rate, ranging from 0 percent to 20 percent, depending upon a taxpayer’s income. Individuals with Modified Adjusted Gross Income surpassing \$200,000 (\$250,000 for married couples) pay an additional 3.8 percent tax on net investment income.

Also, when a person dies and leaves property to an heir, the basis of that property is increased to its fair market value. This “step-up in basis” means that any capital gains that occurred during the decedent’s life go untaxed. When the heir sells that property, any capital gains taxation will be assessed based on the heir’s new basis. Step-up in basis reduces the tax burden on transferred property, as the total value of transferred property is already taxed by the estate tax.

Presently, capital gains income is taxable at the federal level and in all 41 states that also tax wage income. The federal government offers a lower rate for long-term capital gains but taxes short-term gains at the ordinary rate. States tend to tax capital gains at the ordinary rate.

This proposal is still a tax increase on individuals and corporations. It would also be a tax increase on small businesses, since 75% or so of small businesses are organized as partnerships, LLCs taxed as sole proprietorships or partnerships, or S corporations; all of those business forms do not (yet) pay income tax at the entity level but its owners pay tax on their respective shares of the entity's business, primarily at the individual level.

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Digested: 1/31/2026



February 4, 2026

The Honorable Greggor Ilagan, Chair

House Committee on Economic Development & Technology

The Honorable Adrian K. Tam, Chair

House Committee on Tourism

State Capitol, Conference Room 423 & Videoconference

RE: House Bill 1850, Relating to Capital Gains Tax

HEARING: Wednesday, February 4, 2026, at 10:00 a.m.

Aloha Chair Ilagan, Chair Tam, and Members of the Joint Committees:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 10,000 members. HAR provides **comments** on House Bill 1850, which increases the capital gains tax rate for individuals, estates, and trusts to nine per cent. Increases the alternative capital gains tax for corporations to five per cent.

A capital gain happens when one sells an investment for a profit, such as stocks, real estate, or businesses. Hawaii has the 10th highest capital gains tax rate of all 50 states and D.C.¹ Additionally, 7 states have no capital gains tax and Washington exempts real estate from capital gains taxation.

At the federal level, capital gains on investments held for one year or less are taxed as ordinary income, while long-term capital gains are taxed at reduced rates of 0%, 15%, or 20%, depending on one's income. Homeowners may also exclude up to \$250,000 of gain (\$500,000 for married couples) from the sale of their primary residence if they have owned and occupied the home for at least two of the past five years. In addition to the federal capital gains tax, Hawaii generally follows federal capital gains exclusions and currently imposes a capital gains tax rate of 7.25%.

One of the challenges for capital gains on real estate is the disproportionate impact it has on our kupuna. Many older homeowners may wish to sell and downsize to age in place, cover medical expenses, or transition into assisted living or care facilities. However, because their property was purchased decades ago and have significantly appreciated over time, the resulting tax liability can be substantial given Hawaii's higher housing costs. Increasing the capital gains taxes may continue to discourage homeowners from selling, thereby limiting housing stock from moving through the housing ladder.

Mahalo for the opportunity to provide testimony on this measure.

¹ Realized 1031. (n.d.). "Capital Gains Tax Rate." <https://www.realized1031.com/capital-gains-tax-rate>



Protect Democracy Move Forward

www.indivisiblehawaii.org

info@indivisiblehawaii.org

To: Hawai'i State House Committee on Economic Development + Technology, Hawai'i State House Committee on Tourism
Re: Testimony in STRONG SUPPORT of HB1850

Dear Chair Ilagan, Chair Tam, Vice Chair Hussey, Vice Chair Templo, and the Members of Committees,

Members of Indivisible Hawai'i thank you for this opportunity to testify in strong support of HB1850 which would tax the income from investment the same as the income from regular work. Most of the states tax capital gains the same as regular income. Hawai'i is one of only nine states that allows capital gains to be taxed at a lower rate than ordinary income.¹

We request an amendment to HB1850 to **tax capital gains the same rate as regular income**. That would bring in about \$180 million in new revenue per year, 97% of it would be paid by the top 5% earners in Hawai'i.² With the rising costs and federal budget cuts, Hawai'i desperately need additional revenue to pay for common good such as:

- Healthcare coverage for 441,000 children and adults
- Building affordable housing units, rental assistance, and homelessness programs
- Free and reduced-price school meals for 78,000 students and SNAP administration for over 163,000 residents
- Education and childcare for 165,000 students

Thank you for your consideration.

Sincerely,
Younghee Overly
Indivisible Hawai'i Working Families Team

The mission of the 14-chapter Indivisible Hawai'i Statewide Network (IHSN) is to protect Hawai'i and democracy by defending civil rights, communities and values, most importantly, Hawai'i's Constitutionally protected spirit of Aloha. In October 2025, IHSN with other partners turned out over 22,000 residents on all major islands to say No Dictators! and to stand up for democracy. This call-to-action was part of Indivisible national's mobilization of more than 7 million across the country as the voice of the people, committed to election integrity and to evolving as a place of equity, opportunity and peace.

¹ <https://www.theentrustgroup.com/blog/state-capital-gains-tax>

² <https://www.hitaxfairness.org/capital-gains>

HB-1850

Submitted on: 2/2/2026 9:58:31 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Elizabeth Weltin	Kaʻu Voices-An Indivisible Chapter on the Island of Hawaiʻi	Support	Written Testimony Only

Comments:

Aloha,

Capital gains are profits people make when they sell things like stocks, bonds, art, or real estate for more than they paid for them. Right now, Hawaiʻi is one of only nine states that taxes this kind of income at a lower rate than regular wages. That means people who make money from investments often pay less in taxes than people who earn a paycheck.

This system mainly benefits people who are already wealthy—because you need extra money in the first place to invest in assets like stocks or property. Giving capital gains a lower tax rate widens the gap between the wealthy and everyone else. It also deepens racial inequities, since ownership of investment assets has long been concentrated in white households due to historic and ongoing discrimination.

It's simply not fair that working families in Hawaiʻi—many of whom are struggling to afford rent, food, and healthcare—pay higher tax rates on their wages than wealthy investors pay on their investment income. Taxing capital gains at the same rate as regular income would make our tax system more balanced and fair, especially if higher earners pay higher rates.

Hawaiʻi faces serious challenges: a severe housing shortage, a high cost of living, homelessness, climate-driven disasters, and aging infrastructure. Addressing these problems requires public investment. We need to fund schools, hospitals, roads, water systems, parks, support for working families, and truly affordable housing.

Closing the capital gains tax loophole would give the state the resources it needs to invest in our communities—by asking those who have benefited the most to contribute a little more for the common good.

Mahalo,

Elizabeth Weltin as an individual citizen and on behalf of Kaʻū Voices-An Indivisible Chapter and member of the Indivisible Hawaiʻi Statewide Network (IHSN)



Rep. Gregor Ilagan, Chair

Committee on Economic Development & Technology

Rep. Adrian K. Tam, Chair

Committee on Tourism

Wednesday, February 4, 2026

10:00AM Conference Room 423

RE: HB1850 - Relating to Capital Gains Tax - Support

Dear Chair Ilagan, Vice Chair Hussey, Chair Tam, Vice Chair Templo and Members of the Committees,

On behalf of the Chamber of Sustainable Commerce (CSC), we write in support of HB1850 because our state's tax structure is out of balance, and the imbalance actively undermines our local economy, small businesses and community wellbeing. The Chamber of Sustainable Commerce represents more than 570 small businesses, sole proprietors and entrepreneurs across Hawai'i committed to a triple bottom line: people, planet and prosperity.

Hawai'i relies heavily on tax revenues that place a disproportionate burden on working families and small businesses while allowing excess wealth to accumulate at the top. When lower-income households are paying a higher share of their income in taxes than wealthier households, that is not only unfair – it is economically inefficient and unsustainable.

Capital gains income is one of the most undertaxed forms of income in Hawai'i, despite being highly concentrated among the highest-earning households. Treating investment income more equitably through HB 1850 is a practical and responsible step toward restoring balance to our revenue system and ensuring that all those who benefit from Hawai'i's economy contribute their fair share.

Fair taxation is not anti-business – it is pro-local economy. A fairer tax system strengthens local purchasing power. Shifting the tax burden away from labor and toward excess wealth and speculative gains helps level the playing field and supports a healthier, regenerative local economy.

Respectfully submitted in support. Thank you for your time and consideration.

**Hawaii Legislative
Council Members**

Joell Edwards
Wainiha Country Market
Hanalei

Russell Ruderman
Island Naturals
Hilo/Kona

Dr. Andrew Johnson
Niko Niko Family Dentistry
Honolulu

Robert H. Pahia
Hawaii Taro Farm
Wailuku

Maile Meyer
Honolulu

Tina Wildberger
Kihei Ice
Kihei

L. Malu Shizue Miki
Abundant Life Natural Foods
Hilo

Chamber of
Sustainable Commerce
808.445.7606
P.O. Box 22394
Honolulu, HI 96823

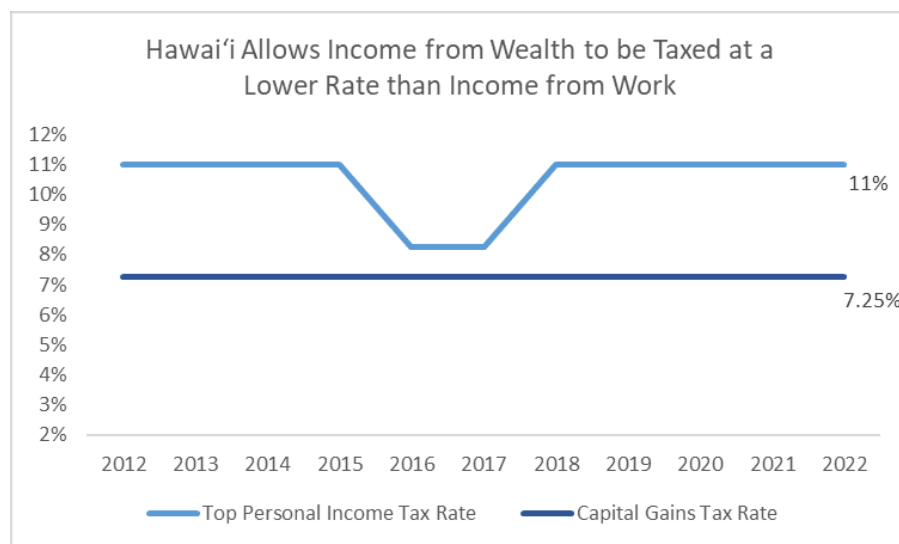
www.ChamberofSustainableCommerce.org

To: House Committees on Economic Development & Technology and on Tourism
Re: **HB1850 – Relating to Capital Gains Tax**
Hawai'i State Capitol & Via Videoconference
February 4, 2026, 10:00 AM

Dear Chairs Ilagan and Tam, Vice Chairs Hussey and Templo, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **SUPPORT with suggested amendments to HB1850**. This bill increases the capital gains tax rate for individuals, estates, and trusts to nine percent as well as the alternative capital gains tax for corporations to five percent.

Hawai'i is one of only nine states that has a capital gains tax loophole that allows the profits from the sale of stocks, bonds, investment real estate, art, and antiques—to be taxed at a **LOWER rate than ordinary working people's income**.¹ This benefits those at the top, including non-residents who profit from investing in real estate in Hawai'i.



As the Hawai'i Department of Taxation states, “**The capital gains are heavily concentrated in the high end of the income distribution especially for nonresidents.** The higher the income of taxpayers the greater the share of capital gains in their taxable income in general,”²

For those who made more than \$400,000 a year in 2022, long-term **capital gains** were 21% of the total taxable income of residents, and **more than half (56%) the income of non-residents**.³

Looking at the federal capital gains tax rates and real business investment over time, **there is no relationship between taxing capital gains and investment levels**.⁴ As Warren Buffett said, “I have

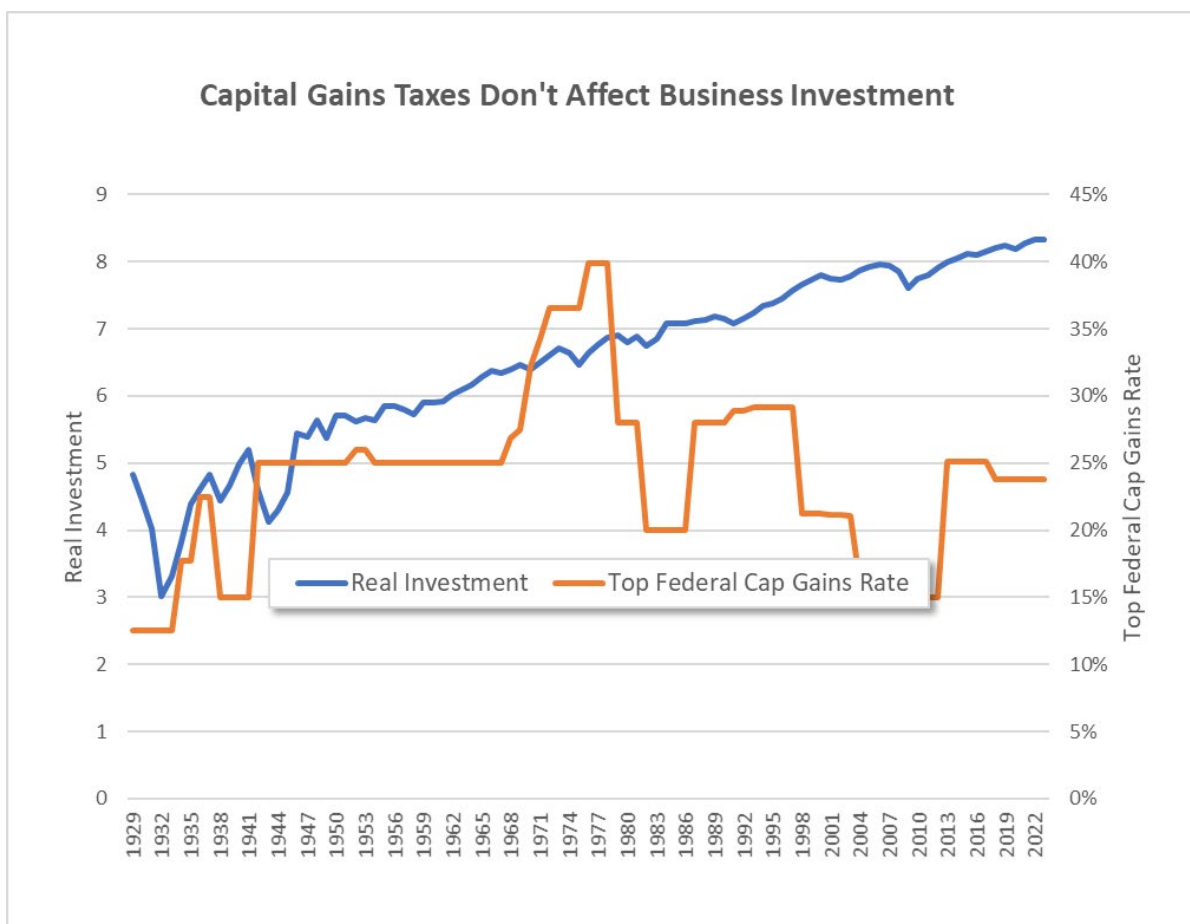
¹ Center on Budget and Policy Priorities <https://www.cbpp.org/research/state-budget-and-tax/state-taxes-on-capital-gains>

² Department of Taxation <https://files.hawaii.gov/tax/stats/stats/indinc/2022indinc.pdf>

³ Ibid.

⁴ Unpublished analysis by State Revenue Alliance and Institute on Taxation and Economic Policy, November 2024

worked with investors for 60 years and I have yet to see anyone -- not even when capital gains rates were 39.9 percent in 1976-77 -- shy away from a sensible investment because of the tax rate on the potential gain."⁵



However, by raising the capital gains tax threshold to a flat percentage, **this bill could increase taxes on middle-income taxpayers while preserving the loophole for those at the top.** Instead, **we suggest amending this bill to simply tax wealth at the same rate as work**, as proposed in SB2441 and suggested by the Department of Taxation during a prior session: "If the intent is to impose the ordinary rates on long-term capital gains, the Department recommends repealing the capital gains rate altogether."⁶

Mahalo for this opportunity to provide testimony. Please pass this bill with our suggested amendments.

Sincerely,
Nicole Woo
Director of Research and Economic Policy

⁵ CNN Money, https://money.cnn.com/2011/08/15/news/economy/buffett_taxes/index.htm

⁶ https://www.capitol.hawaii.gov/sessions/Session2022/Testimony/SB2242_TESTIMONY_WAM_02-02-22_.PDF



Testimony to the House Committee on Economic Development & Technology (ECD)

**Representative Greggor Ilagan, Chair
Representative Ikaika Hussey, Vice Chair**

**Wednesday, February 4, 2026, at 10:00AM
Conference Room 423 & Videoconference**

RE: HB1850 Relating to Capital Gains Tax

Aloha e Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber opposes House Bill 1850 (HB1850), which establishes a public policy framework that addresses state goals related to economic diversification and appropriates funds to the Hawaii Technology and Development Corporation to implement specific programs that address these goals.

HB1850 would raise individual and corporate capital gains tax rates. While we support fair taxation, this proposal impacts the Small Business pillar of our 2030 Blueprint for Hawaii. This bill risks undermining Hawaii's economic competitiveness by discouraging investment and thereby limiting access to capital for local businesses. Higher capital gains taxes reduce returns for investors, making Hawaii less attractive for startups, high-growth companies, and venture-backed businesses — sectors critical to diversifying and strengthening our economy.

Increasing capital gains taxes could also slow business growth, drive investing dollars to other states, and weaken the broader capital ecosystem that supports job creation and economic opportunity. The Chamber supports healthy government budget to spend across statewide priorities, while maintaining a competitive business climate that encourages investment, entrepreneurship, and long-term economic growth for Hawaii.

We oppose this bill respectfully and ask to hold House Bill 1850. Thank you for the opportunity to testify.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

Feb. 4, 2026, 10 a.m.
Hawaii State Capitol
Conference Room 423 and Videoconference

To: House Committee on Economic Development & Technology

Rep. Greggor Ilagan, Chair
Rep. Ikaika Hussey, Vice-Chair

House Committee on Tourism

Rep. Adrian K. Tam, Chair
Rep. Shirley Ann Templo, Vice-Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING HB1850 — RELATING TO CAPITAL GAINS TAX

Aloha chairs, vice chairs and other members of the committees,

The Grassroot Institute of Hawaii **opposes** [HB1850](#), which would change the maximum capital gains tax rate for individuals from 7.25% to 9% and change the capital gains tax rate for corporations from 4% to 5%.

Hawaii is already ranked among the worst states in which to start a business,¹ and we at the Grassroot Institute are concerned that a higher capital gains tax could discourage business expansion and innovation.

The Hawaii Business Revitalization Task Force found that Hawaii ranks among the bottom 10 states in business costs, access to capital and technology and innovation.² A higher capital gains tax would frustrate future attempts to improve in any of these rankings.

¹ Adam McCann, "[Best & Worst States to Start a Business \(2025\)](#)," WalletHub, Jan. 20, 2025.

² "[Business Revitalization Task Force Report](#)," November 2025,

A 2021 study by the Baker Institute noted that “two decades of relatively slow economic growth call for increased innovation and faster diffusion of new technology, but higher capital gains tax rates will reduce innovation and technology diffusion.”³

Hawaii needs more innovation — such as in the tech, agriculture and clean energy sectors — to prosper, not less.

There are also a number of sound fiscal reasons for taxing capital gains at a lower rate than normal income.

For one, capital gains are not indexed for inflation, thus the lower rate helps offset the fact that some portion of the gain represents inflation rather than real returns.⁴

If someone bought a stock for \$50 in 2006 and sold it for \$100 in 2026, they would realize a capital gain of \$50. But \$50 today isn’t worth as much as it was in 2006. In fact, \$50 in 2006 would be worth about \$80 today.⁵

So even though that person made only \$20 on the sale of the stock in real dollars, they would pay taxes on the full \$50.

In addition, high capital gains taxes create a “lock in” effect in which investors delay the sale of investments in order to avoid tax repercussions. This reduces economic growth by discouraging diversification and the movement of capital within the state.⁶

Curtis Dubay, chief economist at the U.S. Chamber of Commerce, wrote in 2021: “The economic models and past history all reach the same conclusion: When you significantly increase taxes on capital gains you get significantly less capital investment.”⁷

In other words, investors and entrepreneurs would be even less likely to conduct business in Hawaii because an increase in the capital gains tax would worsen Hawaii’s already poor business environment.

Furthermore, Hawaii legislators should be skeptical of optimistic tax revenue projections achieved via a capital gains tax hike. A study from the Congressional Budget Office on how taxes affect the decision to realize gains concluded that such decisions are very responsive to changes in taxation.

The study found a persistent elasticity of -0.79, which means that a 10% reduction in capital gains taxes would increase realizations by 7.9%. Thus, a reduction in the capital gains tax would have minimal or even a positive

³ John Diamond, “[The Economic Effects of Proposed Changes to the Tax Treatment of Capital Gains](#),” Baker Institute Center for Public Finance, Oct. 27, 2021.

⁴ Stephen Entin, “[Getting “Real” by Indexing Capital Gains for Inflation](#),” Tax Foundation, March 6, 2018.

⁵ “[CPI Inflation Calculator](#),” U.S. Bureau of Labor Statistics, comparing January 2006 and December 2025.

⁶ Jane Gravelle, “[Capital Gains Taxes: An Overview of the Issues](#),” Congressional Research Service, May 24, 2022, p. 17.

⁷ Chris Dubay, “[Raising the Capital Gains Tax: Who Does it Really Hurt?](#)” U.S. Chamber of Commerce, May 13, 2021.

effect on tax revenues.⁸ So increasing the rate is likely to change market behavior, which would bring in less revenue than legislators might be expecting

In short, this is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

⁸ Tim Dowd, et al., [“New Evidence of the Tax Elasticity of Capital Gains.”](#) Congressional Budget Office, June 2012, p. 17.

HB-1850

Submitted on: 2/3/2026 9:13:02 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Helen Cox	Kauai Climate Action Coalition	Support	Written Testimony Only

Comments:

This bill will bring more equity into taxation, as well as producing revenue to address issues of those less fortunate among us.



2026 Coalition Members

Hawai'i Appleseed Center for
Law & Economic Justice

Hawai'i Children's Action
Network

Hawai'i Health & Harm
Reduction Center

Hawai'i Public Health Institute

Indivisible Hawai'i

IMUA Alliance

hitaxfairness.org

Committee on Economic Development

2/4 at 10:00 AM

RE: Support for House Bill 1850. Increases the capital gains tax rate for individuals, estates, and trusts to nine per cent. Increases the alternative capital gains tax for corporations to five per cent.

Dear Chair Ilagan, Vice Chair Hussey, and Members of the Committee,

Thank you for the opportunity to testify on behalf of the Hawai'i Tax Fairness Coalition in support of House Bill 1850 which would raise the maximum capital gains tax rate to 9% and the alternative capital gains tax for corporations to 5%.

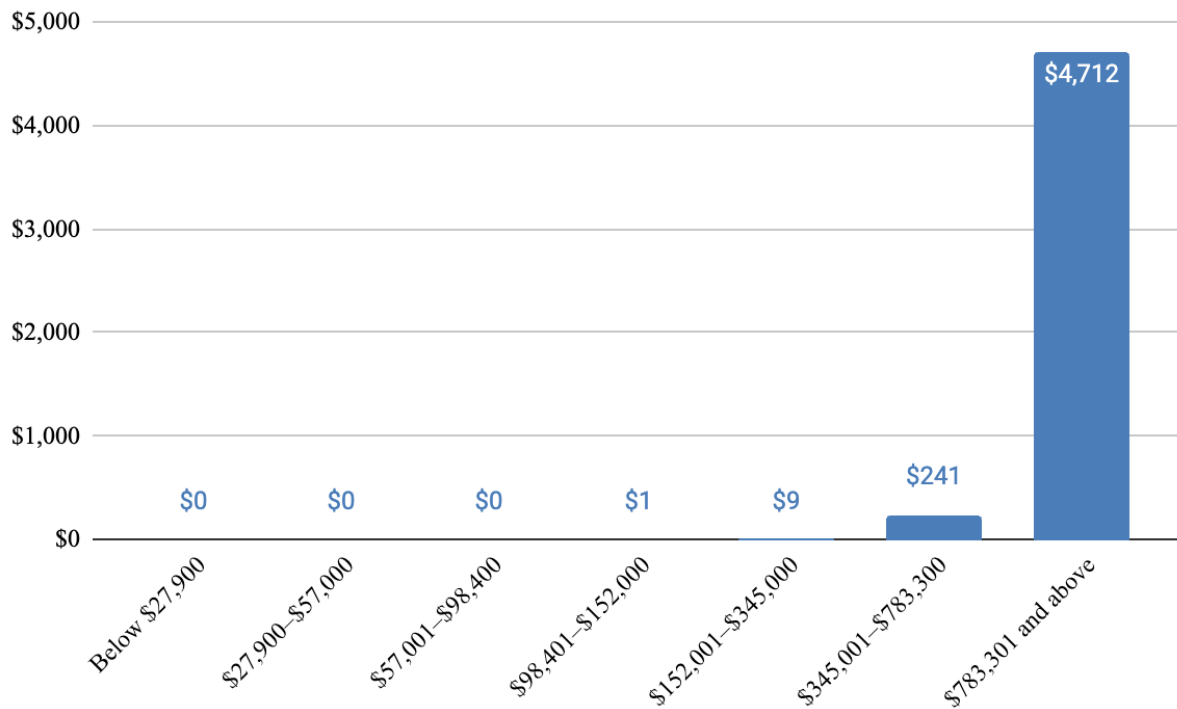
Capital gains are profits people or businesses earn when they sell things like stocks, real estate, or artwork. Right now, these profits are taxed at 7.25%, which is lower than the top 11% tax rate on regular income from wages. This means wealthy people pay a smaller share of their income in taxes than working families do.

For example, the lowest 80% of earners—everyone who makes less than \$136,000 a year—spends almost 14% of all their income on taxes. The top 1%—earning more than \$594,000 a year—gives a smaller 10% of their income to taxes. This dynamic is unbalanced, since it places more strain on local residents who are struggling to make ends meet.

We need to promote a tax system where everyone pays their fair share—especially the ultra-wealthy. Taxes pay for common goods that help our communities thrive, and we need to invest in local residents now more than ever. Raising the capital gains tax would promote greater equity while generating steady revenue from those with the ability to contribute more.

Demonstrating this point, about 70 percent of all long-term capital gains in Hawai'i are earned by taxpayers with incomes over \$400,000.

Figure 1. Average Tax Increase (9% Capital Gains Rate)



In addition, almost all the tax revenue from raising the maximum capital gains rate to 9% would come from the top 1% of earners. That revenue would help Hawai'i fund schools, health care, housing, and other services that directly benefit our keiki and kupuna—all of which are under threat after federal cuts and recent state tax cuts. The state has only three options: make cuts to these programs and services, lean on general obligation bonds that will only cost us more in the long run, or decide to fund our future by raising revenue with policies like taxing capital gains.

Increasing the corporate capital gains rate from 4% to 5% also supports equity and shared responsibility. It ensures that corporations benefiting from Hawai'i's economy help pay for the roads, schools, and infrastructure that make their success possible.

We also encourage lawmakers to consider, in the future, taxing capital gains at the same rate as regular income to truly level the playing field and create a more fair, sustainable tax system for all Hawai'i residents.

Mahalo for your consideration.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Dear Chair Ilagan, Vice Chair Hussey, and Members of the Committee,

Thank you for the opportunity to testify on behalf of Hawai'i Appleseed in **support** of House Bill 1850 (with some comments), which would raise the maximum capital gains tax rate and the alternative capital gains tax for corporations.

Capital gains are the profits earned from selling assets, including stocks, bonds, art, and antiques. The maximum capital gains tax for the state is 7.25 percent—significantly lower than the top 11 percent tax rate on income from regular jobs. This loophole means that individuals in the upper income brackets receive preferential treatment. Ultimately, they pay a lower tax rate on their income from capital gains compared to low- to middle-income workers, who typically have little if any capital gains.

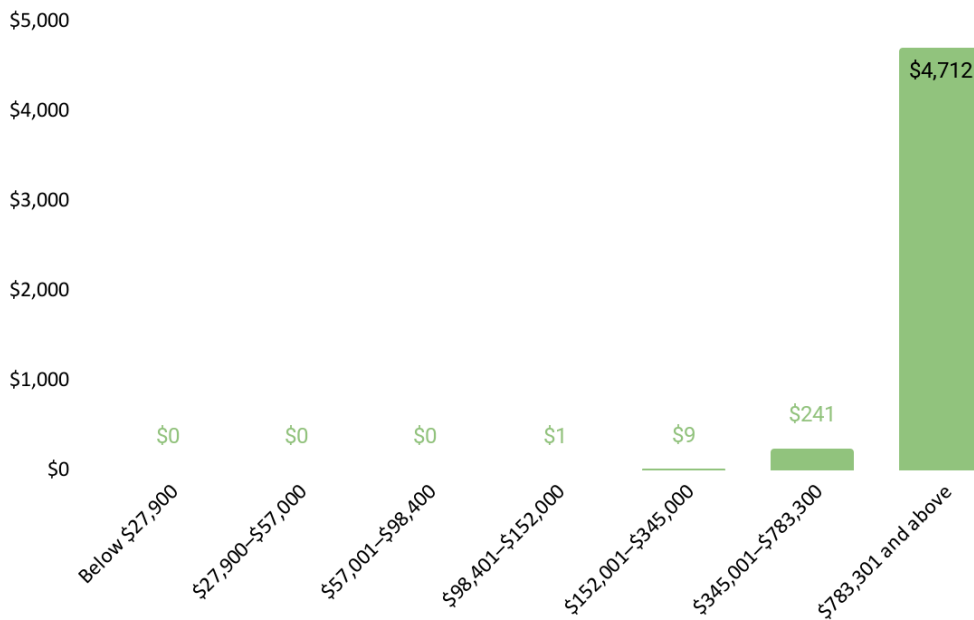
For example, local taxpayers with incomes over \$400,000 make around a third of their taxable income through capital gains. In comparison, local taxpayers in the \$40,000 to \$50,000 range earn just 0.7 percent of their taxable income through capital gains.¹

Hawai'i's low capital gains tax gives the wealthy an unfair advantage over people with lower incomes. Just like the rest of us, the wealthy should pay their fair share of the taxes that support our state's programs, infrastructure, and services. Raising the capital gains tax is an opportunity for Hawai'i to generate consistent revenue by targeting high-income taxpayers, who can easily afford to pay more in taxes.

Raising the capital gains rate is a step in the right direction. This increase would mainly affect wealthy individuals who can afford to pay higher taxes. Around 70 percent of all the long-term capital gains in Hawai'i are earned by the wealthiest group of taxpayers, who have incomes of over \$400,000.

¹ <https://files.hawaii.gov/tax/stats/stats/indinc/2021indinc.pdf>

Figure 1. Average Tax Increase with a 9% Capital Gains Rate



The large majority of the tax increase in HB 1850 would fall on people earning over \$783,000. This means that low-, middle-, and even most high-income earners would not be affected at all by this tax increase.

In FY 2027, this bill would boost our state's tax revenue by \$55 million—providing a necessary infusion of funds for our programs and services. The state is facing a massive funding gap due to the incoming federal spending cuts in HR 1 and the income tax cuts that were passed in 2024. Consequently, our legislature has a responsibility to raise revenue without hurting working families.

In addition, we support HB 1850's provision to raise the alternative capital gains tax rate for corporations from 4% to 5%. Large corporations benefit from having these lower tax rates on their investment profits than many working families pay on their regular earnings. A modest 1% increase would ensure corporations contribute a fairer share toward the communities that allow them to thrive. This provision alone could generate \$30 million in FY 2027.

Although we stand in full support of this bill, we would also encourage legislators to look at the possibility of taxing capital gains at the same rate as ordinary income. This would close the capital gains loophole and generate more needed revenue than the 9% rate proposed in HB 1850.



HIPHI Board

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John A. Burns School of Medicine,
Department of Pediatrics

Jennifer José Lo, MD
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Hawai'i Health Partners

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Dina Shek, JD
Medical-Legal Partnership
For Children in Hawai'i

JoAnn Tsark, MPH
John A. Burns School of Medicine, Native
Hawaiian Research Office

Danette Wong Tomiyasu, MBA
Retired, Hawai'i State Department of
Health

HIPHI Initiatives

Coalition for a
Tobacco-Free Hawai'i

Community-Based Research &
Evaluation

Community Health
Worker Initiatives

Environmental Health

Hawai'i Climate Change and Health
Working Group

Hawai'i Drug & Alcohol-Free Coalitions

Hawai'i Immunization Coalition

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Collective/Healthy Aging &
Community Living

Public Health Workforce Development

Date: February 2, 2026

To: Rep. Greggor Ilagan, Chair
Rep. Ikaika Hussey, Vice Chair
Members of the Committee on Economic Development & Technology

Re: Support for HB 1850, Relating to Capital Gains Tax

Hrg: February 4, 2026 at 10:00 AM in Conference Room 423

Hawai'i Public Health Institute (HIPHI)¹ **supports and suggests amendments for HB 1850**, relating to capital gains tax, which by January 1, 2028, increases the capital gains tax rate for individuals, estates, and trusts to 9% and increases the alternative capital gains tax for corporations to 5%.

Looming Budget Shortfalls

Hawai'i's health systems depend on stable public revenue. Right now, that stability is being threatened by federal budget cuts that shift costs onto states and community providers. According to the Department of Business, Economic Development, and Tourism, H.R. 1, enacted in July of 2025, may reduce funding for the Supplemental Nutrition Assistance Program by an estimated \$634 million over the next three years and trim federal support for Medicaid by more than \$1.2 billion.² At the same time, income tax cuts enacted in 2024 under Act 46 are expected to result in more than \$5 billion in lost revenue by 2031.³

Creating Essential Revenue

This proposal generates much-needed revenue for state programs and aligns with the goal of strengthening tax equity. The Institute on Taxation and Economic Policy (ITEP) has documented that Hawai'i's tax code includes preferential treatment for capital gains, a feature that disproportionately benefits those with the greatest wealth. Hawai'i is currently one of only nine states that taxes capital gains at a lower rate than ordinary income.⁴

Moreover, according to the Department of Taxation, in 2022, long-term capital gains accounted for 21% of taxable income for those earning more than \$400,000, and 56% of income earned by non-residents in our state. Approximately

¹ Hawai'i Public Health Institute's mission is to advance health and wellness for the people and islands of Hawai'i. We do this through expanding our understanding of what creates health of people and place, fostering partnerships, and cultivating programs to improve policies, systems, and the environments where people live, learn, work, age, and play.

² "National Turmoil Is Adding To Hawai'i's Budget Angst", Honolulu Civil Beat, January 2026.

³ "State Rundown 6/6: A Tale of Two Tax Laws", ITEP, June 2024.

⁴ "State Taxes on Capital Gains", Center for Budget and Policy Priorities, June 2021.



80% of all long-term capital gains in our state are earned by those making over \$400,000 annually.⁵

A More Equitable Model

That said, we urge you to amend this measure to tax capital gains as a form of ordinary income, rather than under a separate tax structure that provides little inherent benefit to Hawai'i's economic future. As analysts at the Center for Budget and Policy Priorities have noted, there is no clear connection between taxing capital gains and economic growth, and "even less reason to expect a state tax break on capital gains will boost a state's economy."⁶

Since the assets generating capital gains for a state's residents could be located anywhere in the country, any economic benefits they produce wouldn't necessarily be felt by the state giving the tax break. Taxing capital gains as a form of regular income also ensures that working families who realize such gains are not subject to a higher rate of taxation than their applicable marginal tax rates.

To generate the revenue required to sustain critical services and programs, we urge you to support this measure with our requested amendment. Mahalo for the opportunity to testify.

Mahalo,

A handwritten signature in black ink that reads "Kris Coffield". The signature is written in a cursive, flowing style.

Kris Coffield
Policy and Advocacy Associate

⁵ "Hawai'i Individual Income Tax Statistics", Hawai'i Department of Taxation, December 2024.

⁶ "State Taxes on Capital Gains", Center for Budget and Policy Priorities, June 2021.



February 03, 2026

O'ahu Youth Action Board

Est. 2017

Co-Chair
Efren Berrones
Co-Chair
Jean Grey
Vice Chair
Vu Dang
Treasurer
Holli-Jae Macanas
Community Engagement
Officer
Koda Daily

TESTIMONY IN STRONG SUPPORT OF HB 1850 Relating to Capital Gains Tax

TO:

House Committee on Economic Development & Technology
House Committee on Tourism

FROM: Efren Berrones- Co-Chair of O'ahu Youth Action Board, Partners In
Care (PIC)

Hearing: Wednesday, February 4, 2026, 10:00 AM

Chair Ilagan, Chair Tam, Vice Chair Hussey, Vice Chair Templo, and Members
of the House Committees on Economic Development & Technology and
Tourism,

Thank you for the opportunity to submit testimony in strong support of HB
1850, Relating to Capital Gains Tax.

My name is Efren Berrones, and I serve as the Chair of the O'ahu Youth
Action Board (OYAB). OYAB is a designated board composed of youth with
lived experience of homelessness on O'ahu, advocating for policy changes
that directly impact houseless young people. We firmly believe that any
decisions affecting us must include our voices, perspectives, and lived
experiences.

At first glance, a bill about capital gains tax may not seem connected to the
lives of young people experiencing homelessness. But it is. The revenue our
state generates—and who it asks to contribute—determines what services
exist for the most vulnerable members of our community.

HB 1850 is about creating a more equitable and progressive tax system, one
that ensures people are paying their fair share to support our community.
Right now, capital gains income is taxed at a lower rate than the wages
working families earn. That is not fair. Young people experiencing
homelessness know what it means when resources are scarce. They know
what it means when the state does not step up. Hawai'i has historically
underinvested in youth homelessness services, and our state has great
needs that must be filled—housing, mental health care, case management,

emergency shelter, and the programs that give young people a real chance at stability.

This bill ensures that those who have benefited the most contribute their fair share so that the state can meet those needs. Young people experiencing homelessness are not asking for a handout—they are asking for a system that works for everyone, not just the wealthy few. HB 1850 moves us in that direction.

We urge you to pass HB 1850 and invest in a more equitable future for all of Hawai'i.

Mahalo for your consideration and commitment to Hawai'i's youth.

With Aloha,

A handwritten signature in black ink that reads "Efren Berrones". The script is fluid and cursive, with the first letters of each name being capitalized and prominent.

Efren Berrones

Co-Chair, O'ahu Youth Action Board

efrenb@partnersincareoahu.org

HB-1850

Submitted on: 2/3/2026 10:21:44 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
laurel brier	Kauai women's caucus	Support	Written Testimony Only

Comments:

Make corporations pay their fair share. This is how a democracy works

strong support for HB 1850

HB-1850

Submitted on: 1/30/2026 5:12:33 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Lynn Murakami Akatsuka	Individual	Oppose	Written Testimony Only

Comments:

I strongly oppose HB 1850 Relating to Capital Gains Tax which increases the current 7.25% to 9% for individuals, estates and trusts. The alternative capital gains tax for corporation should be maintained at its current level and not increased to 5%.

At a time where residents and corporations are struggling financially in Hawaii, the legislature should be supporting all of us to keep afloat to remain living in Hawaii. These increased capital gain tax rates will be another factor for residents and corporations to leave for the states that have low tax rates on their residents. Please remove this bill HB 1850 this legislative session.

Please look at the special fund accounts in each state agency that no longer serves its purpose and is mounting in funds that could be re-distributed to the greatest needs, e.g., healthcare, homeless, affordable housing; that were in the recent Governor's State of the State address.

Thank you for the opportunity to submit testimony in strong opposition of HB 1850.

HB-1850

Submitted on: 1/30/2026 8:08:42 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Tim Huycke	Individual	Support	Written Testimony Only

Comments:

I support HB1850.

HB-1850

Submitted on: 1/30/2026 8:20:35 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Lorna Holmes	Individual	Support	Written Testimony Only

Comments:

Yes, it is more than fair to tax capital gains at the same rate as income. I urge you to pass this measure as a step toward greater economic equity.

Mahalo for your consideration,

Dr. Lorna Holmes, Honolulu 96826

HB-1850

Submitted on: 1/30/2026 8:42:28 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Nancy D Moser	Individual	Support	Written Testimony Only

Comments:

Thank you.

HB-1850

Submitted on: 1/30/2026 9:41:00 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jody Weidemann	Individual	Support	Written Testimony Only

Comments:

Capital gains tax rate should be the same as income tax.

HB-1850

Submitted on: 1/31/2026 3:48:57 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kanani Kai	Individual	Support	Written Testimony Only

Comments:

I support this Bill.

Mahalo,

Kanani Kai

Member Hawaii Indivisible.

HB-1850

Submitted on: 1/31/2026 7:37:05 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Oppose	Remotely Via Zoom

Comments:

You probably are not aware of it, but many retirees invest and use the proceeds on these sales for daily expenses, be it rent, HOA maintenance, food, medical bills, transportation, etc. Without these funds we can't make ends meet. My guess is you are looking at the wealthy and figure this is a way to capture more money. But you are instead hurting kimo and pua aloha.

Please defer this bill.

HB-1850

Submitted on: 1/31/2026 9:00:58 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Amber Kanehailua	Individual	Support	Written Testimony Only

Comments:

I support HB1850. Thank you for your consideration.

HB-1850

Submitted on: 1/31/2026 9:24:06 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Nathan Leo Braulick	Individual	Support	Written Testimony Only

Comments:

Mahalo,

Nathan Leo Braulick

96826

HB-1850

Submitted on: 1/31/2026 9:28:33 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kayla Marie	Individual	Support	Written Testimony Only

Comments:

I strongly support this measure

HB-1850

Submitted on: 1/31/2026 1:31:00 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Doris Segal Matsunaga	Individual	Support	Written Testimony Only

Comments:

I strongly support HB1850 as a tax fairness measure

HB-1850

Submitted on: 1/31/2026 2:29:40 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Lisa Diaz	Indivisible Kona	Support	Written Testimony Only

Comments:

1/31/26 RE: support for HB1850

Aloha ECD Committee,

I support HB1850 to apply Hawaii's capital gain tax at same rate as income tax.

Please pass HB1850 to improve tax code rate fairness.

Mahalo,

Lisa Diaz

76-223 Haoa St.

Kailua Kona, HI 96740

Member of Indivisible Kona

HB-1850

Submitted on: 1/31/2026 3:12:54 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Martha Nakajima	Individual	Support	Written Testimony Only

Comments:

I support this bill which will add fairness to the tax system. Thank you, Martha Nakajima,
Honolulu, member of Indivisible

HB-1850

Submitted on: 2/1/2026 3:33:11 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Joie Yonamine	Individual	Support	Written Testimony Only

Comments:

I am writing in strong support of HB1850 both personally and as a member of the Indivisble Hawaii State Network (IHSN). This bill would address the taxation rate of capital gains in Hawaii. Hawaii is only one of nine states which allows cpaital gains to be taxed at a lower rate than ordinary working people's income, which effectively is a tax loophole only benefitting the rich.

This gives preferential tax treatment to capital gains, which contributes to and perpetuates economoic inequality and ongoing systemic racism.

It is unfair that many struggling working families in Hawaii must pay a higher rate of taxes on their wages and income than the rich pay on their income from capital gains. In order to make this tax system more equitable, capital gains income should be taxed at the same rate as regular income, with tax rates that progressively increase for wealthier tax payers.

Hawaii's most pressing problems - housing shortage, high cost of living/affordability, homelessness, climate change, infrastructure, education, and healthcare - all require tax revenue to solve. Our state needs to invest in schools, hopsitals, infrastructure, social programs, and the development of truly affordable housing. Closing the capital gains tax loophole would allow the state to make critical investments using revenue collected from wealthier households, while simultaneously moving toward a more equitable system for all, as 41 other states have already adopted..

Thank you for the opportunity to testify on this important bill.

Joie Yonamine

HB-1850

Submitted on: 2/1/2026 4:55:03 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Barbara Polk	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey and members of the committee.

I strongly support raising capital gains taxes. However, HB1850 seems to be needlessly complex. Ideally, capital gains should be taxed at the same rate as ordinary income, both for individuals and for business entities. There is no reason to give a tax advantage to people who earn passive income, as opposed to those who work for a living.

HB-1850

Submitted on: 2/1/2026 5:14:10 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Janet Teare	Individual	Support	Written Testimony Only

Comments:

Thank you for supporting this bill. It is only right for the wealthy to pay their fair share.

HB-1850

Submitted on: 2/2/2026 7:24:55 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Victor K. Ramos	Individual	Oppose	Written Testimony Only

Comments:

OPPOSE this bill. LOWER the captial gain tax, NOT increase it.

HB-1850

Submitted on: 2/2/2026 9:14:01 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Michelle Bonk	Individual	Support	Written Testimony Only

Comments:

Thank you.

HB-1850

Submitted on: 2/2/2026 9:38:14 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jane Aquino	Individual	Support	Written Testimony Only

Comments:

I support this bill.

Thanks, Jane Aquino Indivisible Hawaii, Hawaii J20

HB-1850

Submitted on: 2/2/2026 11:33:27 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Greg Kahn	Individual	Support	Written Testimony Only

Comments:

I support capital gains being taxed at the same rate as income tax.

02/02/2026

Committee on Economic Development and Technology

Rep. Greggor Ilagan, Chair

Rep. Ikaika Hussey, Vice Chair

Committee on Tourism

Rep. Adrian K. Tam, Chair

Rep. Shirley Ann Templo, Vice Chair

RE: TESTIMONY IN SUPPORT OF HB1850

Dear Chair Ilagan, Vice Chair Hussey, Chair Tam, Vice Chair Templo and Members of the Committees,

My name is Alicia Hedlesky, a resident of Moloa'a, Kauai and a member of Indivisible Hawaii. I am writing to strongly support HB1850, which would bring in about \$180 million in new revenue per year, 97% of which would be paid by the top 5% of earners. The capital gains tax loophole benefits the highest-income taxpayers, including non-residents who profit from investing in real estate in Hawai'i. Because profits from capital gains overwhelmingly go to people who are already wealthy—those who have extra income to invest in capital assets in the first place—giving preferential tax treatment to capital gains income makes economic inequality worse. And because ownership of capital assets is concentrated in white households as a result of historic and ongoing systemic racism, lower tax rates on capital gains support and perpetuate racial inequities in the distribution of wealth.

I know many people born and raised here that have left because they cannot afford to live. I have had to quit jobs I loved doing work that benefits the island like environmental conservation and teaching because I could not afford rent. We need investment in schools, hospitals, infrastructure, parks, programs for working families, and the development of truly affordable housing. This requires tax revenue, and closing the capital gains tax loophole would allow the state to make critical investments using revenue collected from those who can afford to pay a little more.

Thank you for your consideration and time on this important issue,

Alicia Hedlesky

HB-1850

Submitted on: 2/2/2026 1:44:49 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jessica Kuzmier	Individual	Support	Written Testimony Only

Comments:

Aloha, I am writing in support of HB1850. I believe closing the capital gains loophole will help our state raise needed revenue while not putting an undue burden on the working population paying income taxes. Mahalo for your consideration.

HB-1850

Submitted on: 2/2/2026 3:38:34 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Karen A Valasek	Individual	Support	Written Testimony Only

Comments:

I'm writing in support of HB1850 both personally and as a member of Indivisables Hawaii.

I believe we need to close the capital gains loophole to help the State's resources to better invest in our communities

Mahalo, Karen Valasek

HB-1850

Submitted on: 2/2/2026 3:53:51 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
John Bickel	Individual	Support	Written Testimony Only

Comments:

It is unjust to tax people's hard labor more than income earned off of ownership. This bill would help this a little. Our tax system is too regressive. Measures like this one would help.

HB-1850

Submitted on: 2/2/2026 4:08:01 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Noelle Lindenmann	Individual	Support	Written Testimony Only

Comments:

Dear Committee members:

Thank you for the opportunity to testify in support of HB 1850, which would raise the taxes on capital gains to 9% and the alternative capital gains rate to 5%.

Our state's capital gains loophole gives wealthy taxpayers an unfair tax break over everyone else. In Hawai'i, the maximum capital gains rate is only 7.25% - which means the wealthiest pay a lower tax rate on their capital gains compared to the rest of their income. 70 percent of all the long-term capital gains in Hawai'i go to the wealthiest group of taxpayers – those who have incomes of at least \$400,000.

Increasing the capital gains tax to 9% is a step in the right direction towards making our state's tax system fairer. In addition, this increase would mainly affect wealthy individuals who can afford to pay higher taxes. Raising this level would barely increase taxes for 99% of the population. In fact, 65% of the increase would fall on the wealthiest 1% of taxpayers.

In the process, this could generate more than \$44 million each year in tax revenue to help fund programs, services, and infrastructure that all Hawai'i residents benefit from. Going even further, I believe that legislators should tax capital gains at the same rate as ordinary income – generating at least \$85 million in revenue.

The alternate capital gains tax for corporations should be increased as some corporations currently pay a lower rate through the alternative capital gains tax than they would pay through the corporate income tax. This would help and support all of our residents.

Mahalo for your consideration and this opportunity to provide testimony.

Noelle Lindenmann, Kailua-Kona

HB-1850

Submitted on: 2/2/2026 4:35:20 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in strong support of HB1850, which would raise the capital gains tax to 9%.

Our tax system is a statement of our values. It reflects who we believe should contribute to the common good and how we choose to build the society we all say we want to live in. Currently, Hawai‘i’s tax code makes a profound moral statement—one that privileges wealth over work. By capping the tax on investment profits at 7.25%, we have created a loophole where a CEO can pay a lower tax rate on stock gains than a teacher, nurse, or firefighter pays on their hard-earned salary. This isn’t just an economic policy; it is a failure of equity.

The data is clear: approximately 70% of all long-term capital gains in Hawai‘i flow to the wealthiest taxpayers—those with incomes over \$400,000. This bill directly addresses that imbalance. Raising this rate to 9% is a necessary correction, ensuring that those who have benefited most from our economy contribute more fairly. In practical terms, 99% of Hawai‘i residents will see barely any increase, with 65% of the new revenue coming from the top 1%.

But this proposal is about more than closing a loophole. It is about choosing a proper, sustainable funding source to invest in our collective future. The over \$44 million in annual revenue this change would generate is not an abstract figure. It represents classrooms with adequate resources, roads and buses that function, support for kupuna, and resilience against climate change. It is the tangible funding we need to create the healthy, thriving community we envision.

We cannot build that society on the backs of working families while the wealthiest enjoy a discounted rate. True sustainability requires shared responsibility.

To that end, I urge the committee to lean further and recognize that someone earning income from hard work should not be taxed at a higher rate than someone whose wealth grows through investments in capital assets. Regardless of how income is earned, those at the top—who have benefited the most from society—should contribute more to ensure the next generation has the same or better opportunities.

That's why the committee should close this loophole entirely and tax capital gains at the same progressive, marginal rates as regular income tax. This change would make this policy even

more equitable, and would nearly double the amount of revenue it would bring in to be invested in the common good.

I urge you to pass HB1850 as a critical step toward tax justice and to secure the revenue we need to fund the Hawai'i we believe in.

Mahalo for your consideration.

HB-1850

Submitted on: 2/2/2026 10:23:28 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jasmine Balangitao	Individual	Support	Written Testimony Only

Comments:

Aloha chair and members I'm writing to you in strong support of this bill. We need to close this loophole. We need more fairness.

Mahalo thank you , Jasmine Balangitao

HB-1850

Submitted on: 2/2/2026 10:37:09 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kathy Shimata	Individual	Support	Written Testimony Only

Comments:

I worked all my life. The fact that various investments are taxed at lower rates than earnings has always seemed deeply unfair. I hope that you will level the playing field somewhat.

Please support HB1850.

Mahalo,

Kathy Shimata

To Chair Greggor Ilagan, Vice Chair Ikaika Hussey, and members of the House Committee on Economic Development and Technology

From Beth Giesting

Re: Support for House Bill 1850, Relating to Capital Gains Tax

Thank you for the opportunity to support House Bill 1850, which would take an important step toward a more equitable tax structure in Hawai'i. The current system of taxing capital gains at a rate less than that imposed on ordinary income benefits the wealthy, who are far more likely than low- and middle-income taxpayers to enjoy capital gains.

While I support this measure, I recommend that it be amended so that the tax rate on capital gains is equal to the tax rate applied to other reported income.

Mahalo for your attention to this important issue.

HB-1850

Submitted on: 2/3/2026 7:19:29 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
John A. H. Tomoso	Individual	Support	Written Testimony Only

Comments:

RE: HB1850

Aloha,

I know that in Hawai‘i, capital gains—the profits from investments like stocks, bonds and art—are not taxed at the same rate as ordinary income. Regardless of someone’s income bracket, investors right now pay at most a 7.25% tax rate on their income from these capital gains.

Increasing the maximum capital gains rate from 7.25% to 9% is a good first step towards closing this loophole. I urge you consider closing the loophole entirely by simply taxing capital gains at the same rate as income from regular work. I am in strong support of this Bill.

Mahalo,

John A. H. Tomoso+, MSW,ACSW

51 Ku'ula St., Kahului, HI 96732-2906

john.a.h.tomoso@gmail.com

HB-1850

Submitted on: 2/3/2026 7:52:05 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Shay Chan Hodges	Individual	Support	Written Testimony Only

Comments:

I support this bill.

HB-1850

Submitted on: 2/3/2026 8:09:01 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kristen Young	Individual	Support	Written Testimony Only

Comments:

Aloha,

I am testifying in SUPPORT of HB1850, which would raise the tax on capital gains to 9% and the alternative capital gains rate to 5%.

To be very honest, I don't know very much about taxes, just that we pay them and they're supposed to work for the people. I believe everyone should be paying their fair share and that's not happening in Hawai'i. In fact, there are loopholes that give wealthy taxpayers an unfair tax break over everyone else. It often seems that outsiders profit off Hawai'i and the people of Hawai'i don't see that benefit.

I often advocate for investing in community, in services and programs that help our people thrive. But what will we invest?

In the process of increasing the capital gains tax to 9%, which is a step in the right direction towards making Hawai'i's tax system fairer, this could generate more than \$44 million each year in tax revenue to help fund programs, services, and infrastructure that all Hawai'i residents would benefit from.

This would barely increase taxes for 99% of the population. In fact, 65% of the increase would fall on the wealthiest 1% of taxpayers.

Please listen to the tax experts, like the Hawai'i Tax Fairness Coalition!

Mahalo for your consideration of HB1850.

Kristen Young
Honolulu, HI 96813

HB-1850

Submitted on: 2/3/2026 9:08:09 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Nanea Lo	Individual	Support	Written Testimony Only

Comments:

Hello Chair and Members of the Committee,

My name is Nanea Lo and I'm a lifelong resident and member of the Honolulu Tenants Union. I submit this testimony in strong support of House Bill 1850, which would increase Hawai'i's maximum capital gains tax rate to 9 percent and raise the alternative capital gains tax rate for corporations to 5 percent.

Currently in Hawai'i, capital gains—profits from investments such as stocks, bonds, real estate, and art—are not taxed at the same rate as ordinary income. No matter how high an individual's income may be, investors pay at most a 7.25 percent tax rate on these earnings. This creates an inequitable system where people who primarily earn income through wages can face higher tax rates than those whose wealth comes from investments.

Raising the top capital gains rate from 7.25 percent to 9 percent is a meaningful first step toward closing this loophole and moving Hawai'i toward a more fair and balanced tax structure. I also urge lawmakers to consider eventually eliminating this disparity altogether by taxing capital gains at the same rate as income earned through regular work. For example, an individual in the 11 percent income tax bracket should similarly pay 11 percent on their capital gains.

HB1850 would also address the alternative capital gains tax—a lower rate that applies when corporations realize profits from selling assets such as buildings, land, or stocks, instead of being taxed at standard corporate income tax rates. Increasing this rate from 4 percent to 5 percent would help ensure that corporations contribute more equitably to the public services and programs that benefit everyone in our communities.

By modernizing Hawai'i's capital gains tax structure, this bill would promote greater fairness in our tax system while generating revenue that can support essential public investments.

me ke aloha 'āina,

Nanea Lo, 96826

Honolulu Tenants Union Member

HB-1850

Submitted on: 2/3/2026 9:16:44 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Christopher Davis	Individual	Support	Written Testimony Only

Comments:

thank you for supporting this bill

HB-1850

Submitted on: 2/3/2026 9:39:44 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Oppose	Written Testimony Only

Comments:

No tax increases.

HB-1850

Submitted on: 2/3/2026 10:02:41 AM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Aaron Ruddick	Individual	Support	Written Testimony Only

Comments:

I support HB1850. This is a crucial step toward tax fairness in Hawaii.

HB-1850

Submitted on: 2/3/2026 2:51:06 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Anna Camacho	Individual	Support	Written Testimony Only

Comments:

Dear Chair, Vice-Chair, and Members of the Committee:

I am writing in strong support of **HB 1850**, which updates Hawai‘i’s capital gains tax to better reflect today’s economic realities and promote a fairer tax system. The bill raises the capital gains tax rate for individuals, estates, and trusts to nine percent and adjusts the alternative capital gains tax.

HB 1850 promotes fairness.

People who earn most of their income from investments should contribute fairly to the public systems that make economic opportunity possible. Hawai‘i’s current capital gains tax has not kept pace with rising costs or growing public needs, while working families who rely on wages continue to shoulder a disproportionate share of the tax burden.

HB 1850 provides sustainable revenue.

Updating the capital gains tax creates new revenue without increasing taxes on working families. These funds can support essential services like education, healthcare, transportation, and climate resilience—investments that directly improve quality of life across our state.

HB 1850 strengthens long-term stability.

At a time when Hawai‘i faces inflation, housing challenges, and workforce pressures, this bill helps stabilize state finances and reduces reliance on regressive taxes or harmful cuts to public services that most impact vulnerable communities.

In summary, **HB 1850 is a reasonable and responsible step toward a fairer tax code and a more stable future for Hawai‘i.** I respectfully urge the Committee to recommend this bill for passage.

Mahalo for the opportunity to testify,

Anna Camacho

HB-1850

Submitted on: 2/3/2026 4:22:36 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jotis Russell-Christian	Individual	Support	Written Testimony Only

Comments:

https://docs.google.com/document/d/1TAW1-_Vd5M1CV-Rlu1ltPFdkoI0qd70X/edit?usp=sharing&ouid=102670697352523550524&rtpof=true&sd=true

HB-1850

Submitted on: 2/3/2026 6:56:24 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Justin Hughey	Individual	Support	Written Testimony Only

Comments:

To: Committee on Economic Development and Committee on Finance Hearing Date: February 4, 2026 Measure: HB 1850 – Relating to Capital Gains Tax

TESTIMONY IN STRONG SUPPORT

Chair, Vice-Chair, and Members of the Committees,

My name is Justin Hughey, and I am writing in strong support of HB 1850, which seeks to increase the capital gains tax rate for individuals, estates, trusts, and corporations.

Hawaii is currently standing at a dangerous fiscal crossroads. We are facing an unprecedented crisis due to the massive reduction in federal funding triggered by the recent federal budget bill. This "Big Beautiful Bill" from Washington, while marketed as a benefit, has effectively gutted the essential federal support our islands rely on. We are now seeing hundreds of millions of dollars slashed from Medicaid, SNAP, and other vital social safety nets that our working families and kupuna depend on for survival.

As the federal government turns its back on Hawaii, we have a choice: we can either cut essential services for those in need, or we can ask those who have benefited the most from our economy to finally pay their fair share.

HB 1850 is a necessary and just response to this federal abandonment. It is time to raise taxes on the wealthy—the very group that has seen their wealth soar while our local families struggle with a regressive tax system and a rising cost of living. For too long, the tax code has protected those at the top, many of whom were the architects of the economic instability we now face. It is only right that the burden of stabilizing our state's future falls on those with the greatest ability to pay, rather than on the backs of working people who are already being squeezed by inflation and federal cuts.

The federal tax cuts included in the recent national legislation have gifted Hawaii's wealthiest residents nearly \$500 million, while our state's treasury is left to bleed. We cannot allow this wealth to be hoarded while our public infrastructure, education, and healthcare systems crumble.

Raising the capital gains rate to 9% for individuals and 5% for corporations is a modest and reasonable step toward fiscal equity. It ensures that those who profit from the sale of assets contribute proportionally to the society that makes their wealth possible.

We must protect our people from the fallout of federal neglect. I urge this committee to pass HB 1850 and send a clear message: Hawaii will prioritize its people over the profits of the few.

Thank you for the opportunity to testify in strong support.

Sincerely,

Justin Hughey
Democratic Party of Hawaii State Central Committee
Education Caucus Rep.

HB-1850

Submitted on: 2/3/2026 8:16:36 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Alex Tam	Individual	Support	Written Testimony Only

Comments:

I strongly support this bill because of how broken and unbalanced our economy has become. This bill is a step towards fixing the vast inequality in wealth and income by making the richest people pay their fair share and contribute towards programs that benefit everyone. Most of the capital gains income in the state and country goes towards the wealthiest people, who get paid for literally doing nothing while actual hard working people have to pay higher tax rates. This is unacceptable. This is a common sense bill to ensure that we have enough money to provide essential services for the common good. Any legislator voting against this bill will forever have on their voting record that they would rather have a government that works for the few than have a government that works for everyone.

HB-1850

Submitted on: 2/3/2026 8:19:04 PM

Testimony for ECD on 2/4/2026 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jonathan Huynh	Individual	Support	Written Testimony Only

Comments:

Aloha,

I support HB1850 because it reduces the wealth inequality by high-income earners by increasing taxes on the profits of their investments. This bill still guarantees that investors make money. The increased revenue should benefit social services. The higher taxes should dissuade some people from making investments that ultimate raise the cost of living for the majority of the population.

Mahalo,

Jonathan Huynh