
A BILL FOR AN ACT

RELATING TO TAXES.

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

1 SECTION 1. The legislature finds that Hawaii has one of
2 the highest individual income tax rates in the country. Even a
3 single filer working at the minimum wage of \$10.10 an hour,
4 which is about \$20,200 a year, must pay \$1,008 plus 7.2 percent
5 of excess over \$19,200. According to the United States
6 Department of Housing and Urban Development, annual income of up
7 to \$63,350 qualifies as low income for a single person in
8 Honolulu. An individual at this income level is required to pay
9 \$3,214 plus 8.25 percent of anything over \$48,000. It is clear
10 that Hawaii's individual income tax structure disproportionately
11 burdens low- and moderate-income households.

12 Furthermore, filers at low- to medium-income levels
13 contribute relatively little to overall individual income tax
14 revenues. In 2016, the last year for which data is available on
15 number of filers by annual income, 72.61 percent of income tax
16 revenue was generated by filers making more than \$75,000 a year.



1 The State can maintain the same level of state revenue by
2 repealing the individual income tax for those making \$20,000 or
3 less per year and slowly scaling marginal tax rates for those
4 making \$75,000 or less. Using 2016 revenue data, this
5 adjustment would result in a loss of only \$198 million while
6 adding a consequential amount of money back into residents'
7 paychecks.

8 Revenue loss can be offset by increasing several taxes by a
9 small amount. A tiny 0.15 percent on the general excise tax
10 will have a negligible impact on resident's daily purchases and
11 will export more of the overall tax burden to visitors and non-
12 residents. Increasing the transient accommodations tax by 0.50
13 percent will likewise transfer the tax burden away from working
14 residents onto tourists. Finally, the liquor and cigarette
15 taxes have not been increased in over ten years, even with the
16 growth of Hawaii's economy and the booming visitor industry.
17 Increasing the liquor and cigarette taxes by modest amounts will
18 result in additional revenue for the state without unduly
19 burdening residents.

20 The purpose of this Act is to repeal the individual income
21 tax for single and heads-of-household filers making less than



1 \$20,000 a year or \$40,000 a year for joint filers, scale low-
2 and middle-income tax rates more slowly, and raise other taxes
3 slightly to make the income tax reduction revenue-neutral.

4 SECTION 2. Section 235-51, Hawaii Revised Statutes, is
5 amended by amending subsections (a), (b), and (c) to read as
6 follows:

7 (a) There is hereby imposed on the taxable income of
8 every:

9 (1) Taxpayer who files a joint return under section 235-
10 93; and

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

13 In the case of any taxable year beginning after December
14 31, 2001:

	If the taxable income is:	The tax shall be:
	Not over \$4,000	1.40% of taxable income
	Over \$4,000 but	\$56.00 plus 3.20% of
	not over \$8,000	excess over \$4,000
	Over \$8,000 but	\$184.00 plus 5.50% of
	not over \$16,000	excess over \$8,000
	Over \$16,000 but	\$624.00 plus 6.40% of



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1	not over \$24,000	excess over \$16,000
2	Over \$24,000 but	\$1,136.00 plus 6.80% of
3	not over \$32,000	excess over \$24,000
4	Over \$32,000 but	\$1,680.00 plus 7.20% of
5	not over \$40,000	excess over \$32,000
6	Over \$40,000 but	\$2,256.00 plus 7.60% of
7	not over \$60,000	excess over \$40,000
8	Over \$60,000 but	\$3,776.00 plus 7.90% of
9	not over \$80,000	excess over \$60,000
10	Over \$80,000	\$5,356.00 plus 8.25% of
11		excess over \$80,000.

12
 13 In the case of any taxable year beginning after December
 14 31, 2006:

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



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1	not over \$28,800	excess over \$19,200
2	Over \$28,800 but	\$1,363.00 plus 6.80% of
3	not over \$38,400	excess over \$28,800
4	Over \$38,400 but	\$2,016.00 plus 7.20% of
5	not over \$48,000	excess over \$38,400
6	Over \$48,000 but	\$2,707.00 plus 7.60% of
7	not over \$72,000	excess over \$48,000
8	Over \$72,000 but	\$4,531.00 plus 7.90% of
9	not over \$96,000	excess over \$72,000
10	Over \$96,000	\$6,427.00 plus 8.25% of
11		excess over \$96,000.

12
13 In the case of any taxable year beginning after December
14 31, 2017:

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



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1	not over \$28,800	excess over \$19,200
2	Over \$28,800 but	\$1,363.00 plus 6.80% of
3	not over \$38,400	excess over \$28,800
4	Over \$38,400 but	\$2,016.00 plus 7.20% of
5	not over \$48,000	excess over \$38,400
6	Over \$48,000 but	\$2,707.00 plus 7.60% of
7	not over \$72,000	excess over \$48,000
8	Over \$72,000 but	\$4,531.00 plus 7.90% of
9	not over \$96,000	excess over \$72,000
10	Over \$96,000 but	\$6,427.00 plus 8.25% of
11	not over \$300,000	excess over \$96,000
12	Over \$300,000 but	\$23,257.00 plus 9.00% of
13	not over \$350,000	excess over \$300,000
14	Over \$350,000 but	\$27,757.00 plus 10.00% of
15	not over \$400,000	excess over \$350,000
16	Over \$400,000	\$32,757.00 plus 11.00% of
17		excess over \$400,000.

18 In the case of any taxable year beginning after December

19 31, 2019:

20	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
21	<u>Over \$40,000 but</u>	<u>\$1,008.00 plus 3.6% of</u>



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1	<u>not over \$48,000</u>	<u>excess over \$40,000</u>
2	<u>Over \$48,000 but</u>	<u>\$1,354.00 plus 4.94% of</u>
3	<u>not over \$72,000</u>	<u>excess over \$48,000</u>
4	<u>Over \$72,000 but</u>	<u>\$3,851.00 plus 6.72% of</u>
5	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
6	<u>Over \$96,000 but</u>	<u>\$5,784.00 plus 7.5% of</u>
7	<u>not over \$300,000</u>	<u>excess over \$96,000</u>
8	<u>Over \$300,000 but</u>	<u>\$23,257.00 plus 9.00% of</u>
9	<u>not over \$350,000</u>	<u>excess over \$300,000</u>
10	<u>Over \$350,000 but</u>	<u>\$27,757.00 plus 10.00% of</u>
11	<u>not over \$400,000</u>	<u>excess over \$350,000</u>
12	<u>Over \$400,000</u>	<u>\$32,757.00 plus 11.00% of</u>
13		<u>excess over \$400,000.</u>

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

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

19	If the taxable income is:	The tax shall be:
20	Not over \$3,000	1.40% of taxable income
21	Over \$3,000 but	\$42.00 plus 3.20% of



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

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

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



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	\$4,820.00 plus 8.25% of
14		excess over \$72,000.

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

17	If the taxable income is:	The tax shall be:
18	Not over \$3,600	1.40% of taxable income
19	Over \$3,600 but	\$50.00 plus 3.20% of
20	not over \$7,200	excess over \$3,600
21	Over \$7,200 but	\$166.00 plus 5.50% of



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

20 In the case of any taxable year beginning after December

21 21, 2019:



1 the head of a household) and (2) on the taxable income of every
2 married individual who does not make a single return jointly
3 with the individual's spouse under section 235-93 a tax
4 determined in accordance with the following table:

5 In the case of any taxable year beginning after December
6 31, 2001:

7	If the taxable income is:	The tax shall be:
8	Not over \$2,000	1.40% of taxable income
9	Over \$2,000 but	\$28.00 plus 3.20% of
10	not over \$4,000	excess over \$2,000
11	Over \$4,000 but	\$92.00 plus 5.50% of
12	not over \$8,000	excess over \$4,000
13	Over \$8,000 but	\$312.00 plus 6.40% of
14	not over \$12,000	excess over \$8,000
15	Over \$12,000 but	\$568.00 plus 6.80% of
16	not over \$16,000	excess over \$12,000
17	Over \$16,000 but	\$840.00 plus 7.20% of
18	not over \$20,000	excess over \$16,000
19	Over \$20,000 but	\$1,128.00 plus 7.60% of
20	not over \$30,000	excess over \$20,000
21	Over \$30,000 but	\$1,888.00 plus 7.90% of



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1	Over \$48,000	\$3,214.00 plus 8.25% of
2		excess over \$48,000.
3	In the case of any taxable year beginning after December	
4	31, 2017:	
5	If the taxable income is:	The tax shall be:
6	Not over \$2,400	1.40% of taxable income
7	Over \$2,400 but	\$34.00 plus 3.20% of
8	not over \$4,800	excess over \$2,400
9	Over \$4,800 but	\$110.00 plus 5.50% of
10	not over \$9,600	excess over \$4,800
11	Over \$9,600 but	\$374.00 plus 6.40% of
12	not over \$14,400	excess over \$9,600
13	Over \$14,400 but	\$682.00 plus 6.80% of
14	not over \$19,200	excess over \$14,400
15	Over \$19,200 but	\$1,008.00 plus 7.20% of
16	not over \$24,000	excess over \$19,200
17	Over \$24,000 but	\$1,354.00 plus 7.60% of
18	not over \$36,000	excess over \$24,000
19	Over \$36,000 but	\$2,266.00 plus 7.90% of
20	not over \$48,000	excess over \$36,000
21	Over \$48,000 but	\$3,214.00 plus 8.25% of



1	not over \$150,000	excess over \$48,000
2	Over \$150,000 but	\$11,629.00 plus 9.00% of
3	not over \$175,000	excess over \$150,000
4	Over \$175,000 but	\$13,879.00 plus 10.00% of
5	not over \$200,000	excess over \$175,000
6	Over \$200,000	\$16,379.00 plus 11.00% of
7		excess over \$200,000.

8 In the case of any taxable year beginning after December
9 31, 2019:

10	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
11	<u>Over \$20,000 but</u>	<u>\$504.00 plus 3.60% of</u>
12	<u>not over \$24,000</u>	<u>excess over \$20,000</u>
13	<u>Over \$24,000 but</u>	<u>\$677.00 plus 3.8% of</u>
14	<u>not over \$36,000</u>	<u>excess over \$24,000</u>
15	<u>Over \$36,000 but</u>	<u>\$1,473.00 plus 5.10% of</u>
16	<u>not over \$48,000</u>	<u>excess over \$36,000</u>
17	<u>Over \$48,000 but</u>	<u>\$2,411.00 plus 6.20% of</u>
18	<u>not over \$150,000</u>	<u>excess over \$48,000</u>
19	<u>Over \$150,000 but</u>	<u>\$11,629.00 plus 9.00% of</u>
20	<u>not over \$175,000</u>	<u>excess over \$150,000</u>
21	<u>Over \$200,000</u>	<u>\$16,379.00 plus 11.00% of</u>



excess over \$200,000."

1
2 SECTION 3. Section 237-13, Hawaii Revised Statutes, is
3 amended to read as follows:

4 "§237-13 Imposition of tax. There is hereby levied and
5 shall be assessed and collected annually privilege taxes against
6 persons on account of their business and other activities in the
7 State measured by the application of rates against values of
8 products, gross proceeds of sales, or gross income, whichever is
9 specified, as follows:

- 10 (1) Tax on manufacturers.
 - 11 (A) Upon every person engaging or continuing within
 - 12 the State in the business of manufacturing,
 - 13 including compounding, canning, preserving,
 - 14 packing, printing, publishing, milling,
 - 15 processing, refining, or preparing for sale,
 - 16 profit, or commercial use, either directly or
 - 17 through the activity of others, in whole or in
 - 18 part, any article or articles, substance or
 - 19 substances, commodity or commodities, the amount
 - 20 of the tax to be equal to the value of the
 - 21 articles, substances, or commodities,

1 manufactured, compounded, canned, preserved,
2 packed, printed, milled, processed, refined, or
3 prepared for sale, as shown by the gross proceeds
4 derived from the sale thereof by the manufacturer
5 or person compounding, preparing, or printing
6 them, multiplied by one-half of one per cent.

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

9 (2) Tax on business of selling tangible personal property;
10 producing.

11 (A) Upon every person engaging or continuing in the
12 business of selling any tangible personal
13 property whatsoever, there is likewise hereby
14 levied, and shall be assessed and collected, a
15 tax equivalent to [~~four~~] four and fifteen-
16 hundredths per cent of the gross proceeds of
17 sales of the business; provided that, in the case
18 of a wholesaler, the tax shall be equal to one-
19 half of one per cent of the gross proceeds of
20 sales of the business; and provided further that
21 insofar as the sale of tangible personal property



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1 is a wholesale sale under section 237-4(a)(8),
2 the tax shall be one-half of one per cent of the
3 gross proceeds. Upon every person engaging or
4 continuing within this State in the business of a
5 producer, the tax shall be equal to one-half of
6 one per cent of the gross proceeds of sales of
7 the business, or the value of the products, for
8 sale.

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



1 proceeds of sales, the gross proceeds shall be so
2 attributed.

3 (C) No manufacturer or producer, engaged in such
4 business in the State and selling the
5 manufacturer's or producer's products for
6 delivery outside of the State (for example,
7 consigned to a mainland purchaser via common
8 carrier f.o.b. Honolulu), shall be required to
9 pay the tax imposed in this chapter for the
10 privilege of so selling the products, and the
11 value or gross proceeds of sales of the products
12 shall be included only in determining the measure
13 of the tax imposed upon the manufacturer or
14 producer.

15 (D) A manufacturer or producer, engaged in such
16 business in the State, shall pay the tax imposed
17 in this chapter for the privilege of selling its
18 products in the State, and the value or gross
19 proceeds of sales of the products, thus subjected
20 to tax, may be deducted insofar as duplicated as
21 to the same products by the measure of the tax



1 upon the manufacturer or producer for the
2 privilege of manufacturing or producing in the
3 State; provided that no producer of agricultural
4 products who sells the products to a purchaser
5 who will process the products outside the State
6 shall be required to pay the tax imposed in this
7 chapter for the privilege of producing or selling
8 those products.

9 (E) A taxpayer selling to a federal cost-plus
10 contractor may make the election provided for by
11 paragraph (3) (C), and in that case the tax shall
12 be computed pursuant to the election,
13 notwithstanding this paragraph or paragraph (1)
14 to the contrary.

15 (F) The department, by rule, may require that a
16 seller take from the purchaser of tangible
17 personal property a certificate, in a form
18 prescribed by the department, certifying that the
19 sale is a sale at wholesale; provided that:

20 (i) Any purchaser who furnishes a certificate
21 shall be obligated to pay to the seller,



1 upon demand, the amount of the additional
2 tax that is imposed upon the seller whenever
3 the sale in fact is not at wholesale; and
4 (ii) The absence of a certificate in itself shall
5 give rise to the presumption that the sale
6 is not at wholesale unless the sales of the
7 business are exclusively at wholesale.
8 (3) Tax upon contractors.
9 (A) Upon every person engaging or continuing within
10 the State in the business of contracting, the tax
11 shall be equal to [~~four~~] four and fifteen-
12 hundredths per cent of the gross income of the
13 business.
14 (B) In computing the tax levied under this paragraph,
15 there shall be deducted from the gross income of
16 the taxpayer so much thereof as has been included
17 in the measure of the tax levied under
18 subparagraph (A), on another taxpayer who is a
19 contractor, as defined in section 237-6; provided
20 that any person claiming a deduction under this
21 paragraph shall be required to show in the



1 person's return the name and general excise
2 number of the person paying the tax on the amount
3 deducted by the person.

4 (C) In computing the tax levied under this paragraph
5 against any federal cost-plus contractor, there
6 shall be excluded from the gross income of the
7 contractor so much thereof as fulfills the
8 following requirements:

9 (i) The gross income exempted shall constitute
10 reimbursement of costs incurred for
11 materials, plant, or equipment purchased
12 from a taxpayer licensed under this chapter,
13 not exceeding the gross proceeds of sale of
14 the taxpayer on account of the transaction;
15 and

16 (ii) The taxpayer making the sale shall have
17 certified to the department that the
18 taxpayer is taxable with respect to the
19 gross proceeds of the sale, and that the
20 taxpayer elects to have the tax on gross



1 income computed the same as upon a sale to
2 the state government.

3 (D) A person who, as a business or as a part of a
4 business in which the person is engaged, erects,
5 constructs, or improves any building or
6 structure, of any kind or description, or makes,
7 constructs, or improves any road, street,
8 sidewalk, sewer, or water system, or other
9 improvements on land held by the person (whether
10 held as a leasehold, fee simple, or otherwise),
11 upon the sale or other disposition of the land or
12 improvements, even if the work was not done
13 pursuant to a contract, shall be liable to the
14 same tax as if engaged in the business of
15 contracting, unless the person shows that at the
16 time the person was engaged in making the
17 improvements the person intended, and for the
18 period of at least one year after completion of
19 the building, structure, or other improvements
20 the person continued to intend to hold and not
21 sell or otherwise dispose of the land or



1 improvements. The tax in respect of the
2 improvements shall be measured by the amount of
3 the proceeds of the sale or other disposition
4 that is attributable to the erection,
5 construction, or improvement of such building or
6 structure, or the making, constructing, or
7 improving of the road, street, sidewalk, sewer,
8 or water system, or other improvements. The
9 measure of tax in respect of the improvements
10 shall not exceed the amount which would have been
11 taxable had the work been performed by another,
12 subject as in other cases to the deductions
13 allowed by subparagraph (B). Upon the election
14 of the taxpayer, this paragraph may be applied
15 notwithstanding that the improvements were not
16 made by the taxpayer, or were not made as a
17 business or as a part of a business, or were made
18 with the intention of holding the same. However,
19 this paragraph shall not apply in respect of any
20 proceeds that constitute or are in the nature of
21 rent, which shall be taxable under paragraph (9);



1 provided that insofar as the business of renting
 2 or leasing real property under a lease is taxed
 3 under section 237-16.5, the tax shall be levied
 4 by section 237-16.5.

5 (4) Tax upon theaters, amusements, radio broadcasting
 6 stations, etc.

7 (A) Upon every person engaging or continuing within
 8 the State in the business of operating a theater,
 9 opera house, moving picture show, vaudeville,
 10 amusement park, dance hall, skating rink, radio
 11 broadcasting station, or any other place at which
 12 amusements are offered to the public, the tax
 13 shall be equal to [~~four~~] four and fifteen-
 14 hundredths per cent of the gross income of the
 15 business, and in the case of a sale of an
 16 amusement at wholesale under section 237-
 17 4(a)(13), the tax shall be one-half of one per
 18 cent of the gross income.

19 (B) The department may require that the person
 20 rendering an amusement at wholesale take from the
 21 licensed seller a certificate, in a form



1 prescribed by the department, certifying that the
2 sale is a sale at wholesale; provided that:

3 (i) Any licensed seller who furnishes a
4 certificate shall be obligated to pay to the
5 person rendering the amusement, upon demand,
6 the amount of additional tax that is imposed
7 upon the seller whenever the sale is not at
8 wholesale; and

9 (ii) The absence of a certificate in itself shall
10 give rise to the presumption that the sale
11 is not at wholesale unless the person
12 rendering the sale is exclusively rendering
13 the amusement at wholesale.

14 (5) Tax upon sales representatives, etc. Upon every
15 person classified as a representative or purchasing
16 agent under section 237-1, engaging or continuing
17 within the State in the business of performing
18 services for another, other than as an employee, there
19 is likewise hereby levied and shall be assessed and
20 collected a tax equal to [~~four~~] four and fifteen-
21 hundredths per cent of the commissions and other



1 compensation attributable to the services so rendered
2 by the person.

3 (6) Tax on service business.

4 (A) Upon every person engaging or continuing within
5 the State in any service business or calling
6 including professional services not otherwise
7 specifically taxed under this chapter, there is
8 likewise hereby levied and shall be assessed and
9 collected a tax equal to [~~four~~] four and fifteen-
10 hundredths per cent of the gross income of the
11 business, and in the case of a wholesaler under
12 section 237-4(a)(10), the tax shall be equal to
13 one-half of one per cent of the gross income of
14 the business.

15 (B) The department may require that the person
16 rendering a service at wholesale take from the
17 licensed seller a certificate, in a form
18 prescribed by the department, certifying that the
19 sale is a sale at wholesale; provided that:

20 (i) Any licensed seller who furnishes a
21 certificate shall be obligated to pay to the



1 person rendering the service, upon demand,
2 the amount of additional tax that is imposed
3 upon the seller whenever the sale is not at
4 wholesale; and

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

10 (C) Where any person is engaged in the business of
11 selling interstate or foreign common carrier
12 telecommunication services within and without the
13 State, other than as a home service provider, the
14 tax shall be imposed on that portion of gross
15 income received by a person from service which is
16 originated or terminated in this State and is
17 charged to a telephone number, customer, or
18 account in this State notwithstanding any other
19 state law (except for the exemption under section
20 237-23(a)(1)) to the contrary. If, under the
21 Constitution and laws of the United States, the



1 entire gross income as determined under this
2 paragraph of a business selling interstate or
3 foreign common carrier telecommunication services
4 cannot be included in the measure of the tax, the
5 gross income shall be apportioned as provided in
6 section 237-21; provided that the apportionment
7 factor and formula shall be the same for all
8 persons providing those services in the State.

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



1 where the mobile telecommunications originate,
2 terminate, or pass through; provided further that
3 the income from charges specifically derived from
4 interstate or foreign mobile telecommunications
5 services, as determined by books and records that
6 are kept in the regular course of business by the
7 home service provider in accordance with section
8 239-24, shall be apportioned under any
9 apportionment factor or formula adopted under
10 subparagraph (C). Gross income shall not
11 include:

12 (i) Gross receipts from mobile
13 telecommunications services provided to a
14 customer with a place of primary use outside
15 this State;

16 (ii) Gross receipts from mobile
17 telecommunications services that are subject
18 to the tax imposed by chapter 239;

19 (iii) Gross receipts from mobile
20 telecommunications services taxed under
21 section 237-13.8; and



1 (iv) Gross receipts of a home service provider
2 acting as a serving carrier providing mobile
3 telecommunications services to another home
4 service provider's customer.

5 For the purposes of this paragraph, "charges for
6 mobile telecommunications services", "customer",
7 "home service provider", "mobile
8 telecommunications services", "place of primary
9 use", and "serving carrier" have the same meaning
10 as in section 239-22.

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

16 (8) Tax on receipts of sugar benefit payments. Upon the
17 amounts received from the United States government by
18 any producer of sugar (or the producer's legal
19 representative or heirs), as defined under and by
20 virtue of the Sugar Act of 1948, as amended, or other
21 Acts of the Congress of the United States relating



1 thereto, there is hereby levied a tax of one-half of
2 one per cent of the gross amount received; provided
3 that the tax levied hereunder on any amount so
4 received and actually disbursed to another by a
5 producer in the form of a benefit payment shall be
6 paid by the person or persons to whom the amount is
7 actually disbursed, and the producer actually making a
8 benefit payment to another shall be entitled to claim
9 on the producer's return a deduction from the gross
10 amount taxable hereunder in the sum of the amount so
11 disbursed. The amounts taxed under this paragraph
12 shall not be taxable under any other paragraph,
13 subsection, or section of this chapter.

14 (9) Tax on other business. Upon every person engaging or
15 continuing within the State in any business, trade,
16 activity, occupation, or calling not included in the
17 preceding paragraphs or any other provisions of this
18 chapter, there is likewise hereby levied and shall be
19 assessed and collected, a tax equal to [~~four~~] four and
20 fifteen-hundredths per cent of the gross income
21 thereof. In addition, the rate prescribed by this



1 paragraph shall apply to a business taxable under one
 2 or more of the preceding paragraphs or other
 3 provisions of this chapter, as to any gross income
 4 thereof not taxed thereunder as gross income or gross
 5 proceeds of sales or by taxing an equivalent value of
 6 products, unless specifically exempted."

7 SECTION 4. Section 237D-2, Hawaii Revised Statutes, is
 8 amended to read as follows:

9 "§237D-2 Imposition and rates. (a) There is levied and
 10 shall be assessed and collected each month a tax of:

- 11 (1) Five per cent for the period beginning on January 1,
 12 1987, to June 30, 1994;
- 13 (2) Six per cent for the period beginning on July 1, 1994,
 14 to December 31, 1998;
- 15 (3) 7.25 per cent for the period beginning on January 1,
 16 1999, to June 30, 2009;
- 17 (4) 8.25 per cent for the period beginning on July 1,
 18 2009, to June 30, 2010; and
- 19 (5) 9.25 per cent for the period beginning on July 1,
 20 2010, and [~~thereafter,~~]



1 (6) 9.75 per cent for the period beginning on July 1,
2 2019, and thereafter;
3 on the gross rental or gross rental proceeds derived from
4 furnishing transient accommodations.

5 (b) Every transient accommodations broker, travel agency,
6 and tour packager who arranges transient accommodations at
7 noncommissioned negotiated contract rates and every operator
8 shall pay to the State the tax imposed by subsection (a), as
9 provided in this chapter.

10 (c) There is levied and shall be assessed and collected
11 each month, on the occupant of a resort time share vacation
12 unit, a transient accommodations tax of:

13 (1) 7.25 per cent on the fair market rental value until
14 December 31, 2015;

15 (2) 8.25 per cent on the fair market rental value for the
16 period beginning on January 1, 2016, to December 31,
17 2016; and

18 (3) 9.25 per cent on the fair market rental value for the
19 period beginning on January 1, 2017 [~~and~~
20 ~~thereafter.~~]; and



1 (4) 9.75 per cent on the fair market rental value for the
2 period beginning on January 1, 2019, and thereafter.

3 (d) Every plan manager shall be liable for and pay to the
4 State the transient accommodations tax imposed by subsection (c)
5 as provided in this chapter. Every resort time share vacation
6 plan shall be represented by a plan manager who shall be subject
7 to this chapter.

8 (e) Notwithstanding the tax rates established in
9 subsections (a) (5) and (c) (3), the tax rates levied, assessed,
10 and collected pursuant to subsections (a) and (c) shall be 10.25
11 per cent for the period beginning on January 1, 2018, to
12 December 31, 2030; provided that:

13 (1) The tax revenues levied, assessed, and collected
14 pursuant to this subsection that are in excess of the
15 revenues realized from the levy, assessment, and
16 collection of tax at the [~~9.25~~] 9.75 per cent rate
17 shall be deposited quarterly into the mass transit
18 special fund established under section 248-2.7; and

19 (2) If a court of competent jurisdiction determines that
20 the amount of county surcharge on state tax revenues
21 deducted and withheld by the State, pursuant to



1 section 248-2.6, violates statutory or constitutional
2 law and, as a result, awards moneys to a county with a
3 population greater than five hundred thousand, then an
4 amount equal to the monetary award shall be deducted
5 and withheld from the tax revenues deposited under
6 paragraph (1) into the mass transit special fund, and
7 those funds shall be a general fund realization of the
8 State.

9 The remaining tax revenues levied, assessed, and collected
10 at the [~~9.25~~] 9.75 per cent tax rate pursuant to subsections (a)
11 and (c) shall be distributed in accordance with section 237D-
12 6.5(b)."

13 SECTION 5. Section 244D-4, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "**§244D-4 Tax; limitations.** (a) Every person who sells or
16 uses any liquor in the State not taxable under this chapter, in
17 respect of the transaction by which the person or the person's
18 vendor acquired the liquor, shall pay a gallonage tax which is
19 hereby imposed at the following rates for the various liquor
20 categories defined in section 244D-1:



1 For the period July 1, 1997, to June 30, 1998, the tax rate
2 shall be:

- 3 (1) \$5.92 per wine gallon on distilled spirits;
- 4 (2) \$2.09 per wine gallon on sparkling wine;
- 5 (3) \$1.36 per wine gallon on still wine;
- 6 (4) \$0.84 per wine gallon on cooler beverages;
- 7 (5) \$0.92 per wine gallon on beer other than draft beer;
- 8 (6) \$0.53 per wine gallon on draft beer;

9 On July 1, 1998, and thereafter, the tax rate shall be:

- 10 (1) \$5.98 per wine gallon on distilled spirits;
- 11 (2) \$2.12 per wine gallon on sparkling wine;
- 12 (3) \$1.38 per wine gallon on still wine;
- 13 (4) \$0.85 per wine gallon on cooler beverages;
- 14 (5) \$0.93 per wine gallon on beer other than draft beer;
- 15 (6) \$0.54 per wine gallon on draft beer;

16 and at a proportionate rate for any other quantity so sold or
17 used.

18 On July 1, 2019, and thereafter, the tax rate shall be"

- 19 (1) \$7.18 per wine gallon on distilled spirits;
- 20 (2) \$2.54 per wine gallon on sparkling wine;
- 21 (3) \$1.66 per wine gallon on still wine;



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- 1 (4) \$1.02 per wine gallon on cooler beverages;
- 2 (5) \$1.12 per wine gallon on beer other than draft beer;
- 3 (6) \$0.65 per wine gallon on draft beer;
- 4 (b) The tax levied pursuant to subsection (a) shall be
- 5 paid only once upon the same liquor; provided further that the
- 6 tax shall not apply to:
 - 7 (1) Liquor held for sale by a permittee but not yet sold;
 - 8 (2) Liquor sold by one permittee to another permittee;
 - 9 (3) Liquor which under the Constitution and laws of the
 - 10 United States cannot be legally subjected to the tax
 - 11 imposed by this chapter so long as and to the extent
 - 12 to which the State is without power to impose the tax;
 - 13 (4) Liquor sold for sacramental purposes or the use of
 - 14 liquor for sacramental purposes, or any liquor
 - 15 imported pursuant to section 281-33;
 - 16 (5) Alcohol sold pursuant to section 281-37 to a person
 - 17 holding a purchase permit or prescription therefor, or
 - 18 any sale or use of alcohol, so purchased, for other
 - 19 than beverage purposes."

20 SECTION 6. Section 245-3, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "§245-3 Taxes. (a) Every wholesaler or dealer, in
2 addition to any other taxes provided by law, shall pay for the
3 privilege of conducting business and other activities in the
4 State:

5 (1) An excise tax equal to 5.00 cents for each cigarette
6 sold, used, or possessed by a wholesaler or dealer
7 after June 30, 1998, whether or not sold at wholesale,
8 or if not sold then at the same rate upon the use by
9 the wholesaler or dealer;

10 (2) An excise tax equal to 6.00 cents for each cigarette
11 sold, used, or possessed by a wholesaler or dealer
12 after September 30, 2002, whether or not sold at
13 wholesale, or if not sold then at the same rate upon
14 the use by the wholesaler or dealer;

15 (3) An excise tax equal to 6.50 cents for each cigarette
16 sold, used, or possessed by a wholesaler or dealer
17 after June 30, 2003, whether or not sold at wholesale,
18 or if not sold then at the same rate upon the use by
19 the wholesaler or dealer;

20 (4) An excise tax equal to 7.00 cents for each cigarette
21 sold, used, or possessed by a wholesaler or dealer



1 after June 30, 2004, whether or not sold at wholesale,
2 or if not sold then at the same rate upon the use by
3 the wholesaler or dealer;

4 (5) An excise tax equal to 8.00 cents for each cigarette
5 sold, used, or possessed by a wholesaler or dealer on
6 and after September 30, 2006, whether or not sold at
7 wholesale, or if not sold then at the same rate upon
8 the use by the wholesaler or dealer;

9 (6) An excise tax equal to 9.00 cents for each cigarette
10 sold, used, or possessed by a wholesaler or dealer on
11 and after September 30, 2007, whether or not sold at
12 wholesale, or if not sold then at the same rate upon
13 the use by the wholesaler or dealer;

14 (7) An excise tax equal to 10.00 cents for each cigarette
15 sold, used, or possessed by a wholesaler or dealer on
16 and after September 30, 2008, whether or not sold at
17 wholesale, or if not sold then at the same rate upon
18 the use by the wholesaler or dealer;

19 (8) An excise tax equal to 13.00 cents for each cigarette
20 sold, used, or possessed by a wholesaler or dealer on
21 and after July 1, 2009, whether or not sold at



1 wholesale, or if not sold then at the same rate upon
2 the use by the wholesaler or dealer;

3 (9) An excise tax equal to 11.00 cents for each little
4 cigar sold, used, or possessed by a wholesaler or
5 dealer on and after October 1, 2009, whether or not
6 sold at wholesale, or if not sold then at the same
7 rate upon the use by the wholesaler or dealer;

8 (10) An excise tax equal to 15.00 cents for each cigarette
9 or little cigar sold, used, or possessed by a
10 wholesaler or dealer on and after July 1, 2010,
11 whether or not sold at wholesale, or if not sold then
12 at the same rate upon the use by the wholesaler or
13 dealer;

14 (11) An excise tax equal to 16.00 cents for each cigarette
15 or little cigar sold, used, or possessed by a
16 wholesaler or dealer on and after July 1, 2011,
17 whether or not sold at wholesale, or if not sold then
18 at the same rate upon the use by the wholesaler or
19 dealer;

20 (12) An excise tax equal to 20.00 cents for each cigarette
21 or little cigar sold, used, or possessed by a



1 wholesaler or dealer on and after July 1, 2019,
 2 whether or not sold at wholesale, or if not sold then
 3 at the same rate upon the use by the wholesaler or
 4 dealer; and

5 ~~[(12)]~~ (13) An excise tax equal to seventy per cent of the
 6 wholesale price of each article or item of tobacco
 7 products, other than large cigars, sold by the
 8 wholesaler or dealer on and after September 30, 2009,
 9 whether or not sold at wholesale, or if not sold then
 10 at the same rate upon the use by the wholesaler or
 11 dealer; and

12 ~~[(13)]~~ (14) An excise tax equal to fifty per cent of the
 13 wholesale price of each large cigar of any length,
 14 sold, used, or possessed by a wholesaler or dealer on
 15 and after September 30, 2009, whether or not sold at
 16 wholesale, or if not sold then at the same rate upon
 17 the use by the wholesaler or dealer.

18 Where the tax imposed has been paid on cigarettes, little
 19 cigars, or tobacco products that thereafter become the subject
 20 of a casualty loss deduction allowable under chapter 235, the
 21 tax paid shall be refunded or credited to the account of the



1 wholesaler or dealer. The tax shall be applied to cigarettes
2 through the use of stamps.

3 (b) The taxes, however, are subject to the following
4 limitations:

5 (1) The measure of the taxes shall not include any
6 cigarettes or tobacco products exempted, and so long
7 as the same are exempted, from the imposition of taxes
8 by the Constitution or laws of the United States;

9 (2) The measure of taxes shall exempt and exclude all
10 sales of cigarettes and tobacco products to the United
11 States (including any agency or instrumentality
12 thereof that is wholly owned or otherwise so
13 constituted as to be immune from the levy of a tax
14 under this chapter), sold by any person licensed under
15 this chapter; and

16 (3) The taxes shall be paid only once with respect to the
17 same cigarettes or tobacco product. This limitation
18 shall not prohibit the imposition of the excise tax on
19 receipts from sales of tobacco products under
20 subsection (a) (5); provided that the amount subject to



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1 the tax on each sale shall not include amounts
 2 previously taxed under this chapter. "

3 SECTION 7. Statutory material to be repealed is bracketed
 4 and stricken. New statutory material is underscored.

5 SECTION 8. This Act shall take effect on July 1, 2019.

6

INTRODUCED BY:

Jim Matti
Jakobi Ben
Richard Lopez
[Signature]
John M. [Signature]
Mark [Signature]
[Signature]

JAN 24 2019



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Report Title:

Individual income tax reduction

Description:

Eliminates the individual income tax for single filers and heads of households making less than \$20,000 or joint filers making less than \$40,000 and increases the income tax rate more slowly for low- and medium-income filers. Increases the general excise tax by 0.15 percent, the transient accommodations tax by 0.50 percent, the liquor tax, and the cigarette and tobacco tax.

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

