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## A BILL FOR AN ACT

RELATING TO EDUCATION FUNDING.

**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 2019 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 corporate income 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; and
- 15 (3) Increasing income tax rates for corporations and high  
16 earning taxpayers.

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

20 "§302A- Quality education special fund. (a) There is  
21 established within the state treasury a special fund to be known



1 as the quality education special fund to be administered by the  
2 department and into which shall be deposited:

3 (1) The additional revenues generated and collected from  
4 the increase in income tax rates imposed by section 5  
5 of Act , Session Laws of Hawaii 2020; provided that  
6 upon the enactment of any subsequent increase in  
7 income tax rates, a sum of total income tax revenues  
8 realized by the State in each fiscal year equal to the  
9 percentage by which income tax rates were increased by  
10 section 5 of Act , Session Laws of Hawaii 2020,  
11 shall be deposited into the quality education special  
12 fund;

13 (2) The additional revenues generated and collected from  
14 the increase in corporate income tax rates imposed by  
15 section 6 of Act , Session Laws of Hawaii 2020;  
16 provided that upon the enactment of any subsequent  
17 increase in corporate income tax rates, a sum equal to  
18 the percentage by which income tax rates were  
19 increased by section 6 of Act , Session Laws of  
20 Hawaii 2020, shall be deposited into the quality  
21 education special fund;



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

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

6        (b) Moneys budgeted for operations of the department from  
7        sources of funding other than the quality education special fund  
8        shall remain equal to or greater than the inflation-adjusted  
9        minimum level of funding, except when the consumer price index  
10       for the twelve-month period ending June 30 of the preceding  
11       calendar year, decreases from the prior calendar year.

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

14       (d) Moneys in the quality education special fund shall be  
15       allocated by the legislature through appropriations out of the  
16       special fund, in consultation with the department and the  
17       exclusive representatives of any appropriate bargaining units,  
18       for the purposes of:

19       (1) Recruiting and retaining public school teachers,  
20       including through pay increases for public school  
21       teachers;



- 1        (2) Lowering public school class sizes;
- 2        (3) Improving special education staffing and resources;
- 3        (4) Offering additional instruction in career and
- 4            technical education, arts, music, theatre, dance,
- 5            Hawaiian studies, and Hawaiian language; and
- 6        (5) Expanding access to public preschool and afterschool
- 7            programming.
  
- 8        (e) Amounts in the quality education special fund shall be
- 9 exempt from all taxes and surcharges imposed by the State or the
- 10 counties.
  
- 11        (f) No later than twenty days prior to the convening of
- 12 each regular session, the department shall post on the
- 13 department's website a report containing an accounting of the
- 14 receipts of and expenditures from the quality education special
- 15 fund. The legislature shall provide to the department any
- 16 information necessary to complete and post the report required
- 17 by this section.
  
- 18        (g) For the purposes of this section:
- 19            "Consumer price index" means the national consumer price
- 20 index average over a twelve-month period that is published
- 21 monthly by the United States Department of Labor's Bureau of



1 Labor Statistics as the "National Consumer Price Index for All  
2 Urban Consumers-United States City Average".

3 "Inflation-adjusted minimum level of funding" means the  
4 total amount of funding provided to the department in the fiscal  
5 year 2019-2020; provided that this amount shall increase by  
6 three per cent for each subsequent fiscal year."

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

9 "(a) Except as provided in this section, and  
10 notwithstanding any other law to the contrary, from time to  
11 time, the director of finance, for the purpose of defraying the  
12 prorated estimate of central service expenses of government in  
13 relation to all special funds, except the:

14 (1) Special out-of-school time instructional program fund  
15 under section 302A-1310;

16 (2) School cafeteria special funds of the department of  
17 education;

18 (3) Special funds of the University of Hawaii;

19 (4) State educational facilities improvement special fund;

20 (5) Convention center enterprise special fund under  
21 section 201B-8;



- 1 (6) Special funds established by section 206E-6;
- 2 (7) Aloha Tower fund created by section 206J-17;
- 3 (8) Funds of the employees' retirement system created by
- 4 section 88-109;
- 5 (9) Hawaii hurricane relief fund established under chapter
- 6 431P;
- 7 (10) Hawaii health systems corporation special funds and
- 8 the subaccounts of its regional system boards;
- 9 (11) Tourism special fund established under section 201B-
- 10 11;
- 11 (12) Universal service fund established under section 269-
- 12 42;
- 13 (13) Emergency and budget reserve fund under section 328L-
- 14 3;
- 15 (14) Public schools special fees and charges fund under
- 16 section 302A-1130;
- 17 (15) Sport fish special fund under section 187A-9.5;
- 18 [+](16)[+] Neurotrauma special fund under section 321H-4;
- 19 [+](17)[+] Glass advance disposal fee established by section
- 20 342G-82;





- 1    [+] (18) [+]   Center for nursing special fund under section 304A-  
2                   2163;
- 3    [+] (19) [+]   Passenger facility charge special fund established  
4                   by section 261-5.5;
- 5    [+] (20) [+]   Solicitation of funds for charitable purposes  
6                   special fund established by section 467B-15;
- 7    [+] (21) [+]   Land conservation fund established by section 173A-  
8                   5;
- 9    [+] (22) [+]   Court interpreting services revolving fund under  
10                  section 607-1.5;
- 11   [+] (23) [+]   Trauma system special fund under section 321-22.5;
- 12   [+] (24) [+]   Hawaii cancer research special fund;
- 13   [+] (25) [+]   Community health centers special fund;
- 14   [+] (26) [+]   Emergency medical services special fund;
- 15   [+] (27) [+]   Rental motor vehicle customer facility charge  
16                  special fund established under section 261-5.6;
- 17   [+] (28) [+]   Shared services technology special fund under  
18                  section 27-43;
- 19   [+] (29) [+]   Automated victim information and notification system  
20                  special fund established under section 353-136;



1    [+] (30) [+]   Deposit beverage container deposit special fund  
2                    under section 342G-104;

3    [+] (31) [+]   Hospital sustainability program special fund under  
4                    [+]section 346G-4 [+];

5    [+] (32) [+]   Nursing facility sustainability program special fund  
6                    under [+]section 346F-4 [+];

7    [+] (33) [+]   Hawaii 3R's school improvement fund under section  
8                    302A-1502.4;

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

11   [+] (35) [+]   Civil monetary penalty special fund under section  
12                   321-30.2 [~~7~~]; and

13       (36)   Quality education special fund under section 302A- ,  
14 shall deduct five per cent of all receipts of all other special  
15 funds, which deduction shall be transferred to the general fund  
16 of the State and become general realizations of the State. All  
17 officers of the State and other persons having power to allocate  
18 or disburse any special funds shall cooperate with the director  
19 in effecting these transfers. To determine the proper revenue  
20 base upon which the central service assessment is to be  
21 calculated, the director shall adopt rules pursuant to chapter



1 91 for the purpose of suspending or limiting the application of  
2 the central service assessment of any fund. No later than  
3 twenty days prior to the convening of each regular session of  
4 the legislature, the director shall report all central service  
5 assessments made during the preceding fiscal year."

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

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

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



- 1           (9)   Convention center enterprise special fund established
- 2                   under section 201B-8;
- 3           (10)   Hawaii health systems corporation special funds and
- 4                   the subaccounts of its regional system boards;
- 5           (11)   Tourism special fund established under section 201B-
- 6                   11;
- 7           (12)   Universal service fund established under section 269-
- 8                   42;
- 9           (13)   Emergency and budget reserve fund under section 328L-
- 10                  3;
- 11          (14)   Public schools special fees and charges fund under
- 12                  section 302A-1130;
- 13          (15)   Sport fish special fund under section 187A-9.5;
- 14    [+] (16) [+]   Neurotrauma special fund under section 321H-4;
- 15    [+] (17) [+]   Center for nursing special fund under section 304A-
- 16                  2163;
- 17    [+] (18) [+]   Passenger facility charge special fund established
- 18                  by section 261-5.5;
- 19    [+] (19) [+]   Court interpreting services revolving fund under
- 20                  section 607-1.5;
- 21    [+] (20) [+]   Trauma system special fund under section 321-22.5;



- 1    [+] (21) [+]   Hawaii cancer research special fund;
- 2    [+] (22) [+]   Community health centers special fund;
- 3    [+] (23) [+]   Emergency medical services special fund;
- 4    [+] (24) [+]   Rental motor vehicle customer facility charge
- 5                   special fund established under section 261-5.6;
- 6    [+] (25) [+]   Shared services technology special fund under
- 7                   section 27-43;
- 8    [+] (26) [+]   Nursing facility sustainability program special fund
- 9                   established pursuant to [+]section 346F-4[+];
- 10   [+] (27) [+]   Automated victim information and notification system
- 11                   special fund established under section 353-136;
- 12   [+] (28) [+]   Hospital sustainability program special fund under
- 13                   [+]section 346G-4[+]; [and]
- 14   [+] (29) [+]   Civil monetary penalty special fund under section
- 15                   321-30.2[7]; and
- 16        (30)   Quality education special fund under section 302A- ,
- 17   shall be responsible for its pro rata share of the
- 18   administrative expenses incurred by the department responsible
- 19   for the operations supported by the special fund concerned."



1 SECTION 5. Section 235-51, Hawaii Revised Statutes, is  
2 amended by amending subsections (a) through (c) to read as  
3 follows:

4 "(a) There is hereby imposed on the taxable income of  
5 every:

6 (1) Taxpayer who files a joint return under section 235-  
7 93; and

8 (2) Surviving spouse,

9 a tax determined in accordance with the following table:

10

11 In the case of any taxable year beginning after December  
12 31, 2001:

13 If the taxable income is:	The tax shall be:
14 Not over \$4,000	1.40% of taxable income
15 Over \$4,000 but 16 not over \$8,000	\$56.00 plus 3.20% of excess over \$4,000
17 Over \$8,000 but 18 not over \$16,000	\$184.00 plus 5.50% of excess over \$8,000
19 Over \$16,000 but 20 not over \$24,000	\$624.00 plus 6.40% of excess over \$16,000
21 Over \$24,000 but	\$1,136.00 plus 6.80% of



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

10

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

13	If the taxable income is:	The tax shall be:
14	Not over \$4,800	1.40% of taxable income
15	Over \$4,800 but	\$67.00 plus 3.20% of
16	not over \$9,600	excess over \$4,800
17	Over \$9,600 but	\$221.00 plus 5.50% of
18	not over \$19,200	excess over \$9,600
19	Over \$19,200 but	\$749.00 plus 6.40% of
20	not over \$28,800	excess over \$19,200
21	Over \$28,800 but	\$1,363.00 plus 6.80% of



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

10

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

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

21





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

17

18 In the case of any taxable year beginning after December19 31, 2018:

20



<u>1</u>	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>2</u>	<u>Over \$28,800 but</u>	<u>\$1,363.00 plus 6.80% of</u>
<u>3</u>	<u>not over \$38,400</u>	<u>excess over \$28,800</u>
<u>4</u>	<u>Over \$38,400 but</u>	<u>\$2,016.00 plus 7.20% of</u>
<u>5</u>	<u>not over \$48,000</u>	<u>excess over \$38,400</u>
<u>6</u>	<u>Over \$48,000 but</u>	<u>\$2,707.00 plus 7.60% of</u>
<u>7</u>	<u>not over \$72,000</u>	<u>excess over \$48,000</u>
<u>8</u>	<u>Over \$72,000 but</u>	<u>\$4,531.00 plus 7.90% of</u>
<u>9</u>	<u>not over \$96,000</u>	<u>excess over \$72,000</u>
<u>10</u>	<u>Over \$96,000 but</u>	<u>\$6,427.00 plus 8.25% of</u>
<u>11</u>	<u>not over \$300,000</u>	<u>excess over \$96,000</u>
<u>12</u>	<u>Over \$300,000 but</u>	<u>\$23,257.00 plus 11.00% of</u>
<u>13</u>	<u>not over \$350,000</u>	<u>excess over \$300,000</u>
<u>14</u>	<u>Over \$350,000 but</u>	<u>\$28,757.00 plus 12.00% of</u>
<u>15</u>	<u>not over \$400,000</u>	<u>excess over \$350,000</u>
<u>16</u>	<u>Over \$400,000</u>	<u>\$34,757.00 plus 13.00% of</u>
<u>17</u>		<u>excess over \$400,000.</u>

18

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

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

21 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>Over \$28,800 but</u>	<u>\$1,512.00 plus 7.20% of</u>
12	<u>not over \$36,000</u>	<u>excess over \$28,800</u>
13	<u>Over \$36,000 but</u>	<u>\$2,030.00 plus 7.60% of</u>
14	<u>not over \$54,000</u>	<u>excess over \$36,000</u>
15	<u>Over \$54,000 but</u>	<u>\$3,398.00 plus 7.90% of</u>
16	<u>not over \$72,000</u>	<u>excess over \$54,000</u>
17	<u>Over \$72,000 but</u>	<u>\$4,820.00 plus 8.25% of</u>
18	<u>not over \$225,000</u>	<u>excess over \$72,000</u>
19	<u>Over \$225,000 but</u>	<u>\$17,443.00 plus 9.00% of</u>
20	<u>not over \$262,500</u>	<u>excess over \$225,000</u>

21



1	<u>Over \$262,500 but</u>	<u>\$20,818.00 plus 10.00% of</u>
2	<u>not over \$300,000</u>	<u>excess over \$262,500</u>
3	<u>Over \$300,000</u>	<u>\$24,568.00 plus 13.00% of</u>
4		<u>excess over \$300,000.</u>

5

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

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

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

9 married individual who does not make a single return jointly

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

11 determined in accordance with the following table:

12

13 In the case of any taxable year beginning after December

14 31, 2001:

15	If the taxable income is:	The tax shall be:
16	Not over \$2,000	1.40% of taxable income
17	Over \$2,000 but	\$28.00 plus 3.20% of
18	not over \$4,000	excess over \$2,000
19	Over \$4,000 but	\$92.00 plus 5.50% of
20	not over \$8,000	excess over \$4,000

21



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

13  
 14 In the case of any taxable year beginning after December  
 15 31, 2006:

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





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

13  
 14 In the case of any taxable year beginning after December  
 15 31, 2017:

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



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

19  
20 In the case of any taxable year beginning after December  
21 31, 2018:



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

14 SECTION 6. Section 235-71, Hawaii Revised Statutes, is  
 15 amended as follows:

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

17 "(a) A tax at the rates herein provided shall be assessed,  
 18 levied, collected, and paid for each taxable year on the taxable  
 19 income of every corporation, including a corporation carrying on  
 20 business in partnership, except that in the case of a regulated  
 21 investment company the tax is as provided by subsection (b) and



1 further that in the case of a real estate investment trust as  
2 defined in section 856 of the Internal Revenue Code of 1954 the  
3 tax is as provided in subsection (d). "Corporation" includes  
4 any professional corporation incorporated pursuant to chapter  
5 415A.

6 The tax on all taxable income shall be at the rate of [~~4.4~~]  
7 6.6 per cent if the taxable income is not over \$25,000, [~~5.4~~]  
8 8.1 per cent if over \$25,000 but not over \$100,000, and on all  
9 over \$100,000, [~~6.4~~] 9.6 per cent.

10 (b) In the case of a regulated investment company there is  
11 imposed on the taxable income, computed as provided in sections  
12 852 and 855 of the Internal Revenue Code but with the changes  
13 and adjustments made by this chapter (without prejudice to the  
14 generality of the foregoing, the deduction for dividends paid is  
15 limited to such amount of dividends as is attributable to income  
16 taxable under this chapter), a tax consisting in the sum of the  
17 following: [~~4.4~~] 6.6 per cent if the taxable income is not over  
18 \$25,000, [~~5.4~~] 8.1 per cent if over \$25,000 but not over  
19 \$100,000, and on all over \$100,000, [~~6.4~~] 9.6 per cent."

20



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

2           "(d)   In the case of a real estate investment trust there

3   is imposed on the taxable income, computed as provided in

4   sections 857 and 858 of the Internal Revenue Code but with the

5   changes and adjustments made by this chapter (without prejudice

6   to the generality of the foregoing, the deduction for dividends

7   paid is limited to such amount of dividends as is attributable

8   to income taxable under this chapter), a tax consisting in the

9   sum of the following: [~~4.4~~] 6.6 per cent if the taxable income

10   is not over \$25,000, [~~5.4~~] 8.1 per cent if over \$25,000 but not

11   over \$100,000, and on all over \$100,000, [~~6.4~~] 9.6 per cent. In

12   addition to any other penalty provided by law any real estate

13   investment trust whose tax liability for any taxable year is

14   deemed to be increased pursuant to section 859(b)(2)(A) or

15   860(c)(1)(A) after December 31, 1978, (relating to interest and

16   additions to tax determined with respect to the amount of the

17   deduction for deficiency dividends allowed) of the Internal

18   Revenue Code shall pay a penalty in an amount equal to the

19   amount of interest for which such trust is liable that is

20   attributable solely to such increase. The penalty payable under

21   this subsection with respect to any determination shall not



1 exceed one-half of the amount of the deduction allowed by  
2 section 859(a), or 860(a) after December 31, 1978, of the  
3 Internal Revenue Code for such taxable year."

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

6 SECTION 8. This Act shall take effect on July 1, 2020;  
7 provided that sections 5 and 6 shall apply to taxable years  
8 beginning after December 31, 2019.

9 INTRODUCED BY:

Amy Peruso

[Signature]

Tim Winters

[Signature]

Tom Br...

[Signature]

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# H.B. NO. 2144

**Report Title:**

Public Education; Funding; Income Tax; Quality Education Special Fund

**Description:**

Establishes the quality education special fund to supplement education programs and to be funded by increases to the income tax of corporations and high earning taxpayers.

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

