

Honolulu, Hawaii

, 2026

FEB 17

RE: H.B. No. 1850

H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred H.B. No. 1850 entitled:

"A BILL FOR AN ACT RELATING TO CAPITAL GAINS TAX,"

begs leave to report as follows:

The purpose of this measure is to increase the:

- (1) Capital gains tax rate for individuals, estates, and trusts to nine percent; and
- (2) Alternative capital gains tax for corporations to five percent.

Your Committee received testimony in support of this measure from Indivisible Hawai'i; Ka'ū Voices, Indivisible Chapter on the Island of Hawai'i; Chamber of Sustainable Commerce; Hawai'i Children's Action Network Speaks!; Kauai Climate Action Coalition; Hawai'i Tax Fairness Coalition; Hawaii Applesseed Center for Law & Economic Justice; Hawai'i Public Health Institute; O'ahu Youth Action Board; Kauai Women's Caucus; Indivisible Kona; and numerous individuals. Your Committee received testimony in opposition to this measure from the Chamber of Commerce Hawaii; Grassroot Institute of Hawaii; and four individuals. Your Committee received comments on this measure from the Department of Taxation; Tax Foundation of Hawaii; and Hawai'i Association of REALTORS.



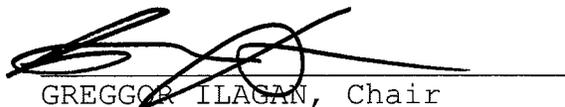
Your Committee finds that existing state capital gains tax rates are significantly lower than the state tax rates on earned income, which can create inequities in the tax structure and reduce revenue needed for essential public services. Your Committee further finds that increasing the capital gains tax rates will help promote fairness and equity in public resources across taxpayers and generate additional revenue to support the State's fiscal needs.

Your Committee has amended this measure by:

- (1) Making it apply to taxable years beginning after December 31, 2026, to provide the Department of Taxation with sufficient time to implement system changes; and
- (2) Changing the effective date to July 1, 3000, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1850, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1850, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Technology,


GREGGOR ILAGAN, Chair



