

JAN 26 2022

# A BILL FOR AN ACT

RELATING TO TAXATION.

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

PART I

SECTION 1. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to part I to be appropriately designated and to read as follows:

"§235- Surcharge on high-income individuals, estates, and trusts. (a) Notwithstanding any other law to the contrary, there is imposed an income tax surcharge on every taxpayer other than a corporation. The amount of the surcharge shall be equal to:

(1) Five per cent of the taxpayer's modified adjusted gross income that exceeds:

(A) \$10,000,000, in the case of a taxpayer filing a joint return or as a surviving spouse;

(B) \$7,500,000, in the case of a taxpayer filing as a head of household;



1           (C) \$5,000,000, in the case of a taxpayer filing a  
2           single return or a married person filing  
3           separately; and

4           (D) \$200,000, in the case of an estate or trust; plus

5       (2) Three per cent of the taxpayer's modified adjusted  
6       gross income that exceeds:

7           (A) \$25,000,000, in the case of a taxpayer filing a  
8           joint return or as a surviving spouse;

9           (B) \$18,750,000, in the case of a taxpayer filing as  
10          a head of household;

11          (C) \$12,500,000, in the case of a taxpayer filing a  
12          single return or a married person filing  
13          separately; and

14          (D) \$500,000, in the case of an estate or trust.

15       (b) All provisions of this chapter shall apply to the  
16       income tax surcharge. The director of taxation shall have all  
17       the rights and powers provided under this chapter to administer  
18       the surcharge.

19       (c) The penalties provided by section 231-39 for failure  
20       to file a tax return shall be imposed on the amount of surcharge  
21       due on the return being filed for the failure to file the



1 schedule required to accompany the return. In addition, there  
2 shall be added to the tax an amount equal to ten per cent of the  
3 amount of the surcharge and tax due on the return being filed  
4 for the failure to file the schedule.

5 (d) 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 taxpayer shall also file a short period annual  
11 return for the period starting on January 1 of the taxable year  
12 in which the taxes become effective, and ending before January 1  
13 of the following year.

14 (e) The department of taxation may adopt rules pursuant to  
15 chapter 91 to effectuate this Act.

16 (f) For the purposes of this section, "modified adjusted  
17 gross income" means federal adjusted gross income reduced by any  
18 deduction (not taken into account in determining adjusted gross  
19 income) allowed for investment interest (as defined in section  
20 163(d) of the Internal Revenue Code) or business interest (as  
21 defined in section 163(j) of the Internal Revenue Code). In the



1 case of an estate or trust, adjusted gross income shall be  
2 determined as provided in section 67(e) of the Internal Revenue  
3 Code, and reduced by the amount allowed as a deduction under  
4 section 642(c) of the Internal Revenue Code."

5 PART II

6 SECTION 2. (a) There is established within the department  
7 of taxation for administrative purposes only a wealth tax  
8 working group. The working group shall develop a proposal to  
9 establish a state wealth tax.

10 (b) The wealth tax working group shall comprise the  
11 following:

12 (1) The director of taxation or the director's designee,  
13 who shall serve as chairperson of the working group;

14 (2) The chairperson of the state tax review commission or  
15 the chairperson's designee; and

16 (3) The chairperson of the council on revenues or the  
17 chairperson's designee.

18 (c) In addition to the members designated by subsection  
19 (b), the working group may invite any other appropriate person  
20 to join the working group.



1 (d) The initial meeting of the working group shall take  
2 place no later than sixty days after the effective date of this  
3 Act and shall be convened by the director of taxation or the  
4 director's designee.

5 (e) Members of the working group shall serve without  
6 compensation. No member of the working group shall be subject  
7 to section 84-17, Hawaii Revised Statutes, solely because of  
8 that member's participation on the working group.

9 (f) As part of its proposal the working group shall  
10 develop:

11 (1) A procedure for imposing a wealth tax on individuals  
12 having assets of more than \$10,000,000;

13 (2) An appropriate wealth tax rate; and

14 (3) Revenue projections for the wealth tax.

15 (g) The department of taxation shall provide  
16 administrative and clerical support as required by the working  
17 group.

18 (h) The working group shall submit a report of its  
19 findings and recommendations, including any proposed  
20 legislation, to the legislature no later than twenty days prior  
21 to the convening of the regular session of 2023.



(i) The working group shall cease to exist on June 30, 2023.

PART III

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval; provided that part I shall apply to taxable years beginning after December 31, 2021.

INTRODUCED BY:

Lynn D. Crote



# S.B. NO. 3250

**Report Title:**

Income Tax; Surcharge on High-Income Individuals, Estates, and Trusts; DOTAX; Wealth Tax; Working Group

**Description:**

Establishes an income tax surcharge on high-income individuals, estates, and trusts. Establishes a working group within the Department of Taxation to develop a proposal for a state wealth tax.

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

