

#### A BILL FOR AN ACT

RELATING TO TAXATION.

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

1	PART I
2	SECTION 1. The legislature finds that the current property
3	tax structure caters to non-residents and burdens local
4	residents, particularly the senior population and first-time
5	home buyers. According to a 2017 real property tax analysis
6	report by the department of business, economic development, and
7	tourism, about twenty per cent of all real properties in the
8	State are owned by non-residents and 12.5 per cent of
9	residential properties are owned by non-residents. The
10	legislature believes that the State has the capacity to shift a
11	portion of the property tax burden to out-of-state homebuyers
12	without placing a further financial burden on local residents
13	who own real property and use it as their principal residence.
14	Under existing law, non-residents are afforded the luxury of an
15	investment in highly appreciable land while, at the same time,
16	they are able to export their income tax to a state where the

- 1 rate is lower. This results in raising the cost of living and
- home ownership for Hawaii residents.
- 3 While the legislature believes that the tax burden should
- 4 be shifted to non-residents, the legislature also believes that
- 5 a fair assessment of homeowner exemptions is needed to offset
- 6 the burdens local residents face. The legislature finds that
- 7 the first step in this process should be to take away the
- 8 portion of transient accommodations tax revenues currently
- 9 allocated to the counties. Taking away the transient
- 10 accommodations tax revenues would incentivize counties to
- 11 increase property taxes. To protect local residents the
- 12 existing homeowner exemptions for residents would be increased
- 13 to offset the increase in property taxes. Second, income tax
- 14 rates for Hawaii residents should be simplified and over time
- 15 completely eliminated. This can be accomplished by gradually
- 16 reducing income tax rates and replacing the lost tax revenue
- 17 with real property tax revenues. Such an elimination of income
- 18 taxes would truly provide financial security and stability to
- 19 our most vulnerable working class or ALICE households.
- The legislature believes that, over time, the two
- 21 approaches in this Act will act as a revenue-neutral solution to

1	help	lessen	the	financial	burden	of	the	State	and	its	residents,

- 2 improve the cost of living, and increase the housing supply for
- 3 residents. Three ideals that the State has long sought to
- 4 achieve.
- 5 Accordingly, the purpose of this Act is to:
- 6 (1) Authorize each county to levy a county surcharge on transient accommodations tax if the county satisfies
- 8 certain real property tax requirements;
- 9 (2) Repeal the allocation of transient accommodations tax
  10 revenue to the counties and make conforming
  11 amendments;
- 12 (3) Establish a residential property owner tax credit and
- a residential circuit breaker tax credit; and
- 14 (4) Beginning with taxable years after December 31, 2021,
  15 gradually implement new individual income tax and
  16 corporation income tax brackets and rates in
- three-year intervals.
- 18 PART II
- 19 SECTION 2. Chapter 46, Hawaii Revised Statutes, is amended 20 by adding a new section to part I to be appropriately designated
- 21 and to read as follows:

1	" <u>§46</u>	<ul> <li>County surcharge on transient accommodations tax.</li> </ul>
2	(a) Each	county may establish a surcharge on transient
3	accommoda	tions tax at the rate enumerated in section 237D-
4	and shall	do so by ordinance; provided that:
5	(1)	No ordinance shall be adopted until the county has
6		conducted a public hearing on the proposed ordinance;
7		and
8	(2)	No county shall establish a surcharge pursuant to this
9		subsection unless it satisfies the requirements of
10		subsection (c).
11	Notice of	the public hearing required under paragraph (1) shall
12	be publis	hed in a newspaper of general circulation within the
13	county at	least twice within a period of thirty days immediately
14	preceding	the date of the hearing.
15	(b)	A county electing to exercise the authority granted
16	under thi	s section shall notify the director of taxation within
17	ten days	after the county has adopted a surcharge on transient
18	accommoda	tions tax ordinance and the director of taxation shall
19	levy, ass	ess, collect, and otherwise administer the county
20	surcharge	on transient accommodations tax.



1	(c)	Prior to establishing a surcharge on tra	nsient
2	accommoda	ons tax, a county shall:	
3	(1)	Set all real property tax rates as follo	ws:
4		(A) Beginning January 1, 2022, no less	than \$5 per
5		<u>\$1,000;</u>	
6		B) Beginning January 1, 2025, no less	than \$7.50 per
7		<u>\$1,000;</u>	
8		C) Beginning January 1, 2028, no less	than \$10 per
9		\$1,000; and	
10		D) Beginning January 1, 2031, no less	than \$15 per
11		\$1,000;	
12		provided that this paragraph shall not a	oply to real
13		property classified as conservation property	erty;
14	(2)	ncrease the property exemptions for tax	payers who use
15		he property as their principal residence	e no less than
16		from the existing amounts as	of July 1,
17		021; and	
18	(3)	ower the minimum age requirement for the	e home
19		exemption no less than years from the	ne current
20		ninimum age requirement as of July 1, 202	21."

1	SECTION 3. Chapter 237D, Hawaii Revised Statutes, is
2	amended by adding a new section to be appropriately designated
3	and to read as follows:
4	"§237D- County surcharge on transient accommodations
5	tax; administration. (a) The county surcharge on transient
6	accommodations tax, upon the adoption of county ordinances and
7	in accordance with section 46- , shall be levied, assessed,
8	and collected as provided in this section on all gross rental or
9	gross rental proceeds taxable under this chapter. No county
10	shall set the surcharge on transient accommodations tax at a
11	rate greater than per cent of all gross rental or gross
12	rental proceeds taxable under this chapter. All provisions of
13	this chapter shall apply to the county surcharge on transient
14	accommodations tax. With respect to the surcharge, the director
15	of taxation shall have the exclusive rights and power to
16	determine the county or counties in which a person is engaged in
17	business, and, in the case of a person engaged in business in
18	more than one county, the director shall determine, through
19	apportionment or other means, that portion of the surcharge on
20	transient accommodations tax attributable to business conducted
21	in each county.

I	(b) Each county surcharge on transient accommodations tax
2	that may be adopted pursuant to section 46- shall be levied
3	beginning in the taxable year after the adoption of the relevant
4	county ordinance.
5	(c) The director of taxation shall revise the transient
6	accommodations tax forms to provide for the clear and separate
7	designation of the imposition and payment of the county
8	surcharge on transient accommodations tax.
9	(d) The taxpayer shall designate the taxation district to
10	which the county surcharge on transient accommodations tax is
11	assigned in accordance with rules adopted by the director of
12	taxation pursuant to chapter 91. The taxpayer shall file a
13	schedule with the taxpayer's periodic and annual transient
14	accommodations tax returns summarizing the amount of taxes
15	assigned to each taxation district.
16	(e) The penalties provided by section 231-39 for failure
17	to file a tax return shall be imposed on the amount of surcharge
18	due on the return being filed for the failure to file the
19	schedule required to accompany the return. In addition, there
20	shall be added to the tax an amount equal to ten per cent of the
21	amount of the surcharge and tax due on the return being filed

- 1 for the failure to file the schedule or failure to correctly
- 2 report the assignment of the transient accommodations tax by
- 3 taxation district on the schedule required under this
- 4 subsection.
- 5 (f) All taxpayers who file on a fiscal year basis whose
- 6 fiscal year ends after December 31 of the year prior to the
- 7 taxable year in which the taxes become effective, shall file a
- 8 short period annual return for the period preceding January 1 of
- 9 the taxable year in which the taxes become effective. Each
- 10 fiscal year, a taxpayer shall file a short period annual return
- 11 for the period starting on January 1 of the taxable year in
- 12 which the taxes become effective and ending before January 1 of
- 13 the following year."
- 14 SECTION 4. Chapter 248, Hawaii Revised Statutes, is
- 15 amended by adding a new section to be appropriately designated
- 16 and to read as follows:
- 17 "§248- County surcharge on transient accommodations
- 18 tax; disposition of proceeds. (a) If adopted by county
- 19 ordinance, all county surcharges on transient accommodations tax
- 20 collected by the director of taxation shall be paid into the
- 21 state treasury quarterly, within ten working days after

1	collection, and shall be placed by the director of finance in
2	special accounts. Out of the revenues generated by county
3	surcharges on transient accommodations tax paid into each
4	respective state treasury special account, the director of
5	finance shall deduct five per cent of the gross proceeds of a
6	respective county's surcharge on transient accommodations tax to
7	reimburse the State for the costs of assessment, collection, and
8	disposition of the county surcharge on transient accommodations
9	tax incurred by the State. Amounts retained shall be general
10	fund realizations of the State.
11	(b) The amounts deducted for costs of assessment,
12	collection, and disposition of county surcharges on transient
13	accommodations tax shall be withheld from payment to the
14	counties by the State out of the county surcharges on transient
15	accommodations tax collected for the current calendar year.
16	(c) After the deduction and withholding of the costs under
17	subsections (a) and (b), the director of finance shall pay the
18	remaining balance on a quarterly basis to the director of
19	finance of each county that has adopted a county surcharge on
20	transient accommodations tax under section 46 The
21	quarterly payments shall be made after the county surcharges on

1	transient accommodations tax have been paid into the state
2	treasury special accounts or after the disposition of any tax
3	appeal, as the case may be. All county surcharges on transient
4	accommodations tax collected shall be distributed by the
5	director of finance to the county in which the county surcharge
6	on transient accommodations tax is generated and shall be a
7	general fund realization of the county.
8	(d) For the purposes of this section, the costs of
9	assessment, collection, and disposition of the county surcharges
10	on transient accommodations tax shall include any and all costs,
11	direct or indirect, that are deemed necessary and proper to
12	effectively administer this section and section 237D"
13	PART III
14	SECTION 5. Section 87A-42, Hawaii Revised Statutes, is
15	amended to read as follows:
16	"§87A-42 Other post-employment benefits trust. (a)
17	Notwithstanding sections 87A-31 and 87A-31.5, the board, upon
18	terms and conditions set by the board, shall establish and
19	administer a separate trust fund for the purpose of receiving
20	employer contributions that will prefund other post-employment
21	health and other benefit plan costs for retirees and their

- 1 beneficiaries. The separate trust fund shall meet the
- 2 requirements of the Governmental Accounting Standards Board
- 3 regarding other post-employment benefits trusts. The board
- 4 shall establish and maintain a separate account for each public
- 5 employer within the separate trust fund to accept and account
- 6 for each public employer's contributions. Employer
- 7 contributions to the separate trust fund shall be irrevocable,
- 8 all assets of the fund shall be dedicated exclusively to
- 9 providing health and other benefits to retirees and their
- 10 beneficiaries, and assets of the fund shall not be subject to
- 11 appropriation for any other purpose and shall not be subject to
- 12 claims by creditors of the employers or the board or plan
- 13 administrator. The board's powers under section 87A-24 shall
- 14 also apply to the fund established pursuant to this section.
- 15 (b) Public employer contributions shall be paid into the
- 16 fund in each fiscal year, and commencing with the 2018-2019
- 17 fiscal year, the amount of the annual public employer
- 18 contribution shall be equal to the amount of the annual required
- 19 contribution, as determined by an actuary retained by the board.
- 20 (c) In any fiscal year subsequent to the 2017-2018 fiscal
- 21 year in which the state public employer's contributions into the

- 1 fund are less than the amount of the annual required
- 2 contribution, the amount that represents the excess of the
- 3 annual required contribution over the state public employer's
- 4 contributions shall be deposited into the appropriate account of
- 5 the separate trust fund from a portion of all general excise tax
- 6 revenues collected by the department of taxation under section
- **7** 237-31.
- 8 If any general excise tax revenues are deposited into the
- 9 separate trust fund in any fiscal year as a result of this
- 10 subsection, the director of finance shall notify the legislature
- 11 and governor whether the general fund expenditure ceiling for
- 12 that fiscal year would have been exceeded if those revenues had
- 13 been legislatively appropriated instead of deposited without
- 14 appropriation into the trust fund. The notification shall be
- 15 submitted within thirty days following the end of the applicable
- 16 fiscal year.
- 17 [(d) In any fiscal year subsequent to the 2017-2018 fiscal
- 18 year in which a county public employer's contributions into the
- 19 fund are less than the amount of the annual required
- 20 contribution, the amount that represents the excess of the
- 21 annual required contribution over the county public employer's

- 1 contributions shall be deposited into the fund from a portion of
- 2 all transient accommodations tax revenues collected by the
- 3 department of taxation under section 237D-6.5(b)(4). The
- 4 director of finance shall deduct the amount necessary to meet
- 5 the county public employer's annual required contribution from
- 6 the revenues derived under section 237D-6.5(b)(4) and transfer
- 7 the amount to the board for deposit into the appropriate account
- 8 of the separate trust fund.
- 9 (e) (d) In any fiscal year subsequent to fiscal year
- 10 2017-2018 in which a public employer's contributions into the
- 11 fund are less than the amount of the annual required
- 12 contribution and the public employer is not entitled to
- 13 transient accommodations tax revenues sufficient to satisfy the
- 14 total amount of the annual required contribution, the public
- 15 employer's contributions shall be deposited into the fund from
- 16 portions of any other revenues collected on behalf of the public
- 17 employer or held by the State. The director of finance shall
- 18 deduct the amount necessary to meet the public employer's annual
- 19 required contribution from any revenues collected on behalf of
- 20 the public employer held by the State and transfer the amount to

- 1 the board for deposit into the appropriate account of the
- 2 separate trust fund.
- $[\frac{f}{f}]$  (e) For the purposes of this section, "annual"
- 4 required contribution" means a public employer's required
- 5 contribution to the trust fund established in this section that
- 6 is sufficient to cover:
- 7 (1) The normal cost, which is the cost of other post-
- 8 employment benefits attributable to the current year
- 9 of service; and
- 10 (2) An amortization payment, which is a catch-up payment
- for past service costs to fund the unfunded actuarial
- 12 accrued liability over the next thirty years."
- 13 SECTION 6. Section 171-19, Hawaii Revised Statutes, is
- 14 amended by amending subsection (a) to read as follows:
- "(a) There is created in the department a special fund to
- 16 be designated as the "special land and development fund".
- 17 Subject to the Hawaiian Homes Commission Act of 1920, as
- 18 amended, and section 5(f) of the Admission Act of 1959, all
- 19 proceeds of sale of public lands, including interest on deferred
- 20 payments; all moneys collected under section 171-58 for mineral
- 21 and water rights; all rents from leases, licenses, and permits

1	derived	from	public	lands;	all	moneys	collected	from	lessees	of
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- 2 public lands within industrial parks; all fees, fines, and other
- 3 administrative charges collected under this chapter and chapter
- 4 183C; a portion of the highway fuel tax collected under chapter
- 5 243; all moneys collected by the department for the commercial
- 6 use of public trails and trail accesses under the jurisdiction
- 7 of the department; transient accommodations tax revenues
- 8 collected pursuant to section  $[\frac{237D-6.5(b)}{(5)}]$  237D-6.5(b) (4);
- 9 and private contributions for the management, maintenance, and
- 10 development of trails and accesses shall be set apart in the
- 11 fund and shall be used only as authorized by the legislature for
- 12 the following purposes:
- 13 (1) To reimburse the general fund of the State for
- 14 advances made that are required to be reimbursed from
- the proceeds derived from sales, leases, licenses, or
- permits of public lands;
- 17 (2) For the planning, development, management, operations,
- 18 or maintenance of all lands and improvements under the
- 19 control and management of the board pursuant to title
- 20 12, including but not limited to permanent or
- 21 temporary staff positions who may be appointed without

1		regard to chapter /6; provided that transient
2		accommodations tax revenues allocated to the fund
3		shall be expended as provided in section [237D-
4		6.5(b)(5); 237D-6.5(b)(4);
5	(3)	To repurchase any land, including improvements, in the
6		exercise by the board of any right of repurchase
7		specifically reserved in any patent, deed, lease, or
8		other documents or as provided by law;
9	(4)	For the payment of all appraisal fees; provided that
10		all fees reimbursed to the board shall be deposited in
11		the fund;
12	(5)	For the payment of publication notices as required
13		under this chapter; provided that all or a portion of
14		the expenditures may be charged to the purchaser or
15		lessee of public lands or any interest therein under
16		rules adopted by the board;
17	(6)	For the management, maintenance, and development of
18		trails and trail accesses under the jurisdiction of
19		the department;

1	(7)	For the payment to private land developers who have
2		contracted with the board for development of public
3		lands under section 171-60;
4	(8)	For the payment of debt service on revenue bonds
5		issued by the department, and the establishment of
6		debt service and other reserves deemed necessary by
7		the board;
8	(9)	To reimburse the general fund for debt service on
9		general obligation bonds issued to finance
10		departmental projects, where the bonds are designated
11		to be reimbursed from the special land and development
12		fund;
13	(10)	For the protection, planning, management, and
14		regulation of water resources under chapter 174C; and
15	(11)	For other purposes of this chapter."
16	SECT	ION 7. Section 237D-6.5, Hawaii Revised Statutes, is
17	amended by	y amending subsection (b) to read as follows:
18	" (b)	Except for the revenues collected pursuant to section
19	237D-2(e)	, revenues collected under this chapter shall be
20	distribut	ed in the following priority, with the excess revenues
21	to be dep	osited into the general fund:

1	(1)	\$1,500,000 shall be allocated to the furtle Bay
2		conservation easement special fund beginning July 1,
3		2015, for the reimbursement to the state general fund
4		of debt service on reimbursable general obligation
5		bonds, including ongoing expenses related to the
6		issuance of the bonds, the proceeds of which were used
7		to acquire the conservation easement and other real
8		property interests in Turtle Bay, Oahu, for the
9		protection, preservation, and enhancement of natural
10		resources important to the State, until the bonds are
11		fully amortized;
12	(2)	\$16,500,000 shall be allocated to the convention
13		center enterprise special fund established under
14		section 201B-8;
15	(3)	\$79,000,000 shall be allocated to the tourism special
16		fund established under section 201B-11; provided that:
17		(A) Beginning on July 1, 2012, and ending on June 30,
18		2015, \$2,000,000 shall be expended from the
19		tourism special fund for development and
20		implementation of initiatives to take advantage
21		of expanded visa programs and increased travel

1		opportunities for international visitors to
2		Hawaii;
3	(B)	Of the \$79,000,000 allocated:
4		(i) \$1,000,000 shall be allocated for the
5		operation of a Hawaiian center and the
6		museum of Hawaiian music and dance; and
7		(ii) 0.5 per cent of the \$79,000,000 shall be
8		transferred to a sub-account in the tourism
9		special fund to provide funding for a safety
10		and security budget, in accordance with the
11		Hawaii tourism strategic plan 2005-2015; and
12	(C)	Of the revenues remaining in the tourism special
13		fund after revenues have been deposited as
14		provided in this paragraph and except for any sum
15		authorized by the legislature for expenditure
16		from revenues subject to this paragraph,
17		beginning July 1, 2007, funds shall be deposited
18		into the tourism emergency special fund,
19		established in section 201B-10, in a manner
20		sufficient to maintain a fund balance of

1		\$5,000,000 in the tourism emergency special fund;
2		and
3	[ <del>(4)</del>	\$103,000,000 shall be allocated as follows: Kauai
4		county shall receive 14.5 per cent, Hawaii county
5		shall receive 18.6 per cent, city and county of
6		Honolulu shall receive 44.1 per cent, and Maui county
7		shall receive 22.8 per cent; provided that commencing
8		with fiscal year 2018-2019, a sum that represents the
9		difference between a county public employer's annual
10		required contribution for the separate trust fund
11		established under section 87A-42 and the amount of the
12		county public employer's contributions into that trust
13		fund shall be retained by the state director of
14		finance and deposited to the credit of the county
15		public employer's annual required contribution into
16		that trust fund in each fiscal year, as provided in
17		section 87A-42, if the respective county fails to
18		remit the total amount of the county's required annual
19		contributions, as required under section 87A-43; and
20	<del>(5)</del> ]	(4) \$3,000,000 shall be allocated to the special land
21		and development fund established under section 171-19;

1	provided that the allocation shall be expended in	
2	acco	rdance with the Hawaii tourism authority strategic
3	plan	for:
4	(A)	The protection, preservation, maintenance, and
5		enhancement of natural resources, including
6		beaches, important to the visitor industry;
7	(B)	Planning, construction, and repair of facilities;
8		and
9	(C)	Operation and maintenance costs of public lands,
10		including beaches, connected with enhancing the
11		visitor experience.
12	All trans	ient accommodations taxes shall be paid into the
13	state treasury	each month within ten days after collection and
14	shall be kept	by the state director of finance in special
15	accounts for d	istribution as provided in this subsection.
16	As used i	n this subsection, "fiscal year" means the twelve-
17	month period be	eginning on July 1 of a calendar year and ending
18	on June 30 of	the following calendar year."
19		PART IV

1 SECTION 8. Chapter 235, Hawaii Revised Statutes, is 2 amended by adding two new sections to be appropriately 3 designated and to read as follows: 4 Residential property owner tax credit. (a) There shall be allowed to each qualified taxpayer subject to the 5 tax imposed under this chapter, a residential property owner tax 6 7 credit that shall be deductible from the taxpayer's net income 8 tax liability, if any, imposed by this chapter for the taxable 9 year in which the credit is properly claimed. 10 (b) In the case of a partnership, S corporation, estate, 11 or trust, the tax credit allowable is for qualified expenses 12 incurred by the entity for the taxable year. The expenses upon 13 which the tax credit is computed shall be determined at the 14 entity level. Distribution and share of credit shall be 15 determined pursuant to section 704(b) of the Internal Revenue 16 Code. 17 (c) The residential property owner tax credit shall be 18 equal to per cent of the real property tax owed and paid by 19 a qualified taxpayer in a taxable year; provided that the credit 20 shall not be applied to any value of the property exceeding 21 \$1,000,000.

1	<u>(d)</u>	The director of taxation:
2	(1)	Shall prepare any forms that may be necessary to claim
3		a tax credit under this section;
4	(2)	May require the taxpayer to furnish reasonable
5		information to ascertain the validity of the claim for
6		the tax credit made under this section; and
7	(3)	May adopt rules pursuant to chapter 91 necessary to
8		effectuate the purposes of this section.
9	<u>(e)</u>	If the tax credit claimed by a qualified taxpayer
10	exceeds t	he amount of income tax payment due from the qualified
11	taxpayer,	the excess of the credit over payments due shall be
12	refunded	to the qualified taxpayer; provided that the tax credit
13	properly	claimed by a qualified individual who has no income tax
14	liability	shall be paid to the qualified individual.
15	<u>(f)</u>	All claims for the tax credit under this section,
16	including	amended claims, shall be filed on or before the end of
17	the twelf	th month following the close of the taxable year for
18	which the	credit may be claimed. Failure to comply with the
19	foregoing	provision shall constitute a waiver of the right to
20	claim the	credit.
21	(g)	For the purposes of this section:

1	"Principal residence" means a residential property in the
2	State in which a taxpayer has occupied for no less than two
3	hundred seventy calendar days of a calendar year.
4	"Qualified taxpayer" means a resident who pays real
5	property taxes to a county of the State for a residential
6	property that is used as the taxpayer's principal residence
7	during the taxable year;
8	"Resident" has the same meaning as defined in section 235-
9	<u>1.</u>
10	<u>\$235-</u> <u>Residential circuit breaker tax credit.</u> (a)
11	There shall be allowed to each qualified taxpayer subject to the
12	tax imposed under this chapter, a circuit breaker tax credit
13	that shall be deductible from the taxpayer's net income tax
14	liability, if any, imposed by this chapter for the taxable year
15	in which the credit is properly claimed.
16	(b) The tax credit under this section shall be equal to
17	per cent of the real property tax owed and paid by a
18	qualified taxpayer in a taxable year.
19	(c) The director of taxation:
20	(1) Shall prepare any forms that may be necessary to claim
21	a tax credit under this section;

1	(2)	may require the taxpayer to furnish reasonable
2		information to ascertain the validity of the claim for
3		the tax credit made under this section; and
4	<u>(3)</u>	May adopt rules pursuant to chapter 91 necessary to
5		effectuate the purposes of this section.
6	<u>(d)</u>	If the tax credit claimed by a qualified taxpayer
7	exceeds t	he amount of income tax payment due from the qualified
8	taxpayer,	the excess of the credit over payments due shall be
9	refunded	to the qualified taxpayer; provided that the tax credit
10	properly	claimed by a qualified individual who has no income tax
11	liability	shall be paid to the qualified individual.
12	(e)	All claims for the tax credit under this section,
13	including	amended claims, shall be filed on or before the end of
14	the twelf	th month following the close of the taxable year for
15	which the	credit may be claimed. Failure to comply with the
16	foregoing	provision shall constitute a waiver of the right to
17	claim the	credit.
18	<u>(f)</u>	For the purposes of this section:
19	"Pri	ncipal residence" means a residential property in the
20	State in	which a taxpayer has occupied for no less than two
21	hundred s	eventy calendar days of a calendar year.
21	nunarea s	evency calendar days of a calendar year.

1 "Qualified taxpayer" means a resident who: 2 Is sixty-five years of age or older; (1) 3 (2) Is not a dependent of another taxpayer; 4 (3) Has a total earned income that is less than \$20,000; 5 and 6 (4) Owns and occupies a residential property that is used 7 as a principal residence and the assessed value of the 8 residential property does not exceed \$1,000,000. 9 "Resident" has the same meaning as defined in section 235-10 1." 11 SECTION 9. Section 235-51, Hawaii Revised Statutes, is 12 amended by amending subsections (a) to (c) to read as follows: 13 There is hereby imposed on the taxable income of 14 every: 15 (1) Taxpayer who files a joint return under section 235-16 93; and 17 (2) Surviving spouse, 18 a tax determined in accordance with the following table: 19 In the case of any taxable year beginning after December 20 31, 2001: 21 If the taxable income is: The tax shall be:

1	Not over \$4,000	1.40% of taxable income
2	Over \$4,000 but	\$56.00 plus 3.20% of
3	not over \$8,000	excess over \$4,000
4	Over \$8,000 but	\$184.00 plus 5.50% of
5	not over \$16,000	excess over \$8,000
6	Over \$16,000 but	\$624.00 plus 6.40% of
7	not over \$24,000	excess over \$16,000
8	Over \$24,000 but	\$1,136.00 plus 6.80% of
9	not over \$32,000	excess over \$24,000
10	Over \$32,000 but	\$1,680.00 plus 7.20% of
11	not over \$40,000	excess over \$32,000
12	Over \$40,000 but	\$2,256.00 plus 7.60% of
13	not over \$60,000	excess over \$40,000
14	Over \$60,000 but	\$3,776.00 plus 7.90% of
15	not over \$80,000	excess over \$60,000
16	Over \$80,000	\$5,356.00 plus 8.25% of
17		excess over \$80,000.
18	In the case of any taxable year	beginning after December
19	31, 2006:	
20	If the taxable income is:	The tax shall be:
21	Not over \$4,800	1.40% of taxable income

1	Over \$4,800 but	\$67.00 plus 3.20% of
2	not over \$9,600	excess over \$4,800
3	Over \$9,600 but	\$221.00 plus 5.50% of
4	not over \$19,200	excess over \$9,600
5	Over \$19,200 but	\$749.00 plus 6.40% of
6	not over \$28,800	excess over \$19,200
7	Over \$28,800 but	\$1,363.00 plus 6.80% of
8	not over \$38,400	excess over \$28,800
9	Over \$38,400 but	\$2,016.00 plus 7.20% of
10	not over \$48,000	excess over \$38,400
11	Over \$48,000 but	\$2,707.00 plus 7.60% of
12	not over \$72,000	excess over \$48,000
13	Over \$72,000 but	\$4,531.00 plus 7.90% of
14	not over \$96,000	excess over \$72,000
15	Over \$96,000	\$6,427.00 plus 8.25% of
16		excess over \$96,000.
17	In the case of any taxable y	ear beginning after December
18	31, 2017:	
19	If the taxable income i	s: The tax shall be:
20	Not over \$4,800	1.40% of taxable income
21	Over \$4,800 but	\$67.00 plus 3.20% of

1	not over \$9,600	excess over \$4,800
2	Over \$9,600 but	\$221.00 plus 5.50% of
3	not over \$19,200	excess over \$9,600
4	Over \$19,200 but	\$749.00 plus 6.40% of
5	not over \$28,800	excess over \$19,200
6	Over \$28,800 but	\$1,363.00 plus 6.80% of
7	not over \$38,400	excess over \$28,800
8	Over \$38,400 but	\$2,016.00 plus 7.20% of
9	not over \$48,000	excess over \$38,400
10	Over \$48,000 but	\$2,707.00 plus 7.60% of
11	not over \$72,000	excess over \$48,000
12	Over \$72,000 but	\$4,531.00 plus 7.90% of
13	not over \$96,000	excess over \$72,000
14	Over \$96,000 but	\$6,427.00 plus 8.25% of
15	not over \$300,000	excess over \$96,000
16	Over \$300,000 but	\$23,257.00 plus 9.00% of
17	not over \$350,000	excess over \$300,000
18	Over \$350,000 but	\$27,757.00 plus 10.00% of
19	not over \$400,000	excess over \$350,000
20	Over \$400,000	\$32,757.00 plus 11.00% of
21		excess over \$400,000.

1	In the case of any taxable year bed	ginning after
2	December 31, 2021:	
3	If the taxable income is:	The tax shall be:
4	Not over \$300,000	6.00% of taxable income
5	Over \$300,000	8.00% of taxable income.
6	In the case of any taxable year bed	ginning after
7	December 31, 2024:	
8	If the taxable income is:	The tax shall be:
9	Not over \$300,000	3.90% of taxable income
10	Over \$300,000	6.00% of taxable income.
11	In the case of any taxable year beg	ginning after
11 12	In the case of any taxable year becomber 31, 2027:	ginning after
		The tax shall be:
12	December 31, 2027:	· · · · · · · · · · · · · · · · · · ·
12 13	December 31, 2027:  If the taxable income is:	The tax shall be:
12 13 14	December 31, 2027:  If the taxable income is:  Not over \$300,000	The tax shall be:  \$0  4.50% of taxable income.
12 13 14 15	December 31, 2027:  If the taxable income is:  Not over \$300,000  Over \$300,000	The tax shall be:  \$0  4.50% of taxable income.
12 13 14 15 16	December 31, 2027:  If the taxable income is:  Not over \$300,000  Over \$300,000  In the case of any taxable year bed	The tax shall be:  \$0  4.50% of taxable income.
12 13 14 15 16 17	December 31, 2027:  If the taxable income is:  Not over \$300,000  Over \$300,000  In the case of any taxable year bed  December 31, 2030:	The tax shall be:  \$0  4.50% of taxable income.  ginning after

1	(b)	There is hereby imposed on	the taxable income of every
2	head of a	household a tax determined	in accordance with the
3	following	table:	
4	In th	ne case of any taxable year	beginning after December
5	31, 2001:		
6		If the taxable income is:	The tax shall be:
7		Not over \$3,000	1.40% of taxable income
8		Over \$3,000 but	\$42.00 plus 3.20% of
9		not over \$6,000	excess over \$3,000
10		Over \$6,000 but	\$138.00 plus 5.50% of
11		not over \$12,000	excess over \$6,000
12		Over \$12,000 but	\$468.00 plus 6.40% of
13		not over \$18,000	excess over \$12,000
14		Over \$18,000 but	\$852.00 plus 6.80% of
15		not over \$24,000	excess over \$18,000
16		Over \$24,000 but	\$1,260.00 plus 7.20% of
17		not over \$30,000	excess over \$24,000
18		Over \$30,000 but	\$1,692.00 plus 7.60% of
19		not over \$45,000	excess over \$30,000
20		Over \$45,000 but	\$2,832.00 plus 7.90% of
21		not over \$60,000	excess over \$45,000

1	Over \$60,000	\$4,017.00 plus 8.25% of
2		excess over \$60,000.
3	In the case of any taxable year	beginning after December
4	31, 2006:	
5	If the taxable income is:	The tax shall be:
6	Not over \$3,600	1.40% of taxable income
7	Over \$3,600 but	\$50.00 plus 3.20% of
8	not over \$7,200	excess over \$3,600
9	Over \$7,200 but	\$166.00 plus 5.50% of
10	not over \$14,400	excess over \$7,200
11	Over \$14,400 but	\$562.00 plus 6.40% of
12	not over \$21,600	excess over \$14,400
13	Over \$21,600 but	\$1,022.00 plus 6.80% of
14	not over \$28,800	excess over \$21,600
15	Over \$28,800 but	\$1,512.00 plus 7.20% of
16	not over \$36,000	excess over \$28,800
17	Over \$36,000 but	\$2,030.00 plus 7.60% of
18	not over \$54,000	excess over \$36,000
19	Over \$54,000 but	\$3,398.00 plus 7.90% of
20	not over \$72,000	excess over \$54,000
21	Over \$72,000	\$4,820.00 plus 8.25% of

1	е	excess over	\$72,000.
2	In the case of any taxable year beginn	ing after De	ecember
3	31, 2017:		
4	If the taxable income is: The	tax shall h	oe:
5	Not over \$3,600 1.40	0% of taxabl	le income
6	Over \$3,600 but \$50	.00 plus 3.2	20% of
7	not over \$7,200 e	excess over	\$3,600
8	Over \$7,200 but \$160	6.00 plus 5.	.50% of
9	not over \$14,400 e	excess over	\$7,200
10	Over \$14,400 but \$562	2.00 plus 6.	.40% of
11	not over \$21,600 e	excess over	\$14,400
12	Over \$21,600 but \$1,0	022.00 plus	6.80% of
13	not over \$28,800 e	excess over	\$21,600
14	Over \$28,800 but \$1,5	512.00 plus	7.20% of
15	not over \$36,000 e	excess over	\$28,800
16	Over \$36,000 but \$2,0	030.00 plus	7.60% of
17	not over \$54,000 e	excess over	\$36,000
18	Over \$54,000 but \$3,3	398.00 plus	7.90% of
19	not over \$72,000 e	excess over	\$54,000
20	Over \$72,000 but \$4,8	820.00 plus	8.25% of
21	not over \$225,000 e	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	In the case of any taxable year beginning after		
8	December 31, 2021:		
9	If the taxable income is:	The tax shall be:	
10	Not over \$300,000	6.00% of taxable income	
11	Over \$300,000	8.00% of taxable income.	
12	In the case of any taxable year be	eginning after	
13	December 31, 2024:		
14	If the taxable income is:	The tax shall be:	
15	Not over \$300,000	3.90% of taxable income	
16	Over \$300,000	6.00% of taxable income.	
17	In the case of any taxable year beginning after		
18	December 31, 2027:		
19	If the taxable income is:	The tax shall be:	
20	Not over \$300,000	<u>\$0</u>	
21	Over \$300,000	4.50% of taxable income.	

1	In the case of any taxable year beginning after			
2	December 31, 2030:			
3	If the taxable income is: The	tax shall be:		
4	Not over \$300,000 \$0			
5	Over \$300,000 \$0.			
6	(c) There is hereby imposed on the tax	xable 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 sing	le return jointly		
10	with the individual's spouse under section 2	with the individual's spouse under section 235-93 a tax		
11	determined in accordance with the following table:			
12	In the case of any taxable year beginning after December			
13	31, 2001:			
14	If the taxable income is: The	tax shall be:		
15	Not over \$2,000 1.40	0% of taxable income		
16	Over \$2,000 but \$28	.00 plus 3.20% of		
17	not over \$4,000 e	xcess over \$2,000		
18	Over \$4,000 but \$92	.00 plus 5.50% of		
19	not over \$8,000 e	xcess over \$4,000		
20	Over \$8,000 but \$312	2.00 plus 6.40% of		
21	not over \$12,000 e	xcess over \$8,000		

1	Over \$12,000 but	\$568.00 plus 6.80% of
2	not over \$16,000	excess over \$12,000
3	Over \$16,000 but	\$840.00 plus 7.20% of
4	not over \$20,000	excess over \$16,000
5	Over \$20,000 but	\$1,128.00 plus 7.60% of
6	not over \$30,000	excess over \$20,000
7	Over \$30,000 but	\$1,888.00 plus 7.90% of
8	not over \$40,000	excess over \$30,000
9	Over \$40,000	\$2,678.00 plus 8.25% of
10		excess over \$40,000.
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 \$2,400	1.40% of taxable income
15	Over \$2,400 but	\$34.00 plus 3.20% of
16	not over \$4,800	excess over \$2,400
17	Over \$4,800 but	4110 00 1 5 500 6
18	11,000	\$110.00 plus 5.50% of
10	not over \$9,600	excess over \$4,800
19		<u>-</u>
	not over \$9,600	excess over \$4,800

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

1	Over \$19,200 but	\$1,008.00 plus 7.20% of
2	not over \$24,000	excess over \$19,200
3	Over \$24,000 but	\$1,354.00 plus 7.60% of
4	not over \$36,000	excess over \$24,000
5	Over \$36,000 but	\$2,266.00 plus 7.90% of
6	not over \$48,000	excess over \$36,000
7	Over \$48,000 but	\$3,214.00 plus 8.25% of
8	not over \$150,000	excess over \$48,000
9	Over \$150,000 but	\$11,629.00 plus 9.00% of
10	not over \$175,000	excess over \$150,000
11	Over \$175,000 but	\$13,879.00 plus 10.00% of
12	not over \$200,000	excess over \$175,000
13	Over \$200,000	\$16,379.00 plus 11.00% of
14		excess over \$200,000.
15	In the case of any taxable year k	peginning after
16	December 31, 2021:	
17	If the taxable income is:	The tax shall be:
18	Not over \$300,000	6.00% of taxable income
19	Over \$300,000	8.00% of taxable income.
20	In the case of any taxable year b	peginning after
21	December 31, 2024:	



1	If the taxable income is:	The tax shall be:	
2	Not over \$300,000	3.90% of taxable income	
3	Over \$300,000	6.00% of taxable income.	
4	In the case of any taxable year beginning after		
5	December 31, 2027:		
6	If the taxable income is:	The tax shall be:	
7	Not over \$300,000	<u>\$0</u>	
8	Over \$300,000	4.50% of taxable income.	
9	In the case of any taxable year beginning after		
10	December 31, 2030:		
11	If the taxable income is:	The tax shall be:	
12	Not over \$300,000	<u>\$0</u>	
13	Over \$300,000	<u>\$0.</u> "	
14	SECTION 10. Section 235-71, Hawaii Revised Statutes, is		
15	amended by amending subsections (a) and (b) to read as follows:		
16	"(a) A tax at the rates herein provided shall be assessed,		
17	levied, collected, and paid for each taxable year on the taxable		
18	income of every corporation, including a corporation carrying on		
19	business in partnership, except that in the case of a regulated		
20	investment company the tax is as provided by subsection (b) and		
21	further that in the case of a real esta-	te investment trust as	

1 defined in section 856 of the Internal Revenue Code of 1954 the 2 tax is as provided in subsection (d). "Corporation" includes 3 any professional corporation incorporated pursuant to chapter 415A. 4 5 The tax on all taxable income shall be at the rate of 4.4 6 per cent if the taxable income is not over \$25,000, 5.4 per cent 7 if over \$25,000 but not over \$100,000, and on all over \$100,000, 8 6.4 per cent. 9 In the case of any taxable year beginning after 10 December 31, 2021: 11 12 Not over \$25,000 3.30% of taxable income 13 Over \$25,000 but 4.10% of taxable income 14 not over \$100,000 15 Over \$100,000 4.80% of taxable income. 16 In the case of any taxable year beginning after 17 December 31, 2024: 18 19 Not over \$25,000 2.50% of taxable income 20 Over \$25,000 but 3.10% of taxable income 21 not over \$100,000

1	Over \$100,000 3.60% of taxable income.		
2	In the case of any taxable year beginning after		
3	December 31, 2027:		
4	If the taxable income is: The tax shall be:		
5	Not over \$25,000 1.90% of taxable income		
6	Over \$25,000 but 2.30% of taxable income		
7	not over \$100,000		
8	Over \$100,000 2.70% of taxable income.		
9	In the case of any taxable year beginning after		
10	December 31, 2030:		
11	If the taxable income is: The tax shall be:		
12	Not over \$25,000 \$0		
13	Over \$25,000 but \$0		
14	not over \$100,000		
15	Over \$100,000 \$0.		
16	(b) In the case of a regulated investment company there is		
17	imposed on the taxable income, computed as provided in sections		
18	852 and 855 of the Internal Revenue Code but with the changes		
19	and adjustments made by this chapter (without prejudice to the		
20	generality of the foregoing, the deduction for dividends paid is		
21	limited to such amount of dividends as is attributable to income		

1 taxable under this chapter), a tax consisting in the sum of the 2 following: 4.4 per cent if the taxable income is not over 3 \$25,000, 5.4 per cent if over \$25,000 but not over \$100,000, and 4 on all over \$100,000, 6.4 per cent. 5 In the case of any taxable year beginning after 6 December 31, 2021: 7 If the taxable income is: The tax shall be: 8 Not over \$25,000 3.30% of taxable income 9 Over \$25,000 but 4.10% of taxable income 10 not over \$100,000 11 Over \$100,000 4.80% of taxable income. 12 In the case of any taxable year beginning after 13 December 31, 2024: 14 If the taxable income is: The tax shall be: 15 Not over \$25,000 2.50% of taxable income 16 Over \$25,000 but 3.10% of taxable income 17 not over \$100,000 18 Over \$100,000 3.60% of taxable income. In the case of any taxable year beginning after 19 20 December 31, 2027: 21 

1	Not over \$25,000	1.90% of taxable income	
2	Over \$25,000 but	2.30% of taxable income	
3	not over \$100,000		
4	Over \$100,000	2.70% of taxable income.	
5	In the case of any taxable year be	eginning after	
6	<u>December 31, 2030:</u>		
7	If the taxable income is:	The tax shall be:	
8	Not over \$25,000	<u>\$0</u>	
9	Over \$25,000 but	<u>\$0</u>	
10	not over \$100,000		
11	Over \$100,000 but	<u>\$0.</u> "	
12	PART V		
13	SECTION 11. Statutory material to be repealed is bracketed		
14	and stricken. New statutory material is underscored.		
15	SECTION 12. This Act, upon its approval, shall apply to		
16	taxable years beginning after December 31, 2021.		
17	INTRODUCED BY:	JAN 2 7 2021	

#### Report Title:

County Surcharge; Real Property Tax; Transient Accommodations Tax; Individual Income Tax; Corporation Income Tax; Income Tax Rates

#### Description:

Authorizes each county to levy a county surcharge on transient accommodations tax if the county satisfies certain real property tax requirements. Repeals the allocation of transient accommodations tax revenue to the counties and makes conforming amendments. Establishes a residential property owner tax credit and a residential circuit breaker tax credit. Beginning with taxable years after 12/31/2021, gradually implements new individual income tax and corporation income tax brackets and rates in three-year intervals.

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