

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1850, H.D.1, Relating to Capital Gains Tax

BEFORE THE:

House Committee on Finance

DATE: Monday, March 2, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1850, H.D.1, for your consideration.

Section 1 of the bill 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.

Section 2 of the bill 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 a defective effective date of July 1, 3000 and applies to taxable years beginning after December 31, 2026.

DOTAX notes that it can implement the tax changes proposed for taxable years beginning after December 31, 2026.

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

**Testimony to the House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair**

**Monday, March 2, 2026, at 2:00PM
Conference Room 308 & Videoconference**

RE: HB1850 HD1 Relating to Capital Gains Tax

Aloha e Chair Todd, Vice Chair Takenouchi, 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 House Draft 1 (HB1850 HD1), increases the capital gains tax rate for individuals, estates, and trusts to nine per cent and increases the alternative capital gains tax for corporations to five per cent

HB1850 HD1 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 a 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 defer House Bill 1850 House Draft 1. 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.

March 2, 2026

The Honorable Chris Todd, Chair

House Committee on Finance

State Capitol, Conference Room 308 & Videoconference

RE: House Bill 1850, HD1, Relating to Capital Gains Tax

HEARING: Monday, March 2, 2026, at 2:00p.m.

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

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 **opposes** House Bill 1850, HD1, 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. Applies to taxable years beginning after 12/31/2026. Effective 7/1/3000.

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>



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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 27, 2026

To: Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, Vice Chair
Members of the House Committee on Finance

Re: Support for HB 1850 HD1, Relating to Capital Gains Tax

Hrg: March 2, 2026 at 10:00 AM in Conference Room 308

Hawai'i Public Health Institute (HIPHI)¹ **supports and suggests amendments for HB 1850 HD1**, 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'.

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.

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 HD1

INTRODUCED BY: ECD

EXECUTIVE SUMMARY: 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. Applies to taxable years beginning after 12/31/2026. Effective 7/1/3000. (HD1)

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, 3000.

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: 2/28/2026



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TO: Committee on Finance
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: March 2, 2026
TIME: 2pm

RE: HB1850 HD1 Relating to Capital Gains
Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is has concerns about how this measure may impact local businesses. Hawaii already has an extremely high tax burden for businesses, one of the highest in the nation. **Increasing capital gains taxes hinders business growth by reducing investment, discouraging entrepreneurship, and slowing innovation.**

At a time when we are trying to grow the local economy, support local businesses, encourage startups and local entrepreneurs, and create a more diverse and resilient economy for our state, increasing the tax burden seems counterproductive.

Hawaii businesses already face a range of challenges. In recent years we have seen many local businesses move production to the mainland, or close because it is simply too expensive to do business in Hawaii. Hawaii is consistently ranked as one of the worst places to do business. Let's not make that worse.

We thank you for the opportunity to testify

March 2, 2026, 2 p.m.
Hawaii State Capitol
Conference Room 308 and Videoconference

To: House Committee on Finance
Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING HB1850 HD1 — RELATING TO CAPITAL GAINS TAX

Aloha chair, vice chair and other committee members,

The Grassroot Institute of Hawaii **opposes** [HB1850 HD1](#), 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.

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 ordinary income.

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

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

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.

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 to be 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 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

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.

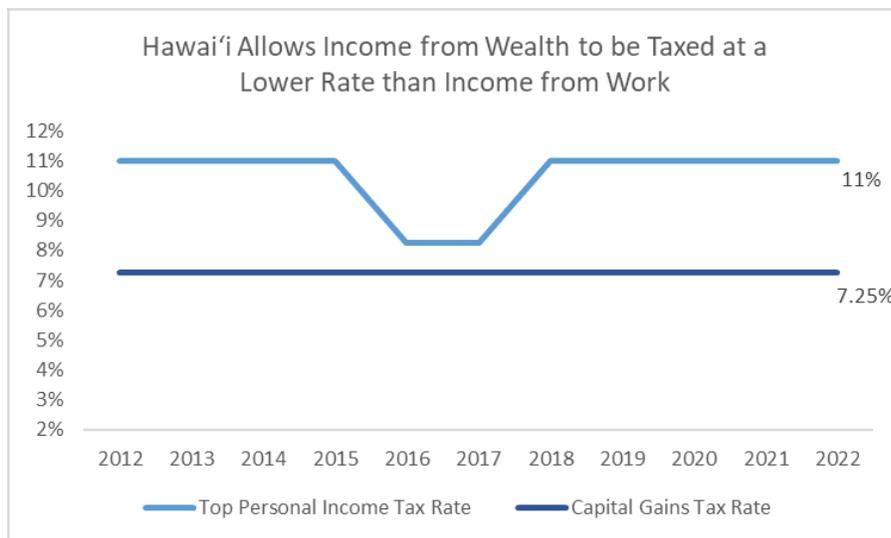
⁸ Tim Dowd, et al., "[New Evidence of the Tax Elasticity of Capital Gains](#)," Congressional Budget Office, June 2012, p. 17.

To: House Committee on Finance
Re: **HB1850 HD1– Relating to Capital Gains Tax**
Hawai'i State Capitol & Via Videoconference
March 2, 2026, 2:00 PM

Dear Chair Todd, Vice Chair Takenouchi, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **SUPPORT with suggested amendments to HB1850 HD1**. 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

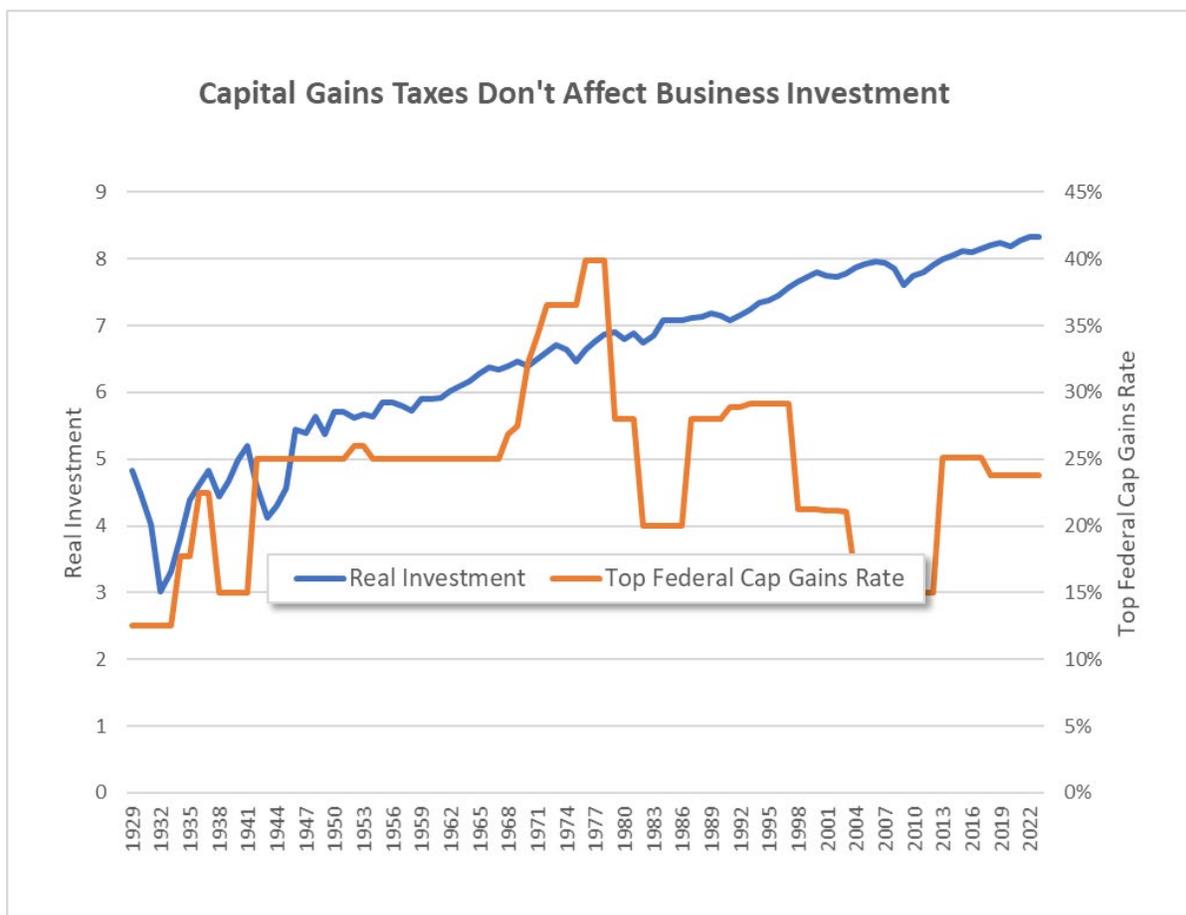
¹ Center on Budget and Policy Priorities <https://www.cbpp.org/research/state-budget-and-tax/state-taxes-on-capital-gains>

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



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 Finance

3/2 at 2:00 PM

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 Todd, Vice Chair Takenouchi, 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%.

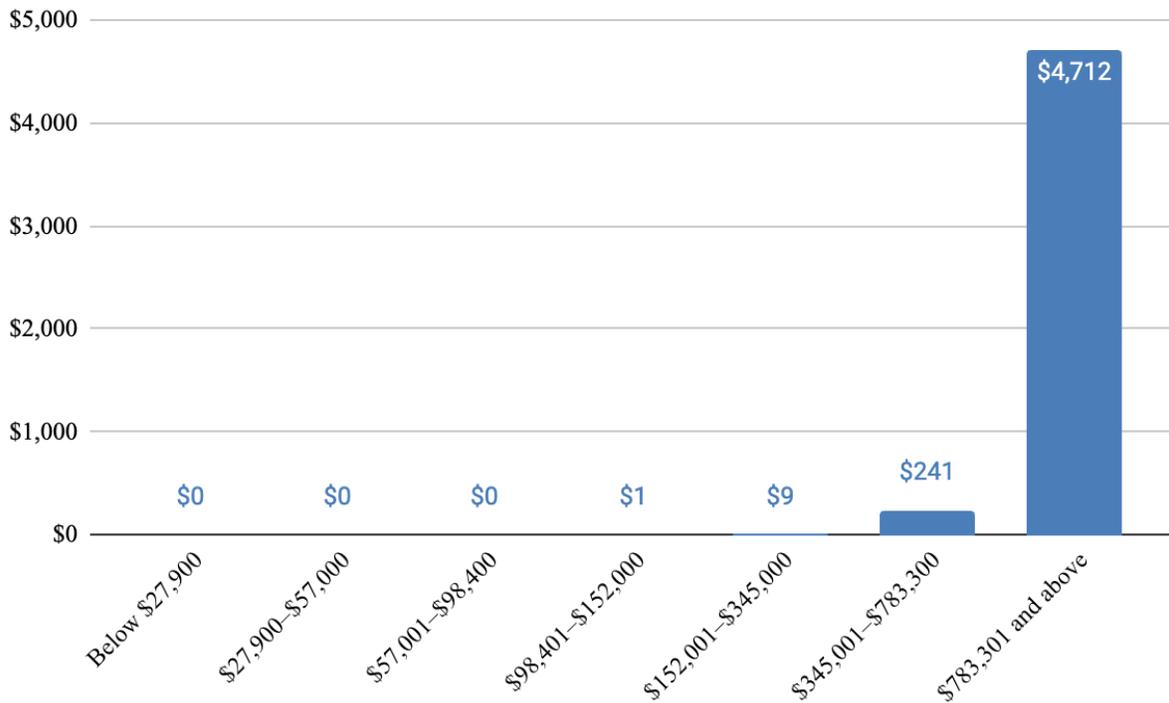
Capital gains are profits people or businesses earn when they sell things like stocks, real estate, or artwork. Right now, these profits are taxed at 7.25%, which is lower than the top 11% tax rate on regular income from wages. This means wealthy people pay a smaller share of their income in taxes than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



Protect Democracy Move Forward

www.indivisiblehawaii.org

info@indivisiblehawaii.org

To: Hawai'i State House Committee on Finance
Re: Testimony in STRONG SUPPORT of HB1850 HD1

Dear Chair Todd, Vice Chair Takenouchi, and the Members of Committees,

Members of Indivisible Hawai'i thank you for this opportunity to testify in strong support of HB1850 HD1 which would increase the capital gains tax rate for individuals, estates, and trusts to 9%; increase the alternative capital gains tax for corporations to 5%. 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 HD1 to **tax capital gains at 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

The main two arguments from those who oppose tax increases are the negative impact on the economy and that people will move to another state. Studies show that the states with the most progressive tax system are ranked significantly better places to live, work and raise a family.³ Taxing capital gains at the same rate as regular income would help Hawai'i state tax system be more progressive. People move for jobs and family and state taxes have a minimum impact on interstate moves.⁴

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

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

³

<https://www.staterenuealliance.org/revenews/states-with-the-most-progressive-tax-codes-are-ranked-significantly-better-places-to-live-work-and-raise-a-family>

⁴

<https://www.cbpp.org/research/state-budget-and-tax/state-taxes-have-a-minimal-impact-on-peoples-interstate-moves>

Please pass HB1850 HD1 with the requested amendment. We desperately need additional revenue to pay for common goods. 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.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Dear Chair Todd, Vice Chair Takenouchi, 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.

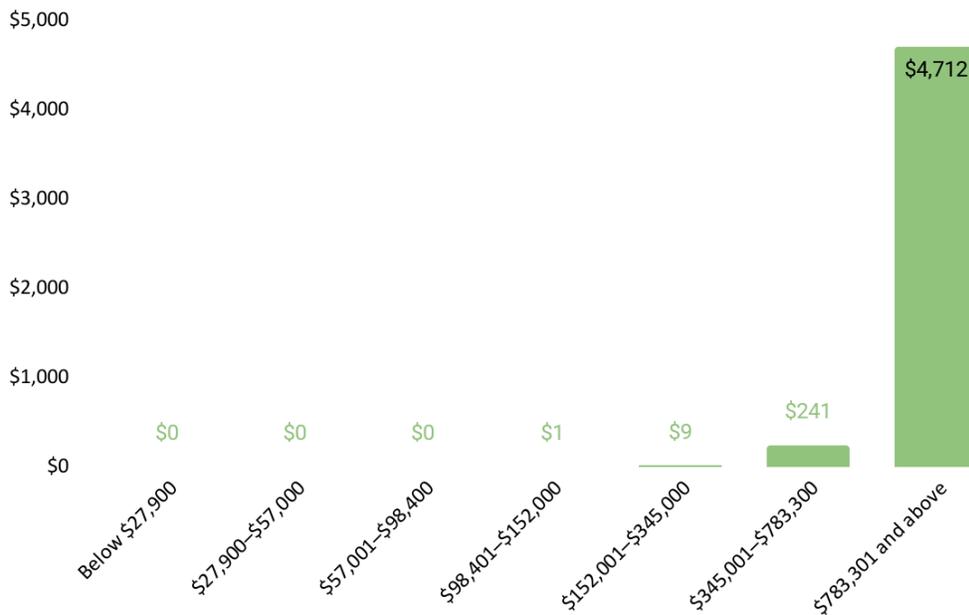
For example, local taxpayers with incomes over \$400,000 make around a third of their taxable income through capital gains. In comparison, local taxpayers in the \$40,000 to \$50,000 range earn just 0.7 percent of their taxable income through capital gains.¹

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.

HB-1850-HD-1

Submitted on: 3/1/2026 8:37:22 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
laurel brier	Kauai Women's Caucus	Support	Written Testimony Only

Comments:

They got, our State needs it. Increase capital gains rate and support equity and ensure that the corporations benefitting from Hawaii's economy pay their fair share for the roads, schools, and infrastructure that ;make their success possible.

HB-1850-HD-1

Submitted on: 2/27/2026 6:28:26 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

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

Comments:

I strongly oppose HB 1850, HD 1. Increasing tax rates is not the way to help Hawaii residents and businesses struggling to afford food, housing, transportation, and health. Please read again the Tax Foundation of Hawaii written testimony that was submitted. It lays the facts out and the consequences of increasing taxes to individuals and businesses who provide employment and provide funds to run the government.

Thank you for the opportunity to submit testimony strongly opposing HB 1850, HD 1.

HB-1850-HD-1

Submitted on: 2/27/2026 9:11:35 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lily Troy MD	Individual	Support	Written Testimony Only

Comments:

I support HB1850 HD1

HB-1850-HD-1

Submitted on: 2/28/2026 6:06:30 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kathleen Dickson	Individual	Support	Written Testimony Only

Comments:

The capital gains tax loophole is a tax break for the richest and most privileged people in Hawai‘i.

- “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,” [according](#) to DOTAX.
- This capital gains tax loophole benefits the highest-income taxpayers, including non-residents who profit from investing in real estate in Hawai‘i. Of the taxpayers who had capital gains income in 2019, the [7.7 percent who earned \\$400,000 or more that year also received 79.4 percent of the capital gains income](#) in the state.
- Those making at least \$1 million a year have a *lower* average effective tax rate than those in the income group just below them. The Hawai‘i State Department of Taxation (DOTAX) explains, “The reason for this drop is that Hawai‘i taxes net long-term capital gains at 7.25 percent and the highest income groups are more likely to utilize it.”
- For those who made more than \$400,000 a year in 2019, long-term capital gains were 41.4 percent of the total taxable income of residents, and 49.4 percent of nonresidents. “This partially explains why the average effective tax rates for this income group stay two to three percentage points below the marginal tax rate of 11 percent ... while the rate on net long-term capital gains is set at 7.25 percent,” according to DOTAX.

Taxing capital gains like regular income would generate a lot of revenue, paid for by those at the top.

- Long-term capital gains [constitute 11.5 percent of total taxable income in the state](#), or nearly \$4.3 billion in 2019.
- If Hawai‘i were to tax capital gains at the same rates as regular income, as most states do, Hawai‘i would bring in about \$180 million in new revenue per year, according to DOTAX, and 97 percent of it would be paid by the top 5 percent of earners in Hawai‘i, or those making at least \$261,000 a year.
- Meanwhile the vast majority of taxpayers—those in the bottom 80 percent—would pay nothing at all.

HB-1850-HD-1

Submitted on: 2/28/2026 12:24:57 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Michael A. Cobb Jr	Individual	Oppose	Written Testimony Only

Comments:

i oppose any tax increase, this state can not even manage the current money. This will increase the costs to everyone.

Chair, Vice Chair, and Members of the Committee:

My name is Adeline Sportel, and I am writing in strong support of HB1850.

I believe Hawai'i's tax system should treat income from work the same as income from wealth. According to Hawai'i Appleseed, approximately 85 percent of capital gains income in Hawai'i goes to the top one percent of earners. Yet capital gains are taxed at a lower rate than wages. This means income from investments is taxed more lightly than income earned through work.

As a full-time college student balancing coursework with part-time employment to afford rent, tuition, and basic living expenses, every paycheck matters. I pay taxes on every dollar I earn. It raises serious concerns about fairness when income from investments is taxed at a lower rate than income earned through work.

HB1850 moves Hawai'i toward a more balanced and equitable tax structure. It helps ensure that those with the greatest ability to contribute pay a fair share, while generating revenue to support essential priorities such as education and affordable housing.

For these reasons, I respectfully urge you to support HB1850.

Thank you for the opportunity to testify.

HB-1850-HD-1

Submitted on: 2/28/2026 5:13:34 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

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

Comments:

Aloha, I am writing in support of HB1850 HD1. 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-HD-1

Submitted on: 2/28/2026 5:20:43 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Oppose	Written Testimony Only

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. There are so many bills at the legislature this year which hurt us, bills which propose increasing all sorts of fees and taxes. This has to stop before you make all of us homeless because you are stealing our money.

Please defer this bill.

Lynne Matusow

HB-1850-HD-1

Submitted on: 3/1/2026 6:36:20 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
James E Raymond	Individual	Support	Written Testimony Only

Comments:

Thank you. I am a member of Indivisible Windward.

HB-1850-HD-1

Submitted on: 3/1/2026 7:19:20 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Julia D Cramer	Individual	Support	Written Testimony Only

Comments:

I support this bill, Hawaii needs a more fair and progressive tax system. It has become too expensive here to live comfortably, own a home, support a family, and ssecure child care. It doesn't need to be this way. We pay a significant portion of our income on taxes. Even those with low incomes that pay little federal and state income tax pay everyday on the things we purchase. As our economy becomes increasingly financialized we need tax reforms that force some of that wealth to work to the benefit of our community, just as our labor does.

HB-1850-HD-1

Submitted on: 3/1/2026 9:07:00 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
William 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-HD-1

Submitted on: 3/1/2026 9:28:07 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

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

Comments:

Please support this bill to make our tax revenue more fair.

Mahalo nui.

Im a member of East Hawaii Indivisible

HB-1850-HD-1

Submitted on: 3/1/2026 11:03:31 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Shannon Rudolph	Individual	Support	Written Testimony Only

Comments:

SUPPORT

HB-1850-HD-1

Submitted on: 3/1/2026 11:19:35 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Regina Gregory	Individual	Support	Written Testimony Only

Comments:

support

HB-1850-HD-1

Submitted on: 3/1/2026 11:32:49 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Valerie Weiss	Individual	Support	Written Testimony Only

Comments:

I am in support of the bill.

HB-1850-HD-1

Submitted on: 3/1/2026 11:33:06 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
David Cuthbert	Individual	Support	Written Testimony Only

Comments:

Thank you for taking my testimony. My name is David Cuthbert and I live in Pahoia, Hawai'i. I am writing in support of HB1850 to raise the Capital Gains tax which the Committee on Economic Development & Technology recommended (Feb. 17) be passed.

David Cuthbert

HB-1850-HD-1

Submitted on: 3/1/2026 1:33:24 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

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

Comments:

I support this bill because it increases the capital gains tax rate for individuals, estates, and trusts. It is a necessary step to address the state's growing wealth inequality.

The data on wealth concentration in Hawaii is stark. Over 70% of long-term capital gains in the state are accrued by taxpayers with incomes exceeding \$400,000. This preferential treatment of investment income allows wealth to accumulate at the top, as the current top capital gains rate of 7.25% is significantly lower than the 11% top rate for wage income. The result is a two-tier system where the wealthy pay less on their investment income than working families pay on their labor.

HB1850's proposal to increase the maximum capital gains tax rate for individuals from 7.25% to 9% is a modest but meaningful step toward tax fairness. By taxing investment income at rates closer to wage income.

This isn't just about revenue—it's about rebalancing a tax code that makes inequality worse. The legislation represents an opportunity to ensure that the wealthy pay their fair share while creating a more equitable system that allows working families to thrive rather than being penalized for earning their income through labor.

HB-1850-HD-1

Submitted on: 3/1/2026 1:48:20 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Cheryl Bellamy	Individual	Support	Written Testimony Only

Comments:

I support this bill.

HB-1850-HD-1

Submitted on: 3/1/2026 4:06:42 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Thomas Brandt	Individual	Support	Written Testimony Only

Comments:

SUPPORT

HB-1850-HD-1

Submitted on: 3/2/2026 5:41:34 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Hunter Kino	Individual	Support	Written Testimony Only

Comments:

Hello my name is Hunter Kino and I am currently a sophomore at the University of Hawaii. I whole-heartedly support HB1850, and urge you to support it as well. HB1850 raises Hawai'i's tax rate on capital gains to 9 percent for individuals, estates, and trusts. It also raises Hawai'i's corporate alternative capital gains tax rate to 5 percent. HB1850 adjusts our tax code on gains made from the sale of investments, stocks, second-homes, and other capital assets. This is only fair to those who reap the largest rewards from our state's services and natural resources. Hawai'i is in a state of high-cost living, overcrowded public services, and rapidly expanding inequality. HB1850 would help rectify these issues by raising taxes on investment earnings, not wages.

HB1850 takes only what you would consider the rich population and tax them where it matters. Capital gains are only earned by households that are already relatively high-income. By slightly increasing this rate, Hawai'i can keep up with tax codes that favor lower and middle class families while raising dollars for education, housing, climate-relief, and more. This tax does not affect households that haven't made a profit off their investments. You're not taxed on income you haven't realized, you're taxed when you sell your assets for a profit. Please help Hawaii improve our tax code and stay economically strong for years to come. Thank you.

HB-1850-HD-1

Submitted on: 3/2/2026 6:53:23 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

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

Comments:

Aloha Chair, Vice Chair, and Committee Members,

I am writing in strong support of HB1850. This bill would increase the capital gains tax rate for individuals, estates, and trusts to 9%, and the alternative capital gains tax for corporations to 5%.

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.

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

Mahalo for the opportunity to provide testimony.

Noelle Lindenmann, Kailua-Kona

HB-1850-HD-1

Submitted on: 3/2/2026 7:00:59 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dennis Lin	Individual	Oppose	Written Testimony Only

Comments:

I don't support raising the capital gains tax. It just creates a more unfavorable tax environment for residents and businesses who are already struggling.

HB-1850-HD-1

Submitted on: 3/2/2026 8:33:23 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

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

Comments:

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

My name is **Nanea Lo**, and I am writing in **strong support of HB1850**, which proposes increasing Hawai‘i’s capital gains tax rate to 9%.

HB1850 is a matter of fairness and fiscal responsibility. Capital gains income overwhelmingly benefits those with significant wealth, while working families in Hawai‘i continue to face rising costs for housing, food, healthcare, and transportation. At a time when many residents are struggling to make ends meet, it is reasonable to ask those who benefit most from investment income to contribute a fairer share toward the public good.

Hawai‘i already relies heavily on working people through general excise and income taxes. Increasing the capital gains tax helps rebalance our tax structure so it is less regressive and more aligned with ability to pay. This bill would generate much-needed revenue that can be reinvested into essential public services such as education, healthcare, housing, climate resilience, and infrastructure—investments that benefit the broader community and strengthen our state’s long-term economic stability.

Importantly, this proposal does not affect everyday retirement accounts or small, routine financial activity. It primarily impacts high-value asset sales, making it a targeted and responsible approach to revenue generation without placing additional burdens on low- and middle-income residents.

HB1850 is a step toward a more equitable tax system and a more just Hawai‘i. I respectfully urge you to support this bill and advance it through the legislative process.

Me ke aloha ‘āina,

Nanea Lo, 96826

Sierra Club of Hawai‘i Member

Hawai‘i Workers Center Board Member

Clean Elections Hawai‘i Member

Honolulu Tenants Union Member

350 Hawai'i Member

Carbon Cashback Hawai'i Member

Hawai'i Tax Fairness Coalition Member

HB-1850-HD-1

Submitted on: 3/2/2026 8:38:03 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Theresa Armbruster	Individual	Oppose	Written Testimony Only

Comments:

OPPOSE HB1850 HD1

This measure proposes an increase in capital gains tax for individuals & business corporations with no explanation or reason for tax increases.

Hawaii already has the 10th highest capital gains tax rate of all 50 states, so no real need to increase taxes!! Eight states have ZERO capital gains tax rate: AL, FL, NV, NH, SD, TN, TX, WY.([www.realized1031.com/capital gains tax rate](http://www.realized1031.com/capital-gains-tax-rate))

Hawaii residents & small businesses are already struggling with the high cost of living, so don't impose higher tax burdens on us!!!

Urge you to Vote NO on HB1850 HD1

Mahalo

HB-1850-HD-1

Submitted on: 3/2/2026 10:54:56 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

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

Comments:

I support this bill!