
A BILL FOR AN ACT

RELATING TO CAPITAL GAINS TAX.

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

1 SECTION 1. Section 231-8.5, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) If the requirements of subsection (c) are satisfied,
4 the department may require electronic filing of any tax return,
5 application, report, or other document required under the
6 provisions of title 14 administered by the department for the
7 following taxpayers:

8 (1) For withholding tax filings required under chapter
9 235, only employers whose total tax liability under
10 sections 235-61 and 235-62 for the calendar or fiscal
11 year exceeds \$40,000;

12 (2) For income tax filings required under chapter 235,
13 only taxpayers who are subject to tax under section
14 235-71 [~~235-71.5~~] or 235-72;

15 (3) For general excise tax filings required under chapter
16 237, only taxpayers whose total tax liability under



1 chapter 237 for the calendar or fiscal year exceeds
2 \$4,000;

3 (4) For transient accommodations tax filings required
4 under chapter 237D, only operators and plan managers
5 whose total tax liability under chapter 237D for the
6 calendar or fiscal year exceeds \$4,000; and

7 (5) For filings required under the following chapters, all
8 taxpayers subject to tax under those chapters:

9 (A) 236E;

10 (B) 239;

11 (C) 241;

12 (D) 243;

13 (E) 244D;

14 (F) 245; and

15 (G) 251."

16 SECTION 2. Section 235-51, Hawaii Revised Statutes, is
17 amended by amending subsection (f) to read as follows:

18 "(f) If a taxpayer has a net capital gain from the sale of
19 real property that is used as a principal home and eligible for
20 a county homeowner's exemption for any taxable year [~~to which~~



1 ~~this subsection applies]~~, then the tax imposed on the net
2 capital gain ~~[by this section]~~ shall ~~[not exceed the sum of:~~

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

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

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

10 ~~(2) A tax of]~~ be at a rate of 7.25 per cent ~~[of the amount~~
11 ~~of taxable income in excess of the amount determined~~
12 ~~under paragraph (1)].~~

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

15 SECTION 3. Section 235-71.5, Hawaii Revised Statutes, is
16 repealed.

17 [~~§235-71.5 Alternative tax for corporations. Section~~
18 ~~1201 (with respect to alternative tax for corporations) of the~~
19 ~~Internal Revenue Code of 1986, as amended as of December 31,~~
20 ~~1996, shall be operative for the purposes of this chapter and~~
21 ~~shall be applied as set forth in this section. If for any~~



1 ~~taxable year a corporation, regulated investment company, or~~
2 ~~real estate investment trust has a net capital gain, then, in~~
3 ~~lieu of the tax imposed by section 235-71, there is hereby~~
4 ~~imposed a tax (if such tax is less than the tax imposed under~~
5 ~~section 235-71) which shall consist of the sum of:~~

6 (1) ~~A tax computed on the taxable income reduced by the~~
7 ~~amount of the net capital gain, at the rates and in~~
8 ~~the manner as if this section had not been enacted,~~
9 plus

10 (2) ~~The sum of:~~

11 (A) ~~3.08 per cent of the lesser of:~~

12 (i) ~~The net capital gain determined by including~~
13 ~~only the gain or loss which is properly~~
14 ~~taken into account for the portion of the~~
15 ~~taxable year before April 1, 1987 (i.e., the~~
16 ~~amount in paragraph (1)), or~~

17 (ii) ~~The net capital gain for the taxable year,~~
18 plus

19 (B) ~~4 per cent of the excess (if any) of:~~

20 (i) ~~The net capital gain for the taxable year,~~
21 over



1 ~~(ii) The amount of the net capital gain taken~~
2 ~~into account under subparagraph (A)."]~~

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

5 SECTION 5. This Act shall take effect on July 1, 3000, and
6 shall apply to taxable years beginning after December 31, 2026.



Report Title:

Capital Gains Tax; Corporations

Description:

Taxes capital gains tax for individuals, estates, and trusts as ordinary income, except for capital gains that are eligible for a county homeowner's exemption. Repeals the alternative capital gains tax for corporations. Applies to taxable years beginning after 12/31/2026. Effective 7/1/3000. (HD2)

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