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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Section 235-71, Hawaii Revised Statutes, is  
2 amended as follows:

3           1. By amending subsections (a) and (b) to read:

4           "(a) A tax at the rates [~~herein~~] provided in this section  
5 shall be assessed, levied, collected, and paid for each taxable  
6 year on the taxable income of every corporation, including a  
7 corporation carrying on business in partnership, except that in  
8 the case of a regulated investment company the tax is as  
9 provided by subsection (b) and further that in the case of a  
10 real estate investment trust as defined in section 856 of the  
11 Internal Revenue Code of 1954 the tax is as provided in  
12 subsection (d). "Corporation" includes any professional  
13 corporation incorporated pursuant to chapter 415A.

14           The tax on all taxable income shall be at the rate of 4.4  
15 per cent if the taxable income is not over \$25,000, 5.4 per cent  
16 if over \$25,000 but not over \$100,000, and on all over \$100,000,  
17 6.4 per cent[~~-~~]; provided that if the ratio between the salary



1 of a corporation's highest-paid employee and the average of all  
2 the corporation's employees exceeds twenty-to-one, the tax on  
3 all taxable income shall be at the rate of \_\_\_\_\_ per cent if  
4 the taxable income is not over \$25,000, \_\_\_\_\_ per cent if  
5 over \$25,000 but not over \$100,000, and on all over \$100,000,  
6 \_\_\_\_\_ per cent.

7 (b) In the case of a regulated investment company, there  
8 is imposed on the taxable income, computed as provided in  
9 sections 852 and 855 of the Internal Revenue Code but with the  
10 changes and adjustments made by this chapter (without prejudice  
11 to the generality of the foregoing, the deduction for dividends  
12 paid is limited to [~~such~~] the amount of dividends as is  
13 attributable to income taxable under this chapter), a tax  
14 consisting in the sum of the following: 4.4 per cent if the  
15 taxable income is not over \$25,000, 5.4 per cent if over \$25,000  
16 but not over \$100,000, and on all over \$100,000, 6.4 per  
17 cent[-]; provided that if the ratio between the salary of a  
18 regulated investment company's highest-paid employee and the  
19 average of all the regulated investment company's employees  
20 exceeds twenty-to-one, the tax shall consist in the sum of the  
21 following: \_\_\_\_\_ per cent if the taxable income is not over



1 \$25,000, \_\_\_\_\_ per cent if over \$25,000 but not over  
2 \$100,000, and on all over \$100,000, \_\_\_\_\_ per cent."

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

4 "(d) In the case of a real estate investment trust, there  
5 is imposed on the taxable income, computed as provided in  
6 sections 857 and 858 of the Internal Revenue Code but with the  
7 changes and adjustments made by this chapter (without prejudice  
8 to the generality of the foregoing, the deduction for dividends  
9 paid is limited to [~~such~~] the amount of dividends as is  
10 attributable to income taxable under this chapter), a tax  
11 consisting in the sum of the following: 4.4 per cent if the  
12 taxable income is not over \$25,000, 5.4 per cent if over \$25,000  
13 but not over \$100,000, and on all over \$100,000, 6.4 per  
14 cent[-]; provided that if the ratio between the salary of a real  
15 estate investment trust's highest-paid employee and the average  
16 of all the real estate investment trust's employees exceeds  
17 twenty-to-one, the tax shall consist in the sum of the  
18 following: \_\_\_\_\_ per cent if the taxable income is not over  
19 \$25,000, \_\_\_\_\_ per cent if over \$25,000 but not over  
20 \$100,000, and on all over \$100,000, \_\_\_\_\_ per cent.



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

14           SECTION 2. Section 235-71.5, Hawaii Revised Statutes, is  
15 amended to read as follows:

16           "**§235-71.5 Alternative tax for corporations.** Section 1201  
17 (with respect to alternative tax for corporations) of the  
18 Internal Revenue Code of 1986, as amended as of December 31,  
19 1996, shall be operative for the purposes of this chapter and  
20 shall be applied as set forth in this section. If for any  
21 taxable year a corporation, regulated investment company, or



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

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

9 (2) The sum of:

10 (A) 3.08 per cent of the lesser of:

11 (i) The net capital gain determined by including  
12 only the gain or loss [~~which~~] that is  
13 properly taken into account for the portion  
14 of the taxable year before April 1, 1987

15 (i.e., the amount in paragraph (1)), or

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

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

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



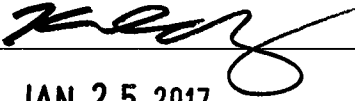
1           (ii) The amount of the net capital gain taken  
 2                                   into account under subparagraph (A) ~~[+]~~;  
 3           provided that if the ratio between the salary of the  
 4           highest-paid employee of the corporation, regulated  
 5           investment company, or real estate investment trust  
 6           and the average of all the employees of the  
 7           corporation, regulated investment company, or real  
 8           estate investment trust exceeds twenty-to-one, the  
 9           percentages in subparagraphs (A) and (B) shall  
 10           be                   per cent and                   per cent,  
 11           respectively."

12           SECTION 3. This Act does not affect rights and duties that  
 13           matured, penalties that were incurred, and proceedings that were  
 14           begun before its effective date.

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

17           SECTION 5. This Act, upon its approval, shall apply to  
 18           taxable years beginning after December 31, 2016.

19

INTRODUCED BY:   
 JAN 25 2017



# H.B. NO. 1459

**Report Title:**

Corporate Income Tax; Employee Compensation; Rates

**Description:**

Increases to an unspecified percentage, the corporate income tax rates for companies where the ratio between the salary of the company's highest-paid employee and the average of all the company's employees exceeds 20:1.

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