
A BILL FOR AN ACT

RELATING TO REVENUE GENERATION.

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

1 PART I

2 SECTION 1. The legislature finds that the virus known as
3 SARS-CoV-2 causes a disease named coronavirus disease 2019
4 (COVID-19), which spread globally and was declared a pandemic by
5 the World Health Organization on March 11, 2020. Upon reaching
6 Hawaii's shores, the COVID-19 outbreak disrupted the local
7 economy, resulting in a budget shortfall that was estimated to
8 exceed two billion dollars as of December of 2020.

9 The legislature additionally finds that it is necessary to
10 generate revenue to allow the State to meet its strategic goals,
11 avoid furloughs and layoffs for state workers, and prevent
12 disruptions to essential government services. While the current
13 governor proposed furloughing state workers to manufacture
14 approximately \$300,000,000 in savings beginning in January of
15 2021, the university of Hawaii economic research organization
16 has found that every \$1 in state salary reductions results in a
17 \$1.50 decrease in overall economic activity.



H.B. NO. 3

1 Accordingly, the purpose of this Act is to preserve
2 essential services and prevent employment reductions by
3 generating revenue for the State by:

- 4 (1) Increasing the personal income tax rate and
5 implementing a rate recapture mechanism that phases
6 out lower tax brackets for high earners;
- 7 (2) Increasing the tax on capital gains;
- 8 (3) Increasing the corporate income tax and establishing a
9 single corporate income tax rate;
- 10 (4) Temporarily repealing certain general excise tax
11 exemptions; and
- 12 (5) Increasing conveyance taxes for the sale of properties
13 valued at \$1,000,000 or greater.

PART II

15 SECTION 2. Section 235-51, Hawaii Revised Statutes, is
16 amended by amending subsections (a) through (c) to read as
17 follows:

18 " (a) There is hereby imposed on the taxable income of
19 every:

- 20 (1) Taxpayer who files a joint return under section 235-
21 93; and



H.B. NO. 3

1 (2) Surviving spouse,
2 a tax determined in accordance with the following table:
3 In the case of any taxable year beginning after December
4 31, 2001:

5	If the taxable income is:	The tax shall be:
6	Not over \$4,000	1.40% of taxable income
7	Over \$4,000 but	\$56.00 plus 3.20% of
8	not over \$8,000	excess over \$4,000
9	Over \$8,000 but	\$184.00 plus 5.50% of
10	not over \$16,000	excess over \$8,000
11	Over \$16,000 but	\$624.00 plus 6.40% of
12	not over \$24,000	excess over \$16,000
13	Over \$24,000 but	\$1,136.00 plus 6.80% of
14	not over \$32,000	excess over \$24,000
15	Over \$32,000 but	\$1,680.00 plus 7.20% of
16	not over \$40,000	excess over \$32,000
17	Over \$40,000 but	\$2,256.00 plus 7.60% of
18	not over \$60,000	excess over \$40,000
19	Over \$60,000 but	\$3,776.00 plus 7.90% of
20	not over \$80,000	excess over \$60,000
21	Over \$80,000	\$5,356.00 plus 8.25% of



H.B. NO. 3

1		excess over \$80,000.
2	In the case of any taxable year beginning after December	
3	31, 2006:	
4	If the taxable income is:	The tax shall be:
5	Not over \$4,800	1.40% of taxable income
6	Over \$4,800 but	\$67.00 plus 3.20% of
7	not over \$9,600	excess over \$4,800
8	Over \$9,600 but	\$221.00 plus 5.50% of
9	not over \$19,200	excess over \$9,600
10	Over \$19,200 but	\$749.00 plus 6.40% of
11	not over \$28,800	excess over \$19,200
12	Over \$28,800 but	\$1,363.00 plus 6.80% of
13	not over \$38,400	excess over \$28,800
14	Over \$38,400 but	\$2,016.00 plus 7.20% of
15	not over \$48,000	excess over \$38,400
16	Over \$48,000 but	\$2,707.00 plus 7.60% of
17	not over \$72,000	excess over \$48,000
18	Over \$72,000 but	\$4,531.00 plus 7.90% of
19	not over \$96,000	excess over \$72,000
20	Over \$96,000	\$6,427.00 plus 8.25% of
21		excess over \$96,000.



H.B. NO. 3

1 In the case of any taxable year beginning after December
2 31, 2017:

3	If the taxable income is:	The tax shall be:
4	Not over \$4,800	1.40% of taxable income
5	Over \$4,800 but	\$67.00 plus 3.20% of
6	not over \$9,600	excess over \$4,800
7	Over \$9,600 but	\$221.00 plus 5.50% of
8	not over \$19,200	excess over \$9,600
9	Over \$19,200 but	\$749.00 plus 6.40% of
10	not over \$28,800	excess over \$19,200
11	Over \$28,800 but	\$1,363.00 plus 6.80% of
12	not over \$38,400	excess over \$28,800
13	Over \$38,400 but	\$2,016.00 plus 7.20% of
14	not over \$48,000	excess over \$38,400
15	Over \$48,000 but	\$2,707.00 plus 7.60% of
16	not over \$72,000	excess over \$48,000
17	Over \$72,000 but	\$4,531.00 plus 7.90% of
18	not over \$96,000	excess over \$72,000
19	Over \$96,000 but	\$6,427.00 plus 8.25% of
20	not over \$300,000	excess over \$96,000
21	Over \$300,000 but	\$23,257.00 plus 9.00% of



H.B. NO. 3

1	not over \$350,000	excess over \$300,000
2	Over \$350,000 but	\$27,757.00 plus 10.00% of
3	not over \$400,000	excess over \$350,000
4	Over \$400,000	\$32,757.00 plus 11.00% of
5		excess over \$400,000.

6 In the case of any taxable year beginning after December

7 31, 2020:

8	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
9	<u>Not over \$4,800</u>	<u>1.40% of taxable income</u>
10	<u>Over \$4,800 but</u>	<u>\$67.00 plus 3.20% of</u>
11	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
12	<u>Over \$9,600 but</u>	<u>\$221.00 plus 5.50% of</u>
13	<u>not over \$19,200</u>	<u>excess over \$9,600</u>
14	<u>Over \$19,200 but</u>	<u>\$749.00 plus 6.40% of</u>
15	<u>not over \$28,800</u>	<u>excess over \$19,200</u>
16	<u>Over \$28,800 but</u>	<u>\$1,363.00 plus 6.80% of</u>
17	<u>not over \$38,400</u>	<u>excess over \$28,800</u>
18	<u>Over \$38,400 but</u>	<u>\$2,016.00 plus 7.20% of</u>
19	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
20	<u>Over \$48,000 but</u>	<u>\$2,707.00 plus 7.60% of</u>
21	<u>not over \$72,000</u>	<u>excess over \$48,000</u>



H.B. NO. 3

1	<u>Over \$72,000 but</u>	<u>\$4,531.00 plus 7.90% of</u>
2	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
3	<u>Over \$96,000 but</u>	<u>\$6,427.00 plus 8.25% of</u>
4	<u>not over \$200,000</u>	<u>excess over \$96,000</u>
5	<u>Over \$200,000 but</u>	<u>\$4,531.00 plus 9.00% of</u>
6	<u>not over \$300,000</u>	<u>excess over \$72,000</u>
7	<u>Over \$300,000 but</u>	<u>\$2,016.00 plus 10.00% of</u>
8	<u>not over \$400,000</u>	<u>excess over \$38,400</u>
9	<u>Over \$400,000 but</u>	<u>\$749.00 plus 11.00% of</u>
10	<u>not over \$450,000</u>	<u>excess over \$19,200</u>
11	<u>Over \$450,000 but</u>	<u>\$67.00 plus 12.00% of</u>
12	<u>not over \$500,000</u>	<u>excess over \$4,800</u>
13	<u>Over \$500,000</u>	<u>13.00% of all taxable</u>
14		<u>income.</u>

15 (b) There is hereby imposed on the taxable income of every
 16 head of a household a tax determined in accordance with the
 17 following table:

18 In the case of any taxable year beginning after December
 19 31, 2001:

20	If the taxable income is:	The tax shall be:
21	Not over \$3,000	1.40% of taxable income



H.B. NO. 3

1	Over \$3,000 but	\$42.00 plus 3.20% of
2	not over \$6,000	excess over \$3,000
3	Over \$6,000 but	\$138.00 plus 5.50% of
4	not over \$12,000	excess over \$6,000
5	Over \$12,000 but	\$468.00 plus 6.40% of
6	not over \$18,000	excess over \$12,000
7	Over \$18,000 but	\$852.00 plus 6.80% of
8	not over \$24,000	excess over \$18,000
9	Over \$24,000 but	\$1,260.00 plus 7.20% of
10	not over \$30,000	excess over \$24,000
11	Over \$30,000 but	\$1,692.00 plus 7.60% of
12	not over \$45,000	excess over \$30,000
13	Over \$45,000 but	\$2,832.00 plus 7.90% of
14	not over \$60,000	excess over \$45,000
15	Over \$60,000	\$4,017.00 plus 8.25% of
16		excess over \$60,000.

17 In the case of any taxable year beginning after December
 18 31, 2006:

19	If the taxable income is:	The tax shall be:
20	Not over \$3,600	1.40% of taxable income
21	Over \$3,600 but	\$50.00 plus 3.20% of



H.B. NO. 3

1	not over \$7,200	excess over \$3,600
2	Over \$7,200 but	\$166.00 plus 5.50% of
3	not over \$14,400	excess over \$7,200
4	Over \$14,400 but	\$562.00 plus 6.40% of
5	not over \$21,600	excess over \$14,400
6	Over \$21,600 but	\$1,022.00 plus 6.80% of
7	not over \$28,800	excess over \$21,600
8	Over \$28,800 but	\$1,512.00 plus 7.20% of
9	not over \$36,000	excess over \$28,800
10	Over \$36,000 but	\$2,030.00 plus 7.60% of
11	not over \$54,000	excess over \$36,000
12	Over \$54,000 but	\$3,398.00 plus 7.90% of
13	not over \$72,000	excess over \$54,000
14	Over \$72,000	\$4,820.00 plus 8.25% of
15		excess over \$72,000.

16 In the case of any taxable year beginning after December
 17 31, 2017:

18	If the taxable income is:	The tax shall be:
19	Not over \$3,600	1.40% of taxable income
20	Over \$3,600 but	\$50.00 plus 3.20% of
21	not over \$7,200	excess over \$3,600



H.B. NO. 3

1	Over \$7,200 but	\$166.00 plus 5.50% of
2	not over \$14,400	excess over \$7,200
3	Over \$14,400 but	\$562.00 plus 6.40% of
4	not over \$21,600	excess over \$14,400
5	Over \$21,600 but	\$1,022.00 plus 6.80% of
6	not over \$28,800	excess over \$21,600
7	Over \$28,800 but	\$1,512.00 plus 7.20% of
8	not over \$36,000	excess over \$28,800
9	Over \$36,000 but	\$2,030.00 plus 7.60% of
10	not over \$54,000	excess over \$36,000
11	Over \$54,000 but	\$3,398.00 plus 7.90% of
12	not over \$72,000	excess over \$54,000
13	Over \$72,000 but	\$4,820.00 plus 8.25% of
14	not over \$225,000	excess over \$72,000
15	Over \$225,000 but	\$17,443.00 plus 9.00% of
16	not over \$262,500	excess over \$225,000
17	Over \$262,500 but	\$20,818.00 plus 10.00% of
18	not over \$300,000	excess over \$262,500
19	Over \$300,000	\$24,568.00 plus 11.00% of
20		excess over \$300,000.



1	<u>In the case of any taxable year beginning after December</u>	
2	<u>31, 2020:</u>	
3	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
4	<u>Not over \$3,600</u>	<u>1.40% of taxable income</u>
5	<u>Over \$3,600 but</u>	<u>\$50.00 plus 3.20% of</u>
6	<u>not over \$7,200</u>	<u>excess over \$3,600</u>
7	<u>Over \$7,200 but</u>	<u>\$166.00 plus 5.50% of</u>
8	<u>not over \$14,400</u>	<u>excess over \$7,200</u>
9	<u>Over \$14,400 but</u>	<u>\$562.00 plus 6.40% of</u>
10	<u>not over \$21,600</u>	<u>excess over \$14,400</u>
11	<u>Over \$21,600 but</u>	<u>\$1,022.00 plus 6.80% of</u>
12	<u>not over \$28,800</u>	<u>excess over \$21,600</u>
13	<u>Over \$28,800 but</u>	<u>\$1,512.00 plus 7.20% of</u>
14	<u>not over \$36,000</u>	<u>excess over \$28,800</u>
15	<u>Over \$36,000 but</u>	<u>\$2,030.00 plus 7.60% of</u>
16	<u>not over \$54,000</u>	<u>excess over \$36,000</u>
17	<u>Over \$54,000 but</u>	<u>\$3,398.00 plus 7.90% of</u>
18	<u>not over \$72,000</u>	<u>excess over \$54,000</u>
19	<u>Over \$72,000 but</u>	<u>\$4,820.00 plus 8.25% of</u>
20	<u>not over \$150,000</u>	<u>excess over \$72,000</u>
21	<u>Over \$150,000 but</u>	<u>\$3,398.00 plus 9.00% of</u>



H.B. NO. 3

1	<u>not over \$225,000</u>	<u>excess over \$54,000</u>
2	<u>Over \$225,000 but</u>	<u>\$1,512.00 plus 10.00% of</u>
3	<u>not over \$300,000</u>	<u>excess over \$28,800</u>
4	<u>Over \$300,000 but</u>	<u>\$562.00 plus 11.00% of</u>
5	<u>not over \$350,000</u>	<u>excess over \$14,400</u>
6	<u>Over \$350,000 but</u>	<u>\$50.00 plus 12.00% of</u>
7	<u>not over \$400,000</u>	<u>excess over \$3,600</u>
8	<u>Over \$400,000</u>	<u>13% of all taxable</u>
9		<u>income.</u>

10 (c) There is hereby imposed on the taxable income of (1)
 11 every unmarried individual (other than a surviving spouse, or
 12 the head of a household) and (2) on the taxable income of every
 13 married individual who does not make a single return jointly
 14 with the individual's spouse under section 235-93 a tax
 15 determined in accordance with the following table:

16 In the case of any taxable year beginning after December
 17 31, 2001:

18	If the taxable income is:	The tax shall be:
19	Not over \$2,000	1.40% of taxable income
20	Over \$2,000 but	\$28.00 plus 3.20% of
21	not over \$4,000	excess over \$2,000



H.B. NO. 3

1	Over \$4,000 but	\$92.00 plus 5.50% of
2	not over \$8,000	excess over \$4,000
3	Over \$8,000 but	\$312.00 plus 6.40% of
4	not over \$12,000	excess over \$8,000
5	Over \$12,000 but	\$568.00 plus 6.80% of
6	not over \$16,000	excess over \$12,000
7	Over \$16,000 but	\$840.00 plus 7.20% of
8	not over \$20,000	excess over \$16,000
9	Over \$20,000 but	\$1,128.00 plus 7.60% of
10	not over \$30,000	excess over \$20,000
11	Over \$30,000 but	\$1,888.00 plus 7.90% of
12	not over \$40,000	excess over \$30,000
13	Over \$40,000	\$2,678.00 plus 8.25% of
14		excess over \$40,000.

15 In the case of any taxable year beginning after December
 16 31, 2006:

17	If the taxable income is:	The tax shall be:
18	Not over \$2,400	1.40% of taxable income
19	Over \$2,400 but	\$34.00 plus 3.20% of
20	not over \$4,800	excess over \$2,400
21	Over \$4,800 but	\$110.00 plus 5.50% of



H.B. NO. 3

1	not over \$9,600	excess over \$4,800
2	Over \$9,600 but	\$374.00 plus 6.40% of
3	not over \$14,400	excess over \$9,600
4	Over \$14,400 but	\$682.00 plus 6.80% of
5	not over \$19,200	excess over \$14,400
6	Over \$19,200 but	\$1,008.00 plus 7.20% of
7	not over \$24,000	excess over \$19,200
8	Over \$24,000 but	\$1,354.00 plus 7.60% of
9	not over \$36,000	excess over \$24,000
10	Over \$36,000 but	\$2,266.00 plus 7.90% of
11	not over \$48,000	excess over \$36,000
12	Over \$48,000	\$3,214.00 plus 8.25% of
13		excess over \$48,000.

14 In the case of any taxable year beginning after December
15 31, 2017:

16	If the taxable income is:	The tax shall be:
17	Not over \$2,400	1.40% of taxable income
18	Over \$2,400 but	\$34.00 plus 3.20% of
19	not over \$4,800	excess over \$2,400
20	Over \$4,800 but	\$110.00 plus 5.50% of
21	not over \$9,600	excess over \$4,800



H.B. NO. 3

1	Over \$9,600 but	\$374.00 plus 6.40% of
2	not over \$14,400	excess over \$9,600
3	Over \$14,400 but	\$682.00 plus 6.80% of
4	not over \$19,200	excess over \$14,400
5	Over \$19,200 but	\$1,008.00 plus 7.20% of
6	not over \$24,000	excess over \$19,200
7	Over \$24,000 but	\$1,354.00 plus 7.60% of
8	not over \$36,000	excess over \$24,000
9	Over \$36,000 but	\$2,266.00 plus 7.90% of
10	not over \$48,000	excess over \$36,000
11	Over \$48,000 but	\$3,214.00 plus 8.25% of
12	not over \$150,000	excess over \$48,000
13	Over \$150,000 but	\$11,629.00 plus 9.00% of
14	not over \$175,000	excess over \$150,000
15	Over \$175,000 but	\$13,879.00 plus 10.00% of
16	not over \$200,000	excess over \$175,000
17	Over \$200,000	\$16,379.00 plus 11.00% of
18		excess over \$200,000.

19 In the case of any taxable year beginning after December

20 31, 2020:

21 If the taxable income is: The tax shall be:



H.B. NO. 3

1	<u>Not over \$2,400</u>	<u>1.40% of taxable income</u>
2	<u>Over \$2,400 but</u>	<u>\$34.00 plus 3.20% of</u>
3	<u>not over \$4,800</u>	<u>excess over \$2,400</u>
4	<u>Over \$4,800 but</u>	<u>\$110.00 plus 5.50% of</u>
5	<u>not over \$9,600</u>	<u>excess over \$4,800</u>
6	<u>Over \$9,600 but</u>	<u>\$374.00 plus 6.40% of</u>
7	<u>not over \$14,400</u>	<u>excess over \$9,600</u>
8	<u>Over \$14,400 but</u>	<u>\$682.00 plus 6.80% of</u>
9	<u>not over \$19,200</u>	<u>excess over \$14,400</u>
10	<u>Over \$19,200 but</u>	<u>\$1,008.00 plus 7.20% of</u>
11	<u>not over \$24,000</u>	<u>excess over \$19,200</u>
12	<u>Over \$24,000 but</u>	<u>\$1,354.00 plus 7.60% of</u>
13	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
14	<u>Over \$36,000 but</u>	<u>\$2,266.00 plus 7.90% of</u>
15	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
16	<u>Over \$48,000 but</u>	<u>\$3,214.00 plus 8.25% of</u>
17	<u>not over \$100,000</u>	<u>excess over \$48,000</u>
18	<u>Over \$100,000 but</u>	<u>\$2,266.00 plus 9.00% of</u>
19	<u>not over \$150,000</u>	<u>excess over \$36,000</u>
20	<u>Over \$150,000 but</u>	<u>\$1,008.00 plus 10.00% of</u>
21	<u>not over \$200,000</u>	<u>excess over \$19,200</u>



H.B. NO. 3

1	<u>Over \$200,000 but</u>	<u>\$374.00 plus 11.00% of</u>
2	<u>not over \$250,000</u>	<u>excess over \$9,600</u>
3	<u>Over \$250,000 but</u>	<u>\$34.00 plus 12.00% of</u>
4	<u>not over \$300,000</u>	<u>excess over \$2,400</u>
5	<u>Over \$300,000</u>	<u>13.00% of all taxable</u>
6		<u>income."</u>

PART III

8 SECTION 3. Section 235-51, Hawaii Revised Statutes, is
9 amended by amending subsection (f) to read as follows:

10 "(f) If a taxpayer has a net capital gain for any taxable
11 year to which this subsection applies, then the tax imposed by
12 this section shall not exceed the sum of:

13 (1) The tax computed at the rates and in the same manner
14 as if this subsection had not been enacted on the
15 greater of:

16 (A) The taxable income reduced by the amount of net
17 capital gain, or

18 (B) The amount of taxable income taxed at a rate
19 below [~~7.25~~] eleven per cent, plus



H.B. NO. 3

1 ~~if over \$25,000 but not over \$100,000, and on all over \$100,000,~~
2 ~~6.4] 9.6 per cent.~~

3 (b) In the case of a regulated investment company there is
4 imposed on the taxable income, computed as provided in sections
5 852 and 855 of the Internal Revenue Code but with the changes
6 and adjustments made by this chapter (without prejudice to the
7 generality of the foregoing, the deduction for dividends paid is
8 limited to such amount of dividends as is attributable to income
9 taxable under this chapter), a tax [~~consisting in the sum~~] of
10 [~~the following: 4.4 per cent if the taxable income is not over~~
11 ~~\$25,000, 5.4 per cent if over \$25,000 but not over \$100,000, and~~
12 ~~on all over \$100,000, 6.4] 9.6 per cent."~~

13 2. By amending subsection (d) to read:

14 "(d) In the case of a real estate investment trust there
15 is imposed on the taxable income, computed as provided in
16 sections 857 and 858 of the Internal Revenue Code but with the
17 changes and adjustments made by this chapter (without prejudice
18 to the generality of the foregoing, the deduction for dividends
19 paid is limited to such amount of dividends as is attributable
20 to income taxable under this chapter), a tax [~~consisting in the~~
21 ~~sum~~] of [~~the following: 4.4 per cent if the taxable income is~~



H.B. NO. 3

1 ~~not over \$25,000, 5.4 per cent if over \$25,000 but not over~~
2 ~~\$100,000, and on all over \$100,000, 6.4]~~ 9.6 per cent. In
3 addition to any other penalty provided by law any real estate
4 investment trust whose tax liability for any taxable year is
5 deemed to be increased pursuant to section 859(b)(2)(A) or
6 860(c)(1)(A) after December 31, 1978, (relating to interest and
7 additions to tax determined with respect to the amount of the
8 deduction for deficiency dividends allowed) of the Internal
9 Revenue Code shall pay a penalty in an amount equal to the
10 amount of interest for which such trust is liable that is
11 attributable solely to such increase. The penalty payable under
12 this subsection with respect to any determination shall not
13 exceed one-half of the amount of the deduction allowed by
14 section 859(a), or 860(a) after December 31, 1978, of the
15 Internal Revenue Code for such taxable year."

16 PART V

17 SECTION 5. Chapter 237, Hawaii Revised Statutes, is
18 amended by adding two new sections to be appropriately
19 designated and to read as follows:

20 "§237- Temporary suspension of exemption of certain
21 amounts; levy of tax. (a) Notwithstanding any other law to the



1 contrary, the exemption of the following amounts from taxation
2 under this chapter shall be suspended from July 1, 2021, through
3 June 30, 2023:

- 4 (1) Amounts deducted from the gross income received by
5 contractors as described under section 237-13(3)(B);
- 6 (2) Reimbursements received by federal cost-plus
7 contractors for the costs of purchased materials,
8 plant, and equipment as described under section
9 237-13(3)(C);
- 10 (3) Gross receipts of home service providers acting as
11 service carriers providing mobile telecommunications
12 services to other home service providers as described
13 under section 237-13(6)(D);
- 14 (4) Amounts deducted from the gross income of real
15 property lessees because of receipt from sublessees as
16 described under section 237-16.5;
- 17 (5) Amounts received by sugarcane producers as described
18 under section 237-24(14);
- 19 (6) Amounts received from the loading, transportation, and
20 unloading of agricultural commodities shipped
21 interisland as described under section 237-24.3(1);



H.B. NO. 3

- 1 (7) Amounts received or accrued from the loading or
2 unloading of cargo as described under section
3 237-24.3(3)(A);
- 4 (8) Amounts received or accrued from tugboat and towage
5 services as described under section 237-24.3(3)(B);
- 6 (9) Amounts received or accrued from the transportation of
7 pilots or governmental officials and other
8 maritime-related services as described under section
9 237-24.3(3)(C);
- 10 (10) Amounts received as rent for aircraft or aircraft
11 engines used for interstate air transportation as
12 described under section 237-24.3(11);
- 13 (11) Amounts received by exchanges and exchange members as
14 described under section 237-24.5;
- 15 (12) Amounts received as high technology research and
16 development grants under section 206M-15 as described
17 under section 237-24.7(10);
- 18 (13) Amounts received from the servicing and maintenance of
19 aircraft or construction of aircraft service and
20 maintenance facilities as described under section
21 237-24.9;



H.B. NO. 3

- 1 (14) Gross proceeds from the sale of the following:
- 2 (A) Intoxicating liquor, as described under section
3 237-25(a)(1), to the United States (including any
4 agency or instrumentality of the United States
5 that is wholly owned or otherwise so constituted
6 as to be immune from the levy of a tax under
7 chapter 238 or 244D, but not including national
8 banks) or any organization to which the sale is
9 permitted by the proviso of "Class 3" of section
10 281-31 that is located on any Army, Navy, or Air
11 Force reservation;
- 12 (B) Tobacco products and cigarettes, as described
13 under section 237-25(a)(2), to the United States
14 (including any agency or instrumentality thereof
15 that is wholly owned or otherwise so constituted
16 as to be immune from the levy of tax under
17 chapter 238 or 245, but not including national
18 banks); and
- 19 (C) Other tangible personal property, as described
20 under section 237-25(a)(3), to the United States
21 (including any agency, instrumentality, or



H.B. NO. 3

1 federal credit union thereof, but not including
2 national banks) and any state-chartered credit
3 union;

4 (15) Amounts received by petroleum product refiners from
5 other refiners for further refining of petroleum
6 products as described under section 237-27;

7 (16) Gross proceeds received from the construction,
8 reconstruction, erection, operation, use, maintenance,
9 or furnishing of air pollution control facilities, as
10 described under section 237-27.5, that do not have
11 valid certificates of exemption on July 1, 2021;

12 (17) Gross proceeds received from shipbuilding and ship
13 repairs as described under section 237-28.1;

14 (18) Amounts received by telecommunications common carriers
15 from call center operators for interstate or foreign
16 telecommunications services as described under section
17 237-29.8;

18 (19) Gross proceeds received by qualified businesses in
19 enterprise zones, as described under section 209E-11,
20 that do not have valid certificates of qualification



H.B. NO. 3

1 from the department of business, economic development,
2 and tourism on July 1, 2021; and

3 (20) Gross proceeds received by contractors licensed under
4 chapter 444 for construction within enterprise zones
5 performed for qualified businesses within the
6 enterprise zones or businesses approved by the
7 department of business, economic development, and
8 tourism to enroll into the enterprise zone program, as
9 described under section 209E-11.

10 (b) Except as otherwise provided under subsection (e),
11 (f), or (g), there is levied, assessed, and collected annually
12 against a taxpayer receiving or deriving previously exempt gross
13 income or gross proceeds of sale from July 1, 2021, to June 30,
14 2023, a tax at the rate of four per cent on that previously
15 exempt gross income or gross proceeds of sale.

16 (c) The taxpayer against whom the tax is levied and
17 assessed under this section shall be responsible for payment of
18 the tax to the director of taxation.

19 (d) Notwithstanding section 237-8.6, no county surcharge
20 shall be levied, assessed, or collected on any previously exempt



H.B. NO. 3

1 gross income or gross proceeds of sale that is subject to
2 taxation under subsection (b).

3 (e) This section shall not apply to gross income or gross
4 proceeds from binding written contracts entered into prior to
5 July 1, 2021, that do not permit the passing on of increased
6 rates of taxes.

7 (f) This section shall not apply to gross income or gross
8 proceeds from stevedoring services and related services, as
9 defined in section 382-1, furnished to a company by its wholly
10 owned subsidiary.

11 (g) The tax imposed under subsection (b) shall not apply
12 to any gross income or gross proceeds of sale that cannot
13 legally be so taxed under the Constitution or laws of the United
14 States, but only so long as, and only to the extent, to which
15 the State is without power to impose the tax.

16 To the extent that any exemption, exclusion, or
17 apportionment is necessary to comply with the preceding
18 sentence, the director of taxation shall:

19 (1) Exempt or exclude the gross income or gross proceeds
20 of sale from the tax under subsection (b); or



H.B. NO. 3

1 (2) Apportion the gross income or gross proceeds of sale
2 derived within the State by persons engaged in
3 business both within and without the State to
4 determine the gross income or gross proceeds of sale
5 that is subject to taxation under this chapter for the
6 purposes of section 237-21.

7 (h) This chapter shall apply to the payment, collection,
8 enforcement, and appeal of the tax levied under this section.

9 (i) The director of taxation may establish additional
10 requirements, procedures, and forms pursuant to rules adopted
11 under chapter 91 to effectuate this section.

12 (j) As used in this section, "previously exempt gross
13 income or gross proceeds of sale" means the amount of the gross
14 income or gross proceeds of sale the exemption for which is
15 suspended under subsection (a).

16 §237- Information reporting. Beginning July 1, 2021,
17 the director of taxation shall require information reporting on
18 all exclusions or exemptions of all amounts, persons, or
19 transactions from this chapter, except for the following:

20 (1) Amounts received that are exempt under section
21 237-24(1) through (7); and



H.B. NO. 3

1 (2) Any other amounts, persons, or transactions as
2 determined by the director to be in the best interest
3 of tax administration and made by official
4 pronouncement."

5 SECTION 6. Chapter 238, Hawaii Revised Statutes, is
6 amended by adding two new sections to be appropriately
7 designated and to read as follows:

8 "§238- Temporary suspension of exemption of certain
9 amounts; levy of tax. (a) Notwithstanding any other law to the
10 contrary, the exemption of the following from taxation under
11 this chapter shall be suspended from July 1, 2021, through June
12 30, 2023:

13 (1) The leasing or renting of aircraft or keeping of
14 aircraft solely for leasing or renting for commercial
15 transportation of passengers and goods or the
16 acquisition or importation of aircraft or aircraft
17 engines by a lessee or renter engaged in interstate
18 air transportation, as described under section 238-1,
19 paragraph (6) of the definition of "use";

20 (2) The use of oceangoing vehicles for passenger or
21 passenger and goods transportation from one point to



H.B. NO. 3

- 1 another within the State as a public utility, as
2 described under section 238-1, paragraph (7) of the
3 definition of "use";
- 4 (3) The use of material, parts, or tools imported or
5 purchased by a person licensed under chapter 237 that
6 are used for aircraft service and maintenance or the
7 construction of an aircraft service and maintenance
8 facility, as described under section 238-1, paragraph
9 (8) of the definition of "use";
- 10 (4) The use or sale of intoxicating liquor and cigarettes
11 and tobacco products imported into the State and sold
12 to any person or common carrier in interstate
13 commerce, whether ocean-going or air, for consumption
14 out of State by the person, crew, or passengers on the
15 shipper's vessels or airplanes, as described under
16 section 238-3(g);
- 17 (5) The use of any vessel constructed under section 189-25
18 prior to July 1, 1969, as described under section
19 238-3(h); and



H.B. NO. 3

1 (6) The use of any air pollution control facility subject
2 to section 237-27.5 as described under section
3 238-3(k).

4 (b) Except as otherwise provided under subsection (e) or
5 (f), there is levied, assessed, and collected annually against a
6 taxpayer who imports or purchases previously exempt property,
7 services, or contracting for use in this State that becomes
8 subject to the State's taxing jurisdiction from July 1, 2021, to
9 June 30, 2023, a tax at the rate of four per cent on the value
10 of that previously exempt property, services, or contracting.

11 (c) The taxpayer against whom the tax is levied and
12 assessed under this section shall be responsible for payment of
13 the tax to the director of taxation.

14 (d) Notwithstanding section 238-2.6, no county surcharge
15 shall be levied, assessed, or collected on the value of any
16 previously exempt property, services, or contracting that is
17 subject to taxation under subsection (b).

18 (e) This section shall not apply to any property,
19 services, or contracting imported or purchased under binding
20 written contracts entered into prior to July 1, 2021, that do
21 not permit the passing on of increased rates of taxes.



H.B. NO. 3

1 (f) The tax imposed under subsection (b) shall not apply
2 to any property, services, or contracting or to any use of the
3 property, services, or contracting that cannot legally be so
4 taxed under the Constitution or laws of the United States, but
5 only so long as, and only to the extent to which, the State is
6 without power to impose the tax.

7 To the extent that any exemption, exclusion, or
8 apportionment is necessary to comply with the preceding
9 sentence, the director of taxation shall:

10 (1) Exempt or exclude the property, services, or
11 contracting or the use of the property, services, or
12 contracting, from the tax under subsection (b); or

13 (2) Apportion the gross value of services or contracting
14 sold to customers within the State by persons engaged
15 in business both within and without the State to
16 determine the value of that portion of the services or
17 contracting that is subject to taxation under chapter
18 237 for the purposes of section 237-21.

19 (g) This chapter shall apply to the payment, collection,
20 enforcement, and appeal of the tax levied under this section.



H.B. NO. 3

1 or profit), paid or to be paid for all transfers or conveyance
2 of realty or any interest therein, that shall include any liens
3 or encumbrances thereon at the time of sale, lease, sublease,
4 assignment, transfer, or conveyance, and shall be at the
5 following rates:

6 (1) Except as provided in paragraph (2):

7 (A) [~~Ten cents per \$100 for~~] For properties with a
8 value of less than \$600,000 [~~+~~]: ten cents per
9 \$100;

10 (B) [~~Twenty cents per \$100 for~~] For properties with a
11 value of at least \$600,000, but less than
12 \$1,000,000 [~~+~~]: twenty cents per \$100;

13 (C) [~~Thirty cents per \$100 for~~] For properties with a
14 value of at least \$1,000,000, but less than
15 \$2,000,000 [~~+~~]: sixty cents per \$100;

16 (D) [~~Fifty cents per \$100 for~~] For properties with a
17 value of at least \$2,000,000, but less than
18 \$4,000,000 [~~+~~]: \$1.00 per \$100;

19 (E) [~~Seventy cents per \$100 for~~] For properties with
20 a value of at least \$4,000,000, but less than
21 \$6,000,000 [~~+~~]: \$1.40 per \$100;



H.B. NO. 3

- 1 (F) ~~[Ninety cents per \$100 for]~~ For properties with a
2 value of at least \$6,000,000, but less than
3 \$10,000,000 ~~[, and]~~ : \$1.80 per \$100; and
- 4 (G) ~~[One dollar per \$100 for]~~ For properties with a
5 value of \$10,000,000 or greater ~~[, and]~~ : \$2.00 per
6 \$100; and
- 7 (2) For the sale of a condominium or single family
8 residence for which the purchaser is ineligible for a
9 county homeowner's exemption on property tax:
- 10 (A) ~~[Fifteen cents per \$100 for]~~ For properties with
11 a value of less than \$600,000 ~~[,]~~ : fifteen cents
12 per \$100;
- 13 (B) ~~[Twenty five cents per \$100 for]~~ For properties
14 with a value of at least \$600,000, but less than
15 \$1,000,000 ~~[,]~~ : twenty-five cents per \$100;
- 16 (C) ~~[Forty cents per \$100 for]~~ For properties with a
17 value of at least \$1,000,000, but less than
18 \$2,000,000 ~~[,]~~ : eighty cents per \$100;
- 19 (D) ~~[Sixty cents per \$100 for]~~ For properties with a
20 value of at least \$2,000,000, but less than
21 \$4,000,000 ~~[,]~~ : \$1.20 per \$100;



H.B. NO. 3

1 (E) ~~[Eighty five cents per \$100 for]~~ For properties
2 with a value of at least \$4,000,000, but less
3 than \$6,000,000 ~~[]~~: \$1.70 per \$100;
4 (F) ~~[One dollar and ten cents per \$100 for]~~ For
5 properties with a value of at least \$6,000,000,
6 but less than \$10,000,000 ~~[]~~ ~~and~~: \$2.20 per \$100;
7 and
8 (G) ~~[One dollar and twenty five cents per \$100 for]~~
9 For properties with a value of \$10,000,000 or
10 greater ~~[]~~: \$2.50 per \$100,
11 of such actual and full consideration; provided that in the case
12 of a lease or sublease, this chapter shall apply only to a lease
13 or sublease whose full unexpired term is for a period of five
14 years or more, and in those cases, including ~~[where~~
15 ~~appropriate)]~~, where appropriate, those cases where the lease
16 has been extended or amended, the tax in this chapter shall be
17 based on the cash value of the lease rentals discounted to
18 present day value and capitalized at the rate of six per cent,
19 plus the actual and full consideration paid or to be paid for
20 any and all improvements, if any, that shall include on-site as
21 well as off-site improvements, applicable to the leased



H.B. NO. 3

1 premises; and provided further that the tax imposed for each
2 transaction shall be ~~not~~ no less than \$1."

PART VII

3
4 SECTION 8. The department of taxation shall have the
5 authority to postpone the payment of the tax imposed under
6 sections 5 and 6 of this Act until the deadline to file the
7 general excise or use tax annual return and reconciliation form,
8 as applicable, without regard to any extension.

9 SECTION 9. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.


11 SECTION 10. This Act shall take effect on July 1, 2021;
12 provided that:

13 (1) Section 2 shall apply to taxable years beginning after
14 December 31, 2020; and

15 (2) Sections 5 and 6 shall be repealed on June 30, 2023.

16

INTRODUCED BY:



JAN 20 2021



H.B. NO. 3

Report Title:

Revenue Generation; Personal Income Tax; Corporate Income Tax; Capital Gains; General Excise Tax Exemptions; Conveyance Tax

Description:

Increases the personal income tax rate and implements a rate recapture mechanism that phases out lower tax brackets for high earners for taxable years beginning after 12/31/2020. Increases the tax on capital gains. Increases the corporate income tax and establishes a single corporate income tax rate. From 7/1/2021 through 6/30/23, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at \$1,000,000 or greater.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

