
A BILL FOR AN ACT

RELATING TO EDUCATION.

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

1 SECTION 1. The legislature finds that article X, section
2 1, of the State Constitution requires the State to provide a
3 system of public education. Compared to other states, Hawaii is
4 unique because the State, rather than a county or local level
5 jurisdiction, is responsible for public education. As a result,
6 funding for public education in Hawaii is primarily sourced from
7 the general fund of the State.

8 The legislature further finds that public education in
9 Hawaii is not adequately funded. According to an analysis of
10 real property tax in Hawaii performed by the department of
11 business, economic development, and tourism in 2017, Hawaii's
12 education expenditures, as a share of combined state and local
13 government expenditures, is 27.3 per cent and ranks as the
14 lowest in the nation. At \$12,855 per child, Hawaii trails
15 mainland school districts of similar size when adjusting for
16 cost of living. Lagging state education expenditures drive
17 Hawaii families to compete for private school enrollment,



1 leaving Hawaii with one of the highest rates of private school
2 enrollment in the nation, according to the United States Census
3 Bureau.

4 The legislature additionally finds that the United States
5 Department of Education currently considers over seventy per
6 cent of Hawaii's public schools to be Title I schools. A
7 majority of public school students are now considered "high-
8 needs" students, meaning that the student qualifies for free or
9 reduced-price lunch, is an English language learner, or is a
10 special education student. Hawaii also ranks fifty-first out of
11 fifty states and the District of Columbia in starting and median
12 teacher salaries adjusted for cost of living, according to a
13 2017 study performed by WalletHub.com.

14 The legislature also finds that chronic underfunding of
15 public schools undermines the State's goal of providing a
16 quality education to all of Hawaii's children. Insufficient
17 education funding results in higher class sizes, a lack of
18 adequate classroom supplies, elimination of arts and technical
19 education courses, budget cuts for special education and English
20 language learner programs, and an increasing number of vacant
21 teacher positions statewide that now exceeds over one thousand



1 positions. It is necessary to develop a new means of financing
2 Hawaii's public education system to ensure that the State will
3 be able to prepare children to meet the social and economic
4 demands of the twenty-first century.

5 The purpose of this Act is to increase funding for public
6 education in Hawaii by:

- 7 (1) Establishing a quality education special fund to
8 supplement education programs, funded by increases in
9 the general excise tax and income tax from high
10 earning taxpayers;
- 11 (2) Requiring moneys budgeted for the department of
12 education to remain equal to or greater than an
13 inflation-adjusted minimum level of funding for
14 subsequent fiscal years;
- 15 (3) Increasing income tax rates for high earning
16 taxpayers; and
- 17 (4) Raising general excise tax rates by one-half per cent.

18 This Act minimizes the adverse effect of increasing the
19 general excise tax rate by:

- 20 (1) Expanding availability of the income tax credit for
21 renters to include households with an income of up to



1 \$60,000 per year, increasing the credit amount, and
2 linking future increases in credit amount to the
3 consumer price index; and

4 (2) Expanding availability of the state food/excise tax
5 credit for households that file a joint return,
6 increasing the available credit by specified amounts,
7 and linking future annual increases in the state
8 food/excise tax credit to the consumer price index.

9 SECTION 2. Chapter 302A, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§302A- Quality education special fund. (a) There is
13 established within the state treasury a special fund to be known
14 as the quality education special fund to be administered by the
15 department and into which shall be deposited:

16 (1) The additional revenues generated and collected from
17 the increase in income tax rates imposed by section 5
18 of Act , Session Laws of Hawaii 2019; provided that
19 upon the enactment of any subsequent increase in
20 income tax rates, a sum of total income tax revenues
21 realized by the State in each fiscal year equal to the



1 percentage by which income tax rates were increased by
2 section 5 of Act _____, Session Laws of Hawaii 2019,
3 shall be deposited into the quality education special
4 fund;

5 (2) The additional revenues generated and collected from
6 the increase in general excise tax rates imposed by
7 sections 8, 9, 10, and 11 of Act _____, Session Laws of
8 Hawaii 2019; provided that upon the enactment of any
9 subsequent increase in general excise tax rates, a sum
10 equal to a half per cent of total general excise tax
11 revenues realized by the State of Hawaii in each
12 fiscal year shall be deposited into the quality
13 education special fund;

14 (3) All other funds received by the department and legally
15 available for the purposes of the quality education
16 special fund; and

17 (4) Interest accrued on all amounts in the quality
18 education special fund.

19 (b) Moneys budgeted for operations of the department of
20 education from sources of funding other than the quality
21 education special fund shall remain equal to or greater than the



1 inflation-adjusted minimum level of funding, except when the
2 consumer price index for the twelve-month period ending June 30
3 of the preceding calendar year decreases from the prior calendar
4 year.

5 (c) The quality education special fund shall not be
6 subject to sections 36-27, 36-30, and 37-53.

7 (d) Moneys in the quality education special fund shall be
8 allocated by the legislature through appropriations out of the
9 special fund, in consultation with the department and the
10 exclusive representatives of any appropriate bargaining units,
11 for the purposes of:

- 12 (1) Recruiting and retaining public school teachers;
13 (2) Lowering public school class sizes;
14 (3) Improving special education staffing and resources;
15 (4) Offering additional instruction in career and
16 technical education, arts, music, theatre, dance,
17 Hawaiian studies, and Hawaiian language; and
18 (5) Expanding access to public preschool and afterschool
19 programming.



1 (e) Amounts in the quality education special fund shall be
2 exempt from all taxes and surcharges imposed by the State or the
3 counties.

4 (f) No later than twenty days prior to the convening of
5 each regular session, the department shall post on the
6 department's website a report containing an accounting of the
7 receipts of and expenditures from the quality education special
8 fund. The legislature shall provide to the department any
9 information necessary to complete and post the report required
10 by this section.

11 (g) For the purposes of this section:

12 "Consumer price index" means the national consumer price
13 index average over a twelve-month period that is published
14 monthly by the United States Department of Labor's Bureau of
15 Labor Statistics as the "National Consumer Price Index for All
16 Urban Consumers-United States City Average".

17 "Inflation-adjusted minimum level of funding" means the
18 total amount of funding provided to the department of education
19 in the fiscal year 2019-2020; provided that this amount shall
20 increase by three per cent for each subsequent fiscal year."



1 SECTION 3. Section 36-27, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) Except as provided in this section, and
4 notwithstanding any other law to the contrary, from time to
5 time, the director of finance, for the purpose of defraying the
6 prorated estimate of central service expenses of government in
7 relation to all special funds, except the:

- 8 (1) Special out-of-school time instructional program fund
9 under section 302A-1310;
- 10 (2) School cafeteria special funds of the department of
11 education;
- 12 (3) Special funds of the University of Hawaii;
- 13 (4) State educational facilities improvement special fund;
- 14 (5) Convention center enterprise special fund under
15 section 201B-8;
- 16 (6) Special funds established by section 206E-6;
- 17 (7) Aloha Tower fund created by section 206J-17;
- 18 (8) Funds of the employees' retirement system created by
19 section 88-109;
- 20 (9) Hawaii hurricane relief fund established under chapter
21 431P;



- 1 (10) Hawaii health systems corporation special funds and
2 the subaccounts of its regional system boards;
- 3 (11) Tourism special fund established under section 201B-
4 11;
- 5 (12) Universal service fund established under section 269-
6 42;
- 7 (13) Emergency and budget reserve fund under section 328L-
8 3;
- 9 (14) Public schools special fees and charges fund under
10 section 302A-1130;
- 11 (15) Sport fish special fund under section 187A-9.5;
- 12 [+](16)[+] Neurotrauma special fund under section 321H-4;
- 13 [+](17)[+] Glass advance disposal fee established by section
14 342G-82;
- 15 [+](18)[+] Center for nursing special fund under section 304A-
16 2163;
- 17 [+](19)[+] Passenger facility charge special fund established
18 by section 261-5.5;
- 19 [+](20)[+] Solicitation of funds for charitable purposes
20 special fund established by section 467B-15;



- 1 [+] (21) [+] Land conservation fund established by section 173A-
2 5;
- 3 [+] (22) [+] Court interpreting services revolving fund under
4 section 607-1.5;
- 5 [+] (23) [+] Trauma system special fund under section 321-22.5;
- 6 [+] (24) [+] Hawaii cancer research special fund;
- 7 [+] (25) [+] Community health centers special fund;
- 8 [+] (26) [+] Emergency medical services special fund;
- 9 [+] (27) [+] Rental motor vehicle customer facility charge
10 special fund established under section 261-5.6;
- 11 [+] (28) [+] Shared services technology special fund under
12 section 27-43;
- 13 [+] (29) [+] Automated victim information and notification system
14 special fund established under section 353-136;
- 15 [+] (30) [+] Deposit beverage container deposit special fund
16 under section 342G-104;
- 17 [+] (31) [+] Hospital sustainability program special fund under
18 [+]section 346G-4 [+] ;
- 19 [+] (32) [+] Nursing facility sustainability program special fund
20 under [+]section 346F-4 [+] ;



1 [+] (33) [+] Hawaii 3R's school improvement fund under section
2 302A-1502.4;

3 [+] (34) [+] After-school plus program revolving fund under
4 section 302A-1149.5; [and]

5 [+] (35) [+] Civil monetary penalty special fund under section
6 321-30.2 [7]; and

7 (36) Quality education special fund under section 302A- ,
8 shall deduct five per cent of all receipts of all other special
9 funds, which deduction shall be transferred to the general fund
10 of the State and become general realizations of the State. All
11 officers of the State and other persons having power to allocate
12 or disburse any special funds shall cooperate with the director
13 in effecting these transfers. To determine the proper revenue
14 base upon which the central service assessment is to be
15 calculated, the director shall adopt rules pursuant to chapter
16 91 for the purpose of suspending or limiting the application of
17 the central service assessment of any fund. No later than
18 twenty days prior to the convening of each regular session of
19 the legislature, the director shall report all central service
20 assessments made during the preceding fiscal year."



1 SECTION 4. Section 36-30, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) Each special fund, except the:

- 4 (1) Special out-of-school time instructional program fund
5 under section 302A-1310;
- 6 (2) School cafeteria special funds of the department of
7 education;
- 8 (3) Special funds of the University of Hawaii;
- 9 (4) State educational facilities improvement special fund;
- 10 (5) Special funds established by section 206E-6;
- 11 (6) Aloha Tower fund created by section 206J-17;
- 12 (7) Funds of the employees' retirement system created by
13 section 88-109;
- 14 (8) Hawaii hurricane relief fund established under chapter
15 431P;
- 16 (9) Convention center enterprise special fund established
17 under section 201B-8;
- 18 (10) Hawaii health systems corporation special funds and
19 the subaccounts of its regional system boards;
- 20 (11) Tourism special fund established under section 201B-
21 11;



- 1 (12) Universal service fund established under section 269-
2 42;
- 3 (13) Emergency and budget reserve fund under section 328L-
4 3;
- 5 (14) Public schools special fees and charges fund under
6 section 302A-1130;
- 7 (15) Sport fish special fund under section 187A-9.5;
- 8 [+](16)[+] Neurotrauma special fund under section 321H-4;
- 9 [+](17)[+] Center for nursing special fund under section 304A-
10 2163;
- 11 [+](18)[+] Passenger facility charge special fund established
12 by section 261-5.5;
- 13 [+](19)[+] Court interpreting services revolving fund under
14 section 607-1.5;
- 15 [+](20)[+] Trauma system special fund under section 321-22.5;
- 16 [+](21)[+] Hawaii cancer research special fund;
- 17 [+](22)[+] Community health centers special fund;
- 18 [+](23)[+] Emergency medical services special fund;
- 19 [+](24)[+] Rental motor vehicle customer facility charge
20 special fund established under section 261-5.6;



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1 [+] (25) [+] Shared services technology special fund under
2 section 27-43;
3 [+] (26) [+] Nursing facility sustainability program special fund
4 established pursuant to [+]section 346F-4 [+] ;
5 [+] (27) [+] Automated victim information and notification system
6 special fund established under section 353-136;
7 [+] (28) [+] Hospital sustainability program special fund under
8 [+]section 346G-4 [+] ; ~~and~~
9 [+] (29) [+] Civil monetary penalty special fund under section
10 321-30.2 [~~7~~] ; and
11 (30) Quality education special fund under section 302A- ,
12 shall be responsible for its pro rata share of the
13 administrative expenses incurred by the department responsible
14 for the operations supported by the special fund concerned."

15 SECTION 5. 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



1 (2) Surviving spouse,
2 a tax determined in accordance with the following table:

3

4 In the case of any taxable year beginning after December
5 31, 2001:

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



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| | | |
|----|--------------------|----------------------------|
| 1 | Over \$72,000 but | \$4,531.00 plus 7.90% of |
| 2 | not over \$96,000 | excess over \$72,000 |
| 3 | Over \$96,000 but | \$6,427.00 plus 8.25% of |
| 4 | not over \$300,000 | excess over \$96,000 |
| 5 | Over \$300,000 but | \$23,257.00 plus 9.00% of |
| 6 | not over \$350,000 | excess over \$300,000 |
| 7 | Over \$350,000 but | \$27,757.00 plus 10.00% of |
| 8 | not over \$400,000 | excess over \$350,000 |
| 9 | Over \$400,000 | \$32,757.00 plus 11.00% of |
| 10 | | excess over \$400,000. |

11

12 In the case of any taxable year beginning after December
 13 31, 2018:

| 14 | <u>If the taxable income is:</u> | <u>The tax shall be:</u> |
|----|----------------------------------|--------------------------------|
| 15 | <u>Not over \$4,800</u> | <u>1.40% of taxable income</u> |
| 16 | <u>Over \$4,800 but</u> | <u>\$67.00 plus 3.20% of</u> |
| 17 | <u>not over \$9,600</u> | <u>excess over \$4,800</u> |
| 18 | <u>Over \$9,600 but</u> | <u>\$221.00 plus 5.50% of</u> |
| 19 | <u>not over \$19,200</u> | <u>excess over \$9,600</u> |
| 20 | <u>Over \$19,200 but</u> | <u>\$749.00 plus 6.40% of</u> |
| 21 | <u>not over \$28,800</u> | <u>excess over \$19,200</u> |



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| | | |
|----|---------------------------|-----------------------------------|
| 1 | <u>Over \$28,800 but</u> | <u>\$1,363.00 plus 6.80% of</u> |
| 2 | <u>not over \$38,400</u> | <u>excess over \$28,800</u> |
| 3 | <u>Over \$38,400 but</u> | <u>\$2,016.00 plus 7.20% of</u> |
| 4 | <u>not over \$48,000</u> | <u>excess over \$38,400</u> |
| 5 | <u>Over \$48,000 but</u> | <u>\$2,707.00 plus 7.60% of</u> |
| 6 | <u>not over \$72,000</u> | <u>excess over \$48,000</u> |
| 7 | <u>Over \$72,000 but</u> | <u>\$4,531.00 plus 7.90% of</u> |
| 8 | <u>not over \$96,000</u> | <u>excess over \$72,000</u> |
| 9 | <u>Over \$96,000 but</u> | <u>\$6,427.00 plus 8.25% of</u> |
| 10 | <u>not over \$300,000</u> | <u>excess over \$96,000</u> |
| 11 | <u>Over \$300,000 but</u> | <u>\$23,257.00 plus 11.00% of</u> |
| 12 | <u>not over \$350,000</u> | <u>excess over \$300,000</u> |
| 13 | <u>Over \$350,000 but</u> | <u>\$28,757.00 plus 12.00% of</u> |
| 14 | <u>not over \$400,000</u> | <u>excess over \$350,000</u> |
| 15 | <u>Over \$400,000</u> | <u>\$34,757.00 plus 13.00% of</u> |
| 16 | | <u>excess over \$400,000.</u> |

17

18 (b) There is hereby imposed on the taxable income of every

19 head of a household a tax determined in accordance with the

20 following table:



| | | |
|----|--|--------------------------|
| 1 | In the case of any taxable year beginning after December | |
| 2 | 31, 2001: | |
| 3 | If the taxable income is: | The tax shall be: |
| 4 | Not over \$3,000 | 1.40% of taxable income |
| 5 | Over \$3,000 but | \$42.00 plus 3.20% of |
| 6 | not over \$6,000 | excess over \$3,000 |
| 7 | Over \$6,000 but | \$138.00 plus 5.50% of |
| 8 | not over \$12,000 | excess over \$6,000 |
| 9 | Over \$12,000 but | \$468.00 plus 6.40% of |
| 10 | not over \$18,000 | excess over \$12,000 |
| 11 | Over \$18,000 but | \$852.00 plus 6.80% of |
| 12 | not over \$24,000 | excess over \$18,000 |
| 13 | Over \$24,000 but | \$1,260.00 plus 7.20% of |
| 14 | not over \$30,000 | excess over \$24,000 |
| 15 | Over \$30,000 but | \$1,692.00 plus 7.60% of |
| 16 | not over \$45,000 | excess over \$30,000 |
| 17 | Over \$45,000 but | \$2,832.00 plus 7.90% of |
| 18 | not over \$60,000 | excess over \$45,000 |
| 19 | Over \$60,000 | \$4,017.00 plus 8.25% of |
| 20 | | excess over \$60,000. |



| | | |
|----|--|--------------------------|
| 1 | In the case of any taxable year beginning after December | |
| 2 | 31, 2006: | |
| 3 | If the taxable income is: | The tax shall be: |
| 4 | Not over \$3,600 | 1.40% of taxable income |
| 5 | Over \$3,600 but | \$50.00 plus 3.20% of |
| 6 | not over \$7,200 | excess over \$3,600 |
| 7 | Over \$7,200 but | \$166.00 plus 5.50% of |
| 8 | not over \$14,400 | excess over \$7,200 |
| 9 | Over \$14,400 but | \$562.00 plus 6.40% of |
| 10 | not over \$21,600 | excess over \$14,400 |
| 11 | Over \$21,600 but | \$1,022.00 plus 6.80% of |
| 12 | not over \$28,800 | excess over \$21,600 |
| 13 | Over \$28,800 but | \$1,512.00 plus 7.20% of |
| 14 | not over \$36,000 | excess over \$28,800 |
| 15 | Over \$36,000 but | \$2,030.00 plus 7.60% of |
| 16 | not over \$54,000 | excess over \$36,000 |
| 17 | Over \$54,000 but | \$3,398.00 plus 7.90% of |
| 18 | not over \$72,000 | excess over \$54,000 |
| 19 | Over \$72,000 | \$4,820.00 plus 8.25% of |
| 20 | | excess over \$72,000. |



| | | |
|----|--|--------------------------|
| 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 \$3,600 | 1.40% of taxable income |
| 5 | Over \$3,600 but | \$50.00 plus 3.20% of |
| 6 | not over \$7,200 | excess over \$3,600 |
| 7 | Over \$7,200 but | \$166.00 plus 5.50% of |
| 8 | not over \$14,400 | excess over \$7,200 |
| 9 | Over \$14,400 but | \$562.00 plus 6.40% of |
| 10 | not over \$21,600 | excess over \$14,400 |
| 11 | Over \$21,600 but | \$1,022.00 plus 6.80% of |
| 12 | not over \$28,800 | excess over \$21,600 |
| 13 | Over \$28,800 but | \$1,512.00 plus 7.20% of |
| 14 | not over \$36,000 | excess over \$28,800 |
| 15 | Over \$36,000 but | \$2,030.00 plus 7.60% of |
| 16 | not over \$54,000 | excess over \$36,000 |
| 17 | Over \$54,000 but | \$3,398.00 plus 7.90% of |
| 18 | not over \$72,000 | excess over \$54,000 |
| 19 | Over \$72,000 but | \$4,820.00 plus 8.25% of |
| 20 | not over \$225,000 | excess over \$72,000 |



| | | |
|---|--------------------|----------------------------|
| 1 | Over \$225,000 but | \$17,443.00 plus 9.00% of |
| 2 | not over \$262,500 | excess over \$225,000 |
| 3 | Over \$262,500 but | \$20,818.00 plus 10.00% of |
| 4 | not over \$300,000 | excess over \$262,500 |
| 5 | Over \$300,000 | \$24,568.00 plus 11.00% of |
| 6 | | excess over \$300,000. |

7

8 In the case of any taxable year beginning after December
9 31, 2018:

| 10 | <u>If the taxable income is:</u> | <u>The tax shall be:</u> |
|----|----------------------------------|---------------------------------|
| 11 | <u>Not over \$3,600</u> | <u>1.40% of taxable income</u> |
| 12 | <u>Over \$3,600 but</u> | <u>\$50.00 plus 3.20% of</u> |
| 13 | <u>not over \$7,200</u> | <u>excess over \$3,600</u> |
| 14 | <u>Over \$7,200 but</u> | <u>\$166.00 plus 5.50% of</u> |
| 15 | <u>not over \$14,400</u> | <u>excess over \$7,200</u> |
| 16 | <u>Over \$14,400 but</u> | <u>\$562.00 plus 6.40% of</u> |
| 17 | <u>not over \$21,600</u> | <u>excess over \$14,400</u> |
| 18 | <u>Over \$21,600 but</u> | <u>\$1,022.00 plus 6.80% of</u> |
| 19 | <u>not over \$28,800</u> | <u>excess over \$21,600</u> |
| 20 | <u>Over \$28,800 but</u> | <u>\$1,512.00 plus 7.20% of</u> |
| 21 | <u>not over \$36,000</u> | <u>excess over \$28,800</u> |



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| | | |
|----|---------------------------|-----------------------------------|
| 1 | <u>Over \$36,000 but</u> | <u>\$2,030.00 plus 7.60% of</u> |
| 2 | <u>not over \$54,000</u> | <u>excess over \$36,000</u> |
| 3 | <u>Over \$54,000 but</u> | <u>\$3,398.00 plus 7.90% of</u> |
| 4 | <u>not over \$72,000</u> | <u>excess over \$54,000</u> |
| 5 | <u>Over \$72,000 but</u> | <u>\$4,820.00 plus 8.25% of</u> |
| 6 | <u>not over \$225,000</u> | <u>excess over \$72,000</u> |
| 7 | <u>Over \$225,000 but</u> | <u>\$17,443.00 plus 9.00% of</u> |
| 8 | <u>not over \$262,500</u> | <u>excess over \$225,000</u> |
| 9 | <u>Over \$262,500 but</u> | <u>\$20,818.00 plus 10.00% of</u> |
| 10 | <u>not over \$300,000</u> | <u>excess over \$262,500</u> |
| 11 | <u>Over \$300,000</u> | <u>\$24,568.00 plus 13.00% of</u> |
| 12 | | <u>excess over \$300,000.</u> |

13

14 (c) There is hereby imposed on the taxable income of (1)

15 every unmarried individual (other than a surviving spouse, or

16 the head of a household) and (2) on the taxable income of every

17 married individual who does not make a single return jointly

18 with the individual's spouse under section 235-93 a tax

19 determined in accordance with the following table:



| | | |
|----|--|--------------------------|
| 1 | In the case of any taxable year beginning after December | |
| 2 | 31, 2001: | |
| 3 | If the taxable income is: | The tax shall be: |
| 4 | Not over \$2,000 | 1.40% of taxable income |
| 5 | Over \$2,000 but | \$28.00 plus 3.20% of |
| 6 | not over \$4,000 | excess over \$2,000 |
| 7 | Over \$4,000 but | \$92.00 plus 5.50% of |
| 8 | not over \$8,000 | excess over \$4,000 |
| 9 | Over \$8,000 but | \$312.00 plus 6.40% of |
| 10 | not over \$12,000 | excess over \$8,000 |
| 11 | Over \$12,000 but | \$568.00 plus 6.80% of |
| 12 | not over \$16,000 | excess over \$12,000 |
| 13 | Over \$16,000 but | \$840.00 plus 7.20% of |
| 14 | not over \$20,000 | excess over \$16,000 |
| 15 | Over \$20,000 but | \$1,128.00 plus 7.60% of |
| 16 | not over \$30,000 | excess over \$20,000 |
| 17 | Over \$30,000 but | \$1,888.00 plus 7.90% of |
| 18 | not over \$40,000 | excess over \$30,000 |
| 19 | Over \$40,000 | \$2,678.00 plus 8.25% of |
| 20 | | excess over \$40,000. |



| | | |
|----|--|--------------------------|
| 1 | In the case of any taxable year beginning after December | |
| 2 | 31, 2006: | |
| 3 | If the taxable income is: | The tax shall be: |
| 4 | Not over \$2,400 | 1.40% of taxable income |
| 5 | Over \$2,400 but | \$34.00 plus 3.20% of |
| 6 | not over \$4,800 | excess over \$2,400 |
| 7 | Over \$4,800 but | \$110.00 plus 5.50% of |
| 8 | not over \$9,600 | excess over \$4,800 |
| 9 | Over \$9,600 but | \$374.00 plus 6.40% of |
| 10 | not over \$14,400 | excess over \$9,600 |
| 11 | Over \$14,400 but | \$682.00 plus 6.80% of |
| 12 | not over \$19,200 | excess over \$14,400 |
| 13 | Over \$19,200 but | \$1,008.00 plus 7.20% of |
| 14 | not over \$24,000 | excess over \$19,200 |
| 15 | Over \$24,000 but | \$1,354.00 plus 7.60% of |
| 16 | not over \$36,000 | excess over \$24,000 |
| 17 | Over \$36,000 but | \$2,266.00 plus 7.90% of |
| 18 | not over \$48,000 | excess over \$36,000 |
| 19 | Over \$48,000 | \$3,214.00 plus 8.25% of |
| 20 | | excess over \$48,000. |



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



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| | | |
|---|--------------------|----------------------------|
| 1 | Over \$150,000 but | \$11,629.00 plus 9.00% of |
| 2 | not over \$175,000 | excess over \$150,000 |
| 3 | Over \$175,000 but | \$13,879.00 plus 10.00% of |
| 4 | not over \$200,000 | excess over \$175,000 |
| 5 | Over \$200,000 | \$16,379.00 plus 11.00% of |
| 6 | | excess over \$200,000. |

7

8 In the case of any taxable year beginning after December

9 31, 2018:

| 10 | <u>If the taxable income is:</u> | <u>The tax shall be:</u> |
|----|----------------------------------|---------------------------------|
| 11 | <u>Not over \$2,400</u> | <u>1.40% of taxable income</u> |
| 12 | <u>Over \$2,400 but</u> | <u>\$34.00 plus 3.20% of</u> |
| 13 | <u>not over \$4,800</u> | <u>excess over \$2,400</u> |
| 14 | <u>Over \$4,800 but</u> | <u>\$110.00 plus 5.50% of</u> |
| 15 | <u>not over \$9,600</u> | <u>excess over \$4,800</u> |
| 16 | <u>Over \$9,600 but</u> | <u>\$374.00 plus 6.40% of</u> |
| 17 | <u>not over \$14,400</u> | <u>excess over \$9,600</u> |
| 18 | <u>Over \$14,400 but</u> | <u>\$682.00 plus 6.80% of</u> |
| 19 | <u>not over \$19,200</u> | <u>excess over \$14,400</u> |
| 20 | <u>Over \$19,200 but</u> | <u>\$1,008.00 plus 7.20% of</u> |
| 21 | <u>not over \$24,000</u> | <u>excess over \$19,200</u> |



| | | |
|----|---------------------------|-----------------------------------|
| 1 | <u>Over \$24,000 but</u> | <u>\$1,354.00 plus 7.60% of</u> |
| 2 | <u>not over \$36,000</u> | <u>excess over \$24,000</u> |
| 3 | <u>Over \$36,000 but</u> | <u>\$2,266.00 plus 7.90% of</u> |
| 4 | <u>not over \$48,000</u> | <u>excess over \$36,000</u> |
| 5 | <u>Over \$48,000 but</u> | <u>\$3,214.00 plus 8.25% of</u> |
| 6 | <u>not over \$150,000</u> | <u>excess over \$48,000</u> |
| 7 | <u>Over \$150,000 but</u> | <u>\$11,629.00 plus 9.00% of</u> |
| 8 | <u>not over \$175,000</u> | <u>excess over \$150,000</u> |
| 9 | <u>Over \$175,000 but</u> | <u>\$13,879.00 plus 10.00% of</u> |
| 10 | <u>not over \$200,000</u> | <u>excess over \$175,000</u> |
| 11 | <u>Over \$200,000</u> | <u>\$16,379.00 plus 13.00% of</u> |
| 12 | | <u>excess over \$200,000."</u> |

13 SECTION 6. Section 235-55.7, Hawaii Revised Statutes, is
 14 amended to read as follows:

15 **"§235-55.7 Income tax credit for low-income household**

16 **renters.** (a) As used in this section:

17 (1) "Adjusted gross income" is defined by section 235-1.

18 (2) "Qualified exemption" includes those exemptions
 19 permitted under this chapter; provided that a person
 20 for whom exemption is claimed has physically resided
 21 in the State for more than nine months during the



1 taxable year; and provided that multiple exemption
2 shall not be granted because of deficiencies in
3 vision, hearing, or other disability.

4 (3) "Rent" means the amount paid in cash in any taxable
5 year for the occupancy of a dwelling place which is
6 used by a resident taxpayer or the resident taxpayer's
7 immediate family as the principal residence in this
8 State. Rent is limited to the amount paid for the
9 occupancy of the dwelling place only, and is exclusive
10 of charges for utilities, parking stalls, storage of
11 goods, yard services, furniture, furnishings, and the
12 like. Rent shall not include any rental claimed as a
13 deduction from gross income or adjusted gross income
14 for income tax purposes, any ground rental paid for
15 use of land only, and any rent allowance or subsidies
16 received.

17 (4) "Consumer price index" means the national consumer
18 price index average over a twelve-month period that is
19 published monthly by the United States Department of
20 Labor's Bureau of Labor Statistics as the "National



1 Consumer Price Index for All Urban Consumers-United
2 States City Average".

3 (b) Each resident taxpayer who occupies and pays rent for
4 real property within the State as the resident taxpayer's
5 residence or the residence of the resident taxpayer's immediate
6 family which is not partially or wholly exempted from real
7 property tax, who is not eligible to be claimed as a dependent
8 for federal or state income taxes by another, and who files an
9 individual net income tax return for a taxable year, may claim a
10 tax credit under this section against the resident taxpayer's
11 Hawaii state individual net income tax.

12 (c) Each taxpayer with an adjusted gross income of less
13 than [~~\$30,000~~] \$60,000 who has paid more than \$1,000 in rent
14 during the taxable year for which the credit is claimed may
15 claim a tax credit of [~~\$50~~] \$150 multiplied by the number of
16 qualified exemptions to which the taxpayer is entitled; provided
17 each taxpayer sixty-five years of age or over may claim double
18 the tax credit; and provided that a resident individual who has
19 no income or no income taxable under this chapter may also claim
20 the tax credit as set forth in this section.



1 (d) If a rental unit is occupied by two or more
2 individuals, and more than one individual is able to qualify as
3 a claimant, the claim for credit shall be based upon a pro rata
4 share of the rent paid.

5 (e) The tax credits shall be deductible from the
6 taxpayer's individual net income tax for the tax year in which
7 the credits are properly claimed; provided that a husband and
8 wife filing separate returns for a taxable year for which a
9 joint return could have been made by them shall claim only the
10 tax credits to which they would have been entitled had a joint
11 return been filed. In the event the allowed tax credits exceed
12 the amount of the income tax payments due from the taxpayer, the
13 excess of credits over payments due shall be refunded to the
14 taxpayer; provided that allowed tax credits properly claimed by
15 an individual who has no income tax liability shall be paid to
16 the individual; and provided further that no refunds or payments
17 on account of the tax credits allowed by this section shall be
18 made for amounts less than \$1.

19 (f) The director of taxation shall prepare and prescribe
20 the appropriate form or forms to be used herein, may require



1 proof of the claim for tax credits, and may adopt rules pursuant
2 to chapter 91.

3 (g) All of the provisions relating to assessments and
4 refunds under this chapter and under section 231-23(c)(1) shall
5 apply to the tax credits hereunder.

6 (h) Claims for tax credits under this section, including
7 any amended claims thereof, shall be filed on or before the end
8 of the twelfth month following the taxable year for which the
9 credit may be claimed.

10 (i) For any taxable year beginning after December 31,
11 2019, each dollar amount contained in subsection (c) shall be
12 increased by an amount equal to such dollar amount multiplied by
13 the percentage, if any, by which the consumer price index for
14 the preceding calendar year exceeds the consumer price index for
15 the calendar year 2018."

16 SECTION 7. Section 235-55.85, Hawaii Revised Statutes, is
17 amended as follows:

18 1. By amending subsections (b) and (c) to read:

19 "(b) Each individual taxpayer may claim a refundable
20 food/excise tax credit multiplied by the number of qualified
21 exemptions to which the taxpayer is entitled in accordance with



1 the table below; provided that a husband and wife filing
 2 separate tax returns for a taxable year for which a joint return
 3 could have been filed by them shall claim only the tax credit to
 4 which they would have been entitled had a joint return been
 5 filed.

| | | |
|----|----------------------------|---------------------------------|
| 6 | Adjusted gross income | |
| 7 | for taxpayers filing | |
| 8 | a single return | Credit per exemption |
| 9 | Under \$5,000 | [\$110] <u>\$125</u> |
| 10 | \$5,000 under \$10,000 | [\$100] <u>\$110</u> |
| 11 | \$10,000 under \$15,000 | [\$ 85] <u>\$95</u> |
| 12 | \$15,000 under \$20,000 | [\$ 70] <u>\$80</u> |
| 13 | \$20,000 under \$30,000 | [\$ 55] <u>\$65</u> |
| 14 | \$30,000 and over | \$ 0. |
| 15 | Adjusted gross income | |
| 16 | for heads of household, | |
| 17 | married individuals filing | |
| 18 | separate returns, and | |
| 19 | married couples filing | |
| 20 | joint returns | Credit per exemption |
| 21 | Under \$5,000 | [\$110] <u>\$125</u> |



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| | | | |
|---|--|--------------------|--------------|
| 1 | \$5,000 under \$10,000 | [\$100] | <u>\$110</u> |
| 2 | \$10,000 under \$15,000 | [\$85] | <u>\$95</u> |
| 3 | \$15,000 under \$20,000 | [\$70] | <u>\$80</u> |
| 4 | \$20,000 under \$30,000 | [\$55] | <u>\$65</u> |
| 5 | \$30,000 under \$40,000 | [\$45] | <u>\$50</u> |
| 6 | \$40,000 under \$50,000 | [\$35] | <u>\$40</u> |
| 7 | <u>\$50,000 under \$60,000</u> | | <u>\$30</u> |
| 8 | [\$50,000] <u>\$60,000</u> and over | \$ | 0. |

9 (c) For the purposes of this section, a qualified
10 exemption is defined to include those exemptions permitted under
11 this chapter; provided that no additional exemption may be
12 claimed by a taxpayer who is sixty-five years of age or older;
13 provided that a person for whom exemption is claimed has been
14 physically present in the State for more than nine months during
15 the taxable year; and provided further that multiple exemptions
16 shall not be granted because of deficiencies in vision or
17 hearing, or other disability. For purposes of claiming this
18 credit only, a minor child receiving support from the department
19 of human services of the State, social security survivor's
20 benefits, and the like, may be considered a dependent and a
21 qualified exemption of the parent or guardian. For any taxable



1 year beginning after December 31, 2019, each dollar amount
2 contained in subsection (b) shall be increased by an amount
3 equal to such dollar amount multiplied by the percentage, if
4 any, by which the consumer price index for the preceding
5 calendar year exceeds the consumer price index for the calendar
6 year 2018."

7 2. By amending subsection (g) to read:

8 "(g) For the purposes of this section [~~,"adjusted~~]:

9 "Adjusted gross income" means adjusted gross income as
10 defined by the Internal Revenue Code.

11 "Consumer price index" means the national consumer price
12 index average over a twelve-month period that is published
13 monthly by the United States Department of Labor's Bureau of
14 Labor Statistics as the "National Consumer Price Index for All
15 Urban Consumers-United States City Average"."

16 SECTION 8. Section 237-13, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "**§237-13 Imposition of tax.** There is hereby levied and
19 shall be assessed and collected annually privilege taxes against
20 persons on account of their business and other activities in the
21 State measured by the application of rates against values of



1 products, gross proceeds of sales, or gross income, whichever is
2 specified, as follows:

3 (1) Tax on manufacturers.

4 (A) Upon every person engaging or continuing within
5 the State in the business of manufacturing,
6 including compounding, canning, preserving,
7 packing, printing, publishing, milling,
8 processing, refining, or preparing for sale,
9 profit, or commercial use, either directly or
10 through the activity of others, in whole or in
11 part, any article or articles, substance or
12 substances, commodity or commodities, the amount
13 of the tax to be equal to the value of the
14 articles, substances, or commodities,
15 manufactured, compounded, canned, preserved,
16 packed, printed, milled, processed, refined, or
17 prepared for sale, as shown by the gross proceeds
18 derived from the sale thereof by the manufacturer
19 or person compounding, preparing, or printing
20 them, multiplied by one-half of one per cent.



1 (B) The measure of the tax on manufacturers is the
2 value of the entire product for sale.

3 (2) Tax on business of selling tangible personal property;
4 producing.

5 (A) Upon every person engaging or continuing in the
6 business of selling any tangible personal
7 property whatsoever, there is likewise hereby
8 levied, and shall be assessed and collected, a
9 tax equivalent to [~~four~~] 4.5 per cent of the
10 gross proceeds of sales of the business; provided
11 that, in the case of a wholesaler, the tax shall
12 be equal to one-half of one per cent of the gross
13 proceeds of sales of the business; and provided
14 further that insofar as the sale of tangible
15 personal property is a wholesale sale under
16 section 237-4(a)(8), the tax shall be one-half of
17 one per cent of the gross proceeds. Upon every
18 person engaging or continuing within this State
19 in the business of a producer, the tax shall be
20 equal to one-half of one per cent of the gross



1 proceeds of sales of the business, or the value
2 of the products, for sale.

3 (B) Gross proceeds of sales of tangible property in
4 interstate and foreign commerce shall constitute
5 a part of the measure of the tax imposed on
6 persons in the business of selling tangible
7 personal property, to the extent, under the
8 conditions, and in accordance with the provisions
9 of the Constitution of the United States and the
10 Acts of the Congress of the United States which
11 may be now in force or may be hereafter adopted,
12 and whenever there occurs in the State an
13 activity to which, under the Constitution and
14 Acts of Congress, there may be attributed gross
15 proceeds of sales, the gross proceeds shall be so
16 attributed.

17 (C) No manufacturer or producer, engaged in such
18 business in the State and selling the
19 manufacturer's or producer's products for
20 delivery outside of the State (for example,
21 consigned to a mainland purchaser via common



1 carrier f.o.b. Honolulu), shall be required to
2 pay the tax imposed in this chapter for the
3 privilege of so selling the products, and the
4 value or gross proceeds of sales of the products
5 shall be included only in determining the measure
6 of the tax imposed upon the manufacturer or
7 producer.

8 (D) A manufacturer or producer, engaged in such
9 business in the State, shall pay the tax imposed
10 in this chapter for the privilege of selling its
11 products in the State, and the value or gross
12 proceeds of sales of the products, thus subjected
13 to tax, may be deducted insofar as duplicated as
14 to the same products by the measure of the tax
15 upon the manufacturer or producer for the
16 privilege of manufacturing or producing in the
17 State; provided that no producer of agricultural
18 products who sells the products to a purchaser
19 who will process the products outside the State
20 shall be required to pay the tax imposed in this



1 chapter for the privilege of producing or selling
2 those products.

3 (E) A taxpayer selling to a federal cost-plus
4 contractor may make the election provided for by
5 paragraph (3)(C), and in that case the tax shall
6 be computed pursuant to the election,
7 notwithstanding this paragraph or paragraph (1)
8 to the contrary.

9 (F) The department, by rule, may require that a
10 seller take from the purchaser of tangible
11 personal property a certificate, in a form
12 prescribed by the department, certifying that the
13 sale is a sale at wholesale; provided that:

14 (i) Any purchaser who furnishes a certificate
15 shall be obligated to pay to the seller,
16 upon demand, the amount of the additional
17 tax that is imposed upon the seller whenever
18 the sale in fact is not at wholesale; and

19 (ii) The absence of a certificate in itself shall
20 give rise to the presumption that the sale



1 is not at wholesale unless the sales of the
2 business are exclusively at wholesale.

3 (3) Tax upon contractors.

4 (A) Upon every person engaging or continuing within
5 the State in the business of contracting, the tax
6 shall be equal to [~~four~~] 4.5 per cent of the
7 gross income of the business.

8 (B) In computing the tax levied under this paragraph,
9 there shall be deducted from the gross income of
10 the taxpayer so much thereof as has been included
11 in the measure of the tax levied under
12 subparagraph (A), on another taxpayer who is a
13 contractor, as defined in section 237-6; provided
14 that any person claiming a deduction under this
15 paragraph shall be required to show in the
16 person's return the name and general excise
17 number of the person paying the tax on the amount
18 deducted by the person.

19 (C) In computing the tax levied under this paragraph
20 against any federal cost-plus contractor, there
21 shall be excluded from the gross income of the



1 contractor so much thereof as fulfills the
2 following requirements:

3 (i) The gross income exempted shall constitute
4 reimbursement of costs incurred for
5 materials, plant, or equipment purchased
6 from a taxpayer licensed under this chapter,
7 not exceeding the gross proceeds of sale of
8 the taxpayer on account of the transaction;
9 and

10 (ii) The taxpayer making the sale shall have
11 certified to the department that the
12 taxpayer is taxable with respect to the
13 gross proceeds of the sale, and that the
14 taxpayer elects to have the tax on gross
15 income computed the same as upon a sale to
16 the state government.

17 (D) A person who, as a business or as a part of a
18 business in which the person is engaged, erects,
19 constructs, or improves any building or
20 structure, of any kind or description, or makes,
21 constructs, or improves any road, street,



1 sidewalk, sewer, or water system, or other
2 improvements on land held by the person (whether
3 held as a leasehold, fee simple, or otherwise),
4 upon the sale or other disposition of the land or
5 improvements, even if the work was not done
6 pursuant to a contract, shall be liable to the
7 same tax as if engaged in the business of
8 contracting, unless the person shows that at the
9 time the person was engaged in making the
10 improvements the person intended, and for the
11 period of at least one year after completion of
12 the building, structure, or other improvements
13 the person continued to intend to hold and not
14 sell or otherwise dispose of the land or
15 improvements. The tax in respect of the
16 improvements shall be measured by the amount of
17 the proceeds of the sale or other disposition
18 that is attributable to the erection,
19 construction, or improvement of such building or
20 structure, or the making, constructing, or
21 improving of the road, street, sidewalk, sewer,



1 or water system, or other improvements. The
2 measure of tax in respect of the improvements
3 shall not exceed the amount which would have been
4 taxable had the work been performed by another,
5 subject as in other cases to the deductions
6 allowed by subparagraph (B). Upon the election
7 of the taxpayer, this paragraph may be applied
8 notwithstanding that the improvements were not
9 made by the taxpayer, or were not made as a
10 business or as a part of a business, or were made
11 with the intention of holding the same. However,
12 this paragraph shall not apply in respect of any
13 proceeds that constitute or are in the nature of
14 rent, which shall be taxable under paragraph (9);
15 provided that insofar as the business of renting
16 or leasing real property under a lease is taxed
17 under section 237-16.5, the tax shall be levied
18 by section 237-16.5.

- 19 (4) Tax upon theaters, amusements, radio broadcasting
20 stations, etc.



1 (A) Upon every person engaging or continuing within
2 the State in the business of operating a theater,
3 opera house, moving picture show, vaudeville,
4 amusement park, dance hall, skating rink, radio
5 broadcasting station, or any other place at which
6 amusements are offered to the public, the tax
7 shall be equal to [~~four~~] 4.5 per cent of the
8 gross income of the business, and in the case of
9 a sale of an amusement at wholesale under section
10 237-4(a)(13), the tax shall be one-half of one
11 per cent of the gross income.

12 (B) The department may require that the person
13 rendering an amusement at wholesale take from the
14 licensed seller a certificate, in a form
15 prescribed by the department, certifying that the
16 sale is a sale at wholesale; provided that:

17 (i) Any licensed seller who furnishes a
18 certificate shall be obligated to pay to the
19 person rendering the amusement, upon demand,
20 the amount of additional tax that is imposed



1 upon the seller whenever the sale is not at
2 wholesale; and

3 (ii) The absence of a certificate in itself shall
4 give rise to the presumption that the sale
5 is not at wholesale unless the person
6 rendering the sale is exclusively rendering
7 the amusement at wholesale.

8 (5) Tax upon sales representatives, etc. Upon every
9 person classified as a representative or purchasing
10 agent under section 237-1, engaging or continuing
11 within the State in the business of performing
12 services for another, other than as an employee, there
13 is likewise hereby levied and shall be assessed and
14 collected a tax equal to [~~four~~] 4.5 per cent of the
15 commissions and other compensation attributable to the
16 services so rendered by the person.

17 (6) Tax on service business.

18 (A) Upon every person engaging or continuing within
19 the State in any service business or calling
20 including professional services not otherwise
21 specifically taxed under this chapter, there is



1 likewise hereby levied and shall be assessed and
2 collected a tax equal to [~~four~~] 4.5 per cent of
3 the gross income of the business, and in the case
4 of a wholesaler under section 237-4(a)(10), the
5 tax shall be equal to one-half of one per cent of
6 the gross income of the business.

7 (B) The department may require that the person
8 rendering a service at wholesale take from the
9 licensed seller a certificate, in a form
10 prescribed by the department, certifying that the
11 sale is a sale at wholesale; provided that:

12 (i) Any licensed seller who furnishes a
13 certificate shall be obligated to pay to the
14 person rendering the service, upon demand,
15 the amount of additional tax that is imposed
16 upon the seller whenever the sale is not at
17 wholesale; and

18 (ii) The absence of a certificate in itself shall
19 give rise to the presumption that the sale
20 is not at wholesale unless the person



1 rendering the sale is exclusively rendering
2 services at wholesale.

3 (C) Where any person is engaged in the business of
4 selling interstate or foreign common carrier
5 telecommunication services within and without the
6 State, other than as a home service provider, the
7 tax shall be imposed on that portion of gross
8 income received by a person from service which is
9 originated or terminated in this State and is
10 charged to a telephone number, customer, or
11 account in this State notwithstanding any other
12 state law (except for the exemption under section
13 237-23(a)(1)) to the contrary. If, under the
14 Constitution and laws of the United States, the
15 entire gross income as determined under this
16 paragraph of a business selling interstate or
17 foreign common carrier telecommunication services
18 cannot be included in the measure of the tax, the
19 gross income shall be apportioned as provided in
20 section 237-21; provided that the apportionment



1 factor and formula shall be the same for all
2 persons providing those services in the State.

3 (D) Where any person is engaged in the business of a
4 home service provider, the tax shall be imposed
5 on the gross income received or derived from
6 providing interstate or foreign mobile
7 telecommunications services to a customer with a
8 place of primary use in this State when the
9 services originate in one state and terminate in
10 another state, territory, or foreign country;
11 provided that all charges for mobile
12 telecommunications services which are billed by
13 or for the home service provider are deemed to be
14 provided by the home service provider at the
15 customer's place of primary use, regardless of
16 where the mobile telecommunications originate,
17 terminate, or pass through; provided further that
18 the income from charges specifically derived from
19 interstate or foreign mobile telecommunications
20 services, as determined by books and records that
21 are kept in the regular course of business by the



1 home service provider in accordance with section
2 239-24, shall be apportioned under any
3 apportionment factor or formula adopted under
4 subparagraph (C). Gross income shall not
5 include:

6 (i) Gross receipts from mobile
7 telecommunications services provided to a
8 customer with a place of primary use outside
9 this State;

10 (ii) Gross receipts from mobile
11 telecommunications services that are subject
12 to the tax imposed by chapter 239;

13 (iii) Gross receipts from mobile
14 telecommunications services taxed under
15 section 237-13.8; and

16 (iv) Gross receipts of a home service provider
17 acting as a serving carrier providing mobile
18 telecommunications services to another home
19 service provider's customer.

20 For the purposes of this paragraph, "charges for
21 mobile telecommunications services", "customer",



1 "home service provider", "mobile
2 telecommunications services", "place of primary
3 use", and "serving carrier" have the same meaning
4 as in section 239-22.

5 (7) Tax on insurance producers. Upon every person engaged
6 as a licensed producer pursuant to chapter 431, there
7 is hereby levied and shall be assessed and collected a
8 tax equal to 0.15 per cent of the commissions due to
9 that activity.

10 (8) Tax on receipts of sugar benefit payments. Upon the
11 amounts received from the United States government by
12 any producer of sugar (or the producer's legal
13 representative or heirs), as defined under and by
14 virtue of the Sugar Act of 1948, as amended, or other
15 Acts of the Congress of the United States relating
16 thereto, there is hereby levied a tax of one-half of
17 one per cent of the gross amount received; provided
18 that the tax levied hereunder on any amount so
19 received and actually disbursed to another by a
20 producer in the form of a benefit payment shall be
21 paid by the person or persons to whom the amount is



1 actually disbursed, and the producer actually making a
2 benefit payment to another shall be entitled to claim
3 on the producer's return a deduction from the gross
4 amount taxable hereunder in the sum of the amount so
5 disbursed. The amounts taxed under this paragraph
6 shall not be taxable under any other paragraph,
7 subsection, or section of this chapter.

8 (9) Tax on other business. Upon every person engaging or
9 continuing within the State in any business, trade,
10 activity, occupation, or calling not included in the
11 preceding paragraphs or any other provisions of this
12 chapter, there is likewise hereby levied and shall be
13 assessed and collected, a tax equal to [~~four~~] 4.5 per
14 cent of the gross income thereof. In addition, the
15 rate prescribed by this paragraph shall apply to a
16 business taxable under one or more of the preceding
17 paragraphs or other provisions of this chapter, as to
18 any gross income thereof not taxed thereunder as gross
19 income or gross proceeds of sales or by taxing an
20 equivalent value of products, unless specifically
21 exempted."



1 SECTION 9. Section 237-15, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§237-15 **Technicians.** When technicians supply dentists or
4 physicians with dentures, orthodontic devices, braces, and
5 similar items [~~which~~] that have been prepared by the technician
6 in accordance with specifications furnished by the dentist or
7 physician, and [~~such~~] the items are to be used by the dentist or
8 physician in the dentist's or physician's professional practice
9 for a particular patient who is to pay the dentist or physician
10 for the same as a part of the dentist's or physician's
11 professional services, the technician shall be taxed as though
12 the technician were a manufacturer selling a product to a
13 licensed retailer, rather than at the rate of [~~four~~] 4.5 per
14 cent [~~which~~] that is generally applied to professions and
15 services."

16 SECTION 10. Section 237-16.5, Hawaii Revised Statutes, is
17 amended to read as follows:

18 1. By amending subsection (a) to read:

19 "(a) This section relates to the leasing of real property
20 by a lessor to a lessee. There is hereby levied, and shall be
21 assessed and collected annually, a privilege tax against persons



1 engaging or continuing within the State in the business of
2 leasing real property to another, equal to [~~four~~] 4.5 per cent
3 of the gross proceeds or gross income received or derived from
4 the leasing; provided that where real property is subleased by a
5 lessee to a sublessee, the lessee, as provided in this section,
6 shall be allowed a deduction from the amount of gross proceeds
7 or gross income received from its sublease of the real property.
8 The deduction shall be in the amount allowed under this section.

9 All deductions under this section and the name and general
10 excise tax number of the lessee's lessor shall be reported on
11 the general excise tax return. Any deduction allowed under this
12 section shall only be allowed with respect to leases and
13 subleases in writing and relating to the same real property."

14 2. By amending subsection (f) to read:

15 "(f) This section shall not cause the tax upon a lessor,
16 with respect to any item of the lessor's gross proceeds or gross
17 income, to exceed [~~four~~] 4.5 per cent."

18 SECTION 11. Section 237-18, Hawaii Revised Statutes, is
19 amended by amending subsection (f) read as follows:

20 "(f) Where tourism related services are furnished through
21 arrangements made by a travel agency or tour packager and the



1 gross income is divided between the provider of the services and
2 the travel agency or tour packager, the tax imposed by this
3 chapter shall apply to each such person with respect to [~~such~~]
4 the person's respective portion of the proceeds, and no more.

5 As used in this subsection, "tourism related services"
6 means catamaran cruises, canoe rides, dinner cruises, lei
7 greetings, transportation included in a tour package,
8 sightseeing tours not subject to chapter 239, admissions to
9 luaus, dinner shows, extravaganzas, cultural and educational
10 facilities, and other services rendered directly to the customer
11 or tourist, but only if the providers of the services other than
12 air transportation are subject to a [~~four~~] 4.5 per cent tax
13 under this chapter or chapter 239."

14 SECTION 12. Section 237-31, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§237-31 Remittances.** (a) All remittances of taxes
17 imposed by this chapter shall be made by money, bank draft,
18 check, cashier's check, money order, or certificate of deposit
19 to the office of the department of taxation to which the return
20 was transmitted.



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1 (b) The department shall issue its receipts therefor to
2 the taxpayer and shall pay the moneys into the state treasury as
3 a state realization, to be kept and accounted for as provided by
4 law; provided that:

5 (1) A sum, not to exceed \$5,000,000, from all general
6 excise tax revenues realized by the State shall be
7 deposited in the state treasury in each fiscal year to
8 the credit of the compound interest bond reserve fund;

9 (2) A sum from all general excise tax revenues realized by
10 the State that is equal to one-half of the total
11 amount of funds appropriated or transferred out of the
12 hurricane reserve trust fund under sections 4 and 5 of
13 Act 62, Session Laws of Hawaii 2011, shall be
14 deposited into the hurricane reserve trust fund in
15 fiscal year 2013-2014 and in fiscal year 2014-2015;
16 provided that the deposit required in each fiscal year
17 shall be made by October 1 of that fiscal year; and

18 [~~+~~] (3) [~~+~~] Commencing with fiscal year 2018-2019, a sum from
19 all general excise tax revenues realized by the State
20 that represents the difference between the state
21 public employer's annual required contribution for the



1 separate trust fund established under section 87A-42
 2 and the amount of the state public employer's
 3 contributions into that trust fund shall be deposited
 4 to the credit of the State's annual required
 5 contribution into that trust fund in each fiscal year,
 6 as provided in section 87A-42.

7 (c) Notwithstanding subsection (b), beginning on January
 8 1, 2020, the additional revenues generated and collected from
 9 the increase in general excise tax rates imposed by sections 8,
 10 9, 10, and 11 of Act _____, Session Laws of Hawaii 2019, shall be
 11 deposited into the quality education special fund pursuant to
 12 section 302A-_____."

13 SECTION 13. Statutory material to be repealed is bracketed
 14 and stricken. New statutory material is underscored.

15 SECTION 14. This Act shall take effect on July 1, 2019;
 16 provided that sections 5 through 12 shall apply to taxable years
 17 beginning after December 31, 2018.

18

INTRODUCED BY:

Handwritten signature: Stanley Ma...
Handwritten signature: Linda...
Handwritten signature: ...

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Handwritten signature: John M. ...
Handwritten signature: ...
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Q. Todd

JAN 24 2019



H.B. NO. 1285

Report Title:

Education Funding; General Excise Tax; Use Tax; Income Tax;
Food/excise Tax Credit; Low-income Household Renters Tax Credit;
Quality Education Special Fund

Description:

Education funding omnibus. Raises the GET and use tax rates.
Increases income tax rates for high earning taxpayers.
Establishes quality education special fund to supplement
education budget. Increases food/excise tax credit and low-
income renter's household tax credit and ties future increases
to the U.S. Department of Labor consumer price index.

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