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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1813, Relating to Taxation.

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Friday, February 13, 2026

TIME: 8:30 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 on H.B. 1813 for your consideration.

Sections 1 through 5 of H.B. 1813, makes amendments to sections 23-75(c), 23-77(c), 23-79 (c), 235-110.7(a), and 237-22(b), Hawaii Revised Statutes (HRS), respectively, to conform with the repeal of section 283-3(h), HRS, as provided in Section 6 of the bill.

Section 6 of the bill amends section 238-3, HRS, regarding the application of tax, by repealing subsection (h) that excluded use taxes for any use of vessels constructed under section 189-25 prior to July 1, 1969. This effectively repeals an apparently obsolete exemption.

Section 7 of H.B. 1813 repeals section 237-24.5, HRS, in its entirety for exchanges and boards of trade subject to regulation by the Securities and Exchange Commission or the Commodities Futures Trading Commission or an organization subject to similar regulation under the laws of a jurisdiction outside the United States. This effectively repeals exemptions for securities exchanges and their members.

The bill is effective on July 1, 2026.

DOTAX requests that the measure take effect on January 1, 2027, to provide sufficient time to make the necessary form, instruction, and system changes.

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



February 11, 2026

The Honorable Greggor Ilagan
The Honorable Ikaika Hussey
House Economic Development & Technology Committee
Hawai'i State Capitol
415 S Beretania St.
Honolulu, HI 96813

RE: HB 1813, Relating to Taxation

Dear Chair Ilagan, Vice Chair Hussey and Members of the House Economic Development & Technology Committee:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ is a national trade association representing over 350 large, medium, and small broker-dealers, investment banks and asset managers, many of whom have a strong presence in Hawai'i. In fact, the state is home to almost 1300 financial advisors, 70-SEC and State-registered Investment Advisory firms, and 4 broker-dealer main offices.² In addition, the finance and insurance industry, of which securities is a part, employs almost 15,000 workers, representing 2.3% of total state employment.³

We appreciate the opportunity to provide feedback on HB 1813, legislation that would, among other things, repeal the sales tax exemption for various sales, including those made by securities exchanges and their members. We respectfully oppose the legislation. We believe it would increase costs for retail investors, creating a disincentive to save and causing some investors to shun professional advice. It could also result in a tax on business-to-business transactions, which would be harmful to large and small businesses and create a troubling pyramiding effect that will generate additional costs that are passed on to the consumer.

I. A Tax on Securities Transactions Will Create a Disincentive to Save.

It is frequently reported that Americans are not saving enough for retirement, for their children's college educations or for an unforeseen change in circumstance. The nation's personal savings rate is currently 3.5%. Taxing most securities transactions marginalizes the investor's rate of return on investment, which discourages existing investors from making new investments and new investors

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

² Discovery Data (2025)

³ US Department of Labor-Bureau of Labor Statistics (2024)

from investing at all. At a time when savings are low and college, retirement and other costs are growing, efforts should be made to make financial planning and saving more attractive, not less.

II. A Tax on Investment Services Will Cause Some Investors to Shun Professional Advice.

Setting financial goals and creating a balanced portfolio to achieve those goals are critical to obtaining financial security. This is particularly true in recent years, as personal savings, earnings, and 401k contributions are increasingly relied upon to maintain a reasonable standard of living in retirement.

Many Hawai'i residents wisely turn to financial professionals to guide them through the process. It is in Hawai'i's interest to encourage its citizens to invest for the future and to use all reasonable tools to invest wisely. Taxing a wide range of securities transactions, services and fees could create a disincentive to using these valuable services and would likely cause some investors to shun professional advice. The "I can save a few bucks by doing it myself" mentality is particularly troubling during periods of market volatility.

III. Removing the Sales Tax Exemption Could Impose Taxes on Business-to-Business Transactions.

It is unclear how broadly the transaction tax will be defined, where the "sale" of a service occurs, and which business-to-business transactions would be deemed taxable. There are good tax policy reasons why business-to-business sales should not be subject to sales tax.

The sales tax is designed to be a tax on consumption; when business-to-business services are taxed, it becomes a tax on production. It is possible that throughout the sales cycle, sales tax may be due on intercompany sales despite the fact there has been no economic gain.

Such taxes are harmful to both large and small businesses. The new taxes would increase direct costs and increase tax compliance requirements and other costs.

The taxes imposed on business services would also have a "pyramiding" effect – the tax would be imposed on each transaction in the economic flow. This would result in increased costs at each level and higher costs for the final consumer.

For the reasons laid out above, we would encourage you to oppose HB 1813. We appreciate your willingness to consider our suggestions. If you have any questions, please contact me at 202-962-7411 or kchamberlain@sifma.org

Sincerely,



Kim Chamberlain
Managing Director & Associate General Counsel
SIFMA

Cc: The Honorable Kyle Yamashita

TAX FOUNDATION OF HAWAII

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SUBJECT: GENERAL EXCISE, USE, Repeals stock exchange and old vessel exemptions

BILL NUMBER: HB 1813; SB 2920

INTRODUCED BY: HB by YAMASHITA; SB by DELA CRUZ

EXECUTIVE SUMMARY: Amends and repeals certain exemptions under the general excise tax and use tax laws.

SYNOPSIS: Amends section 238-3, HRS, by deleting current subsection (h) relating to vessels constructed under section 189-25, HRS (relating to loans by DBEDT to individuals or businesses to finance the purchase, construction, or upkeep of vessels) prior to July 1, 1969.

Repeals section 237-24.5, HRS, that presently exempts certain amounts received by a stock exchange from the general excise tax.

Makes other technical and conforming amendments.

EFFECTIVE DATE: July 1, 2026.

STAFF COMMENTS: This bill proposes to repeal industry-specific tax incentives that are not in use or otherwise rarely claimed. Apparently, the object of this version of the bill is to clean up the tax code.

Digested: 2/11/2026