
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. Non-residents
5 are afforded the luxury of an investment in highly appreciable
6 land while, at the same time, they are able to export their
7 income tax to a state where the rate is lower. This results in
8 raising the cost of living for Hawaii residents.

9 While the legislature believes that the tax burden should
10 be shifted to non-residents, the legislature also believes that
11 a fair assessment of homeowner exemptions is needed to offset
12 the burdens local residents face. The legislature finds that
13 the first step in this process should be to, over a three-year
14 period, transfer the portion of transient accommodations tax
15 revenues currently allocated to the counties into the state
16 general fund. Second, income tax rates for Hawaii residents
17 should be simplified and made more progressive over a period of



1 three taxable years. As part of this process, the percentage of
 2 the population that is able to qualify for the middle-class tax
 3 bracket will expand and a zero per cent tax bracket will be
 4 established for residents who earn a significantly lower income,
 5 in order to effectively serve the portion of the population that
 6 truly needs the most assistance.

7 The purpose of this Act is to address the high cost of
 8 living in the State of Hawaii by enacting tax reform that
 9 reduces the tax burden for low- and middle-income earners.

10 PART II

11 SECTION 2. Section 237D-6.5, Hawaii Revised Statutes, is
 12 amended by amending subsection (b) to read as follows:

13 "(b) Revenues collected under this chapter shall be
 14 distributed in the following priority, with the excess revenues
 15 to be deposited into the general fund:

- 16 (1) \$1,500,000 shall be allocated to the Turtle Bay
 17 conservation easement special fund beginning July 1,
 18 2015, for the reimbursement to the state general fund
 19 of debt service on reimbursable general obligation
 20 bonds, including ongoing expenses related to the
 21 issuance of the bonds, the proceeds of which were used



1 to acquire the conservation easement and other real
2 property interests in Turtle Bay, Oahu, for the
3 protection, preservation, and enhancement of natural
4 resources important to the State, until the bonds are
5 fully amortized;

6 (2) \$26,500,000 shall be allocated to the convention
7 center enterprise special fund established under
8 section 201B-8;

9 (3) \$82,000,000 shall be allocated to the tourism special
10 fund established under section 201B-11; provided that:

11 (A) Beginning on July 1, 2012, and ending on June 30,
12 2015, \$2,000,000 shall be expended from the
13 tourism special fund for development and
14 implementation of initiatives to take advantage
15 of expanded visa programs and increased travel
16 opportunities for international visitors to
17 Hawaii;

18 (B) Of the \$82,000,000 allocated:

19 (i) \$1,000,000 shall be allocated for the
20 operation of a Hawaiian center and the



1 museum of Hawaiian music and dance at the
2 Hawaii convention center; and
3 (ii) 0.5 per cent of the \$82,000,000 shall be
4 transferred to a sub-account in the tourism
5 special fund to provide funding for a safety
6 and security budget, in accordance with the
7 Hawaii tourism strategic plan 2005-2015; and
8 (C) Of the revenues remaining in the tourism special
9 fund after revenues have been deposited as
10 provided in this paragraph and except for any sum
11 authorized by the legislature for expenditure
12 from revenues subject to this paragraph,
13 beginning July 1, 2007, funds shall be deposited
14 into the tourism emergency special fund,
15 established in section 201B-10, in a manner
16 sufficient to maintain a fund balance of
17 \$5,000,000 in the tourism emergency special fund;
18 (4) \$103,000,000 for fiscal year 2014-2015, \$103,000,000
19 for fiscal year 2015-2016, \$103,000,000 for fiscal
20 year 2016-2017, [~~and~~] \$93,000,000 for [~~each~~] fiscal
21 year [~~thereafter~~] 2017-2018, \$62,000,000 for fiscal



1 year 2018-2019, and \$31,000,000 for fiscal year 2019-
2 2020 shall be allocated as follows: Kauai county
3 shall receive 14.5 per cent, Hawaii county shall
4 receive 18.6 per cent, city and county of Honolulu
5 shall receive 44.1 per cent, and Maui county shall
6 receive 22.8 per cent; [~~provided that commencing with~~
7 ~~fiscal year 2018-2019, a sum that represents the~~
8 ~~difference between a county public employer's annual~~
9 ~~required contribution for the separate trust fund~~
10 ~~established under section 87A-42 and the amount of the~~
11 ~~county public employer's contributions into that trust~~
12 ~~fund shall be retained by the state director of~~
13 ~~finance and deposited to the credit of the county~~
14 ~~public employer's annual required contribution into~~
15 ~~that trust fund in each fiscal year, as provided in~~
16 ~~section 87A-42, if the respective county fails to~~
17 ~~remit the total amount of the county's required annual~~
18 ~~contributions, as required under section 87A-43;~~] and
19 (5) \$3,000,000 shall be allocated to the special land and
20 development fund established under section 171-19;
21 provided that the allocation shall be expended in



1 "(b) Revenues collected under this chapter shall be
2 distributed in the following priority, with the excess revenues
3 to be deposited into the general fund:

4 (1) \$1,500,000 shall be allocated to the Turtle Bay
5 conservation easement special fund beginning July 1,
6 2015, for the reimbursement to the state general fund
7 of debt service on reimbursable general obligation
8 bonds, including ongoing expenses related to the
9 issuance of the bonds, the proceeds of which were used
10 to acquire the conservation easement and other real
11 property interests in Turtle Bay, Oahu, for the
12 protection, preservation, and enhancement of natural
13 resources important to the State, until the bonds are
14 fully amortized;

15 (2) \$26,500,000 shall be allocated to the convention
16 center enterprise special fund established under
17 section 201B-8;

18 (3) \$82,000,000 shall be allocated to the tourism special
19 fund established under section 201B-11; provided that:

20 (A) Beginning on July 1, 2012, and ending on June 30,
21 2015, \$2,000,000 shall be expended from the



1 tourism special fund for development and
2 implementation of initiatives to take advantage
3 of expanded visa programs and increased travel
4 opportunities for international visitors to
5 Hawaii;

6 (B) Of the \$82,000,000 allocated:

7 (i) \$1,000,000 shall be allocated for the
8 operation of a Hawaiian center and the
9 museum of Hawaiian music and dance at the
10 Hawaii convention center; and

11 (ii) 0.5 per cent of the \$82,000,000 shall be
12 transferred to a sub-account in the tourism
13 special fund to provide funding for a safety
14 and security budget, in accordance with the
15 Hawaii tourism strategic plan 2005-2015; and

16 (C) Of the revenues remaining in the tourism special
17 fund after revenues have been deposited as
18 provided in this paragraph and except for any sum
19 authorized by the legislature for expenditure
20 from revenues subject to this paragraph,
21 beginning July 1, 2007, funds shall be deposited

1 into the tourism emergency special fund,
 2 established in section 201B-10, in a manner
 3 sufficient to maintain a fund balance of
 4 \$5,000,000 in the tourism emergency special fund;
 5 and
 6 ~~[(4) \$103,000,000 for fiscal year 2014-2015, \$103,000,000~~
 7 ~~for fiscal year 2015-2016, \$103,000,000 for fiscal~~
 8 ~~year 2016-2017, \$93,000,000 for fiscal year 2017-2018,~~
 9 ~~\$62,000,000 for fiscal year 2018-2019, and \$31,000,000~~
 10 ~~for fiscal year 2019-2020 shall be allocated as~~
 11 ~~follows: Kauai county shall receive 14.5 per cent,~~
 12 ~~Hawaii county shall receive 18.6 per cent, city and~~
 13 ~~county of Honolulu shall receive 44.1 per cent, and~~
 14 ~~Maui county shall receive 22.8 per cent; provided that~~
 15 ~~commencing with fiscal year 2018-2019, a sum that~~
 16 ~~represents the difference between a county public~~
 17 ~~employer's annual required contribution for the~~
 18 ~~separate trust fund established under section 87A-42~~
 19 ~~and the amount of the county public employer's~~
 20 ~~contributions into that trust fund shall be retained~~
 21 ~~by the state director of finance and deposited to the~~



~~credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to remit the total amount of the county's required annual contributions, as required under section 87A-43; and~~

(5)] (4) \$3,000,000 shall be allocated to the special land and development fund established under section 171-19; provided that the allocation shall be expended in accordance with the Hawaii tourism authority strategic plan for:

- (A) The protection, preservation, maintenance, and enhancement of natural resources, including beaches, important to the visitor industry;
- (B) Planning, construction, and repair of facilities; and
- (C) Operation and maintenance costs of public lands, including beaches, connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and



1 shall be kept by the state director of finance in special
2 accounts for distribution as provided in this subsection.

3 As used in this subsection, "fiscal year" means the twelve-
4 month period beginning on July 1 of a calendar year and ending
5 on June 30 of the following calendar year."

6 PART IV

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

10 "(a) There is hereby imposed on the taxable income of (1)
11 every taxpayer who files a joint return under section 235-93;
12 and (2) every surviving spouse a tax determined in accordance
13 with the following table:

14 In the case of any taxable year beginning after
15 December 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



1	Over \$16,000 but	\$624.00 plus 6.40% of
2	not over \$24,000	excess over \$16,000
3	Over \$24,000 but	\$1,136.00 plus 6.80% of
4	not over \$32,000	excess over \$24,000
5	Over \$32,000 but	\$1,680.00 plus 7.20% of
6	not over \$40,000	excess over \$32,000
7	Over \$40,000 but	\$2,256.00 plus 7.60% of
8	not over \$60,000	excess over \$40,000
9	Over \$60,000 but	\$3,776.00 plus 7.90% of
10	not over \$80,000	excess over \$60,000
11	Over \$80,000	\$5,356.00 plus 8.25% of
12		excess over \$80,000.

13 In the case of any taxable year beginning after
14 December 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



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 In the case of any taxable year beginning after

13 December 31, 2017:

14	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
15	<u>Not over \$15,000</u>	<u>\$0</u>
16	<u>Over \$15,000 but</u>	<u>6.64% of taxable income</u>
17	<u>not over \$75,000</u>	<u>in excess of \$15,000</u>
18	<u>Over \$75,000 but</u>	<u>\$3,984.00 plus 7.79% of</u>
19	<u>not over \$225,000</u>	<u>excess over \$75,000</u>
20	<u>Over \$225,000</u>	<u>\$15,669.00 plus 8.50% of</u>
21		<u>excess over \$225,000.</u>



1 In the case of any taxable year beginning after
2 December 31, 2018:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$16,125</u>	<u>\$0</u>
<u>Over \$16,125 but</u> <u>not over \$75,000</u>	<u>5.38% of taxable income</u> <u>in excess of \$16,125</u>
<u>Over \$75,000 but</u> <u>not over \$225,000</u>	<u>\$3,167.00 plus 7.34% of</u> <u>excess over \$75,000</u>
<u>Over \$225,000</u>	<u>\$14,177.00 plus 8.75% of</u> <u>excess over \$225,000.</u>

11 In the case of any taxable year beginning after
12 December 31, 2019:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$17,500</u>	<u>\$0</u>
<u>Over \$17,500 but</u> <u>not over \$75,000</u>	<u>4.12% of taxable income</u> <u>in excess of \$17,500</u>
<u>Over \$75,000 but</u> <u>not over \$225,000</u>	<u>\$2,369.00 plus 6.88% of</u> <u>excess over \$75,000</u>
<u>Over \$225,000</u>	<u>\$12,689.00 plus 9.00% of</u> <u>excess over \$225,000.</u>



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 the case of any taxable year beginning after
5 December 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
4 December 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 excess over \$72,000.

2 In the case of any taxable year beginning after

3 December 31, 2017:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$15,000</u>	<u>\$0</u>
<u>Over \$15,000 but not over \$75,000</u>	<u>6.64% of taxable income in excess of \$15,000</u>
<u>Over \$75,000 but not over \$225,000</u>	<u>\$3,984.00 plus 7.79% of excess over \$75,000</u>
<u>Over \$225,000</u>	<u>\$15,669.00 plus 8.50% of excess over \$225,000.</u>

12 In the case of any taxable year beginning after

13 December 31, 2018:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$16,125</u>	<u>\$0</u>
<u>Over \$16,125 but not over \$75,000</u>	<u>5.38% of taxable income in excess of \$16,125</u>
<u>Over \$75,000 but not over \$225,000</u>	<u>\$3,167.00 plus 7.34% of excess over \$75,000</u>
<u>Over \$225,000</u>	<u>\$14,177.00 plus 8.75% of excess over \$225,000.</u>



1 In the case of any taxable year beginning after
2 December 31, 2019:

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$17,500</u>	<u>\$0</u>
<u>Over \$17,500 but</u> <u>not over \$75,000</u>	<u>4.12% of taxable income</u> <u>in excess of \$17,500</u>
<u>Over \$75,000 but</u> <u>not over \$225,000</u>	<u>\$2,369.00 plus 6.88% of</u> <u>excess over \$75,000</u>
<u>Over \$225,000</u>	<u>\$12,689.00 plus 9.00% of</u> <u>excess over \$225,000.</u>

11 (c) There is hereby imposed on the taxable income of (1)
12 every unmarried individual (other than a surviving spouse, or
13 the head of a household) and (2) on the taxable income of every
14 married individual who does not make a single return jointly
15 with the individual's spouse under section 235-93 a tax
16 determined in accordance with the following table:

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

<u>If the taxable income is:</u>	<u>The tax shall be:</u>
<u>Not over \$2,000</u>	<u>1.40% of taxable income</u>
<u>Over \$2,000 but</u>	<u>\$28.00 plus 3.20% of</u>



1	not over \$4,000	excess over \$2,000
2	Over \$4,000 but	\$92.00 plus 5.50% of
3	not over \$8,000	excess over \$4,000
4	Over \$8,000 but	\$312.00 plus 6.40% of
5	not over \$12,000	excess over \$8,000
6	Over \$12,000 but	\$568.00 plus 6.80% of
7	not over \$16,000	excess over \$12,000
8	Over \$16,000 but	\$840.00 plus 7.20% of
9	not over \$20,000	excess over \$16,000
10	Over \$20,000 but	\$1,128.00 plus 7.60% of
11	not over \$30,000	excess over \$20,000
12	Over \$30,000 but	\$1,888.00 plus 7.90% of
13	not over \$40,000	excess over \$30,000
14	Over \$40,000	\$2,678.00 plus 8.25% of
15		excess over \$40,000.

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

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



1	Over \$4,800 but	\$110.00 plus 5.50% of
2	not over \$9,600	excess over \$4,800
3	Over \$9,600 but	\$374.00 plus 6.40% of
4	not over \$14,400	excess over \$9,600
5	Over \$14,400 but	\$682.00 plus 6.80% of
6	not over \$19,200	excess over \$14,400
7	Over \$19,200 but	\$1,008.00 plus 7.20% of
8	not over \$24,000	excess over \$19,200
9	Over \$24,000 but	\$1,354.00 plus 7.60% of
10	not over \$36,000	excess over \$24,000
11	Over \$36,000 but	\$2,266.00 plus 7.90% of
12	not over \$48,000	excess over \$36,000
13	Over \$48,000	\$3,214.00 plus 8.25% of
14		excess over \$48,000.

15 In the case of any taxable year beginning after

16 December 31, 2017:

17	<u>If the taxable income is:</u>	<u>The tax shall be:</u>
18	<u>Not over \$7,500</u>	<u>\$0</u>
19	<u>Over \$7,500 but</u>	<u>6.64% of taxable income</u>
20	<u>not over \$37,500</u>	<u>in excess of \$7,500</u>
21	<u>Over \$37,500 but</u>	<u>\$1,992.00 plus 7.79% of</u>



1 applicable to such individual under this subsection for such
2 individual's taxable year shall be zero."

3 PART VI

4 SECTION 6. Chapter 235, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§235- Itemized deductions; limitations.

8 Notwithstanding any other law to the contrary, itemized tax
9 deductions claimed pursuant to this chapter shall not exceed the
10 lesser of:

11 (1) The limitation on itemized deductions under section 68
12 of the Internal Revenue Code; or

13 (2) Any of the following that may be applicable:

14 (A) \$100,000 for a taxpayer filing a single return or
15 a married person filing separately;

16 (B) \$150,000 for a taxpayer filing as a head of
17 household; and

18 (C) \$200,000 for a taxpayer filing a joint return or
19 as a surviving spouse;



Report Title:

Transient Accommodations Tax; Counties; Income Tax Rates;
Personal Exemption; Itemized Deductions

Description:

Phases out the county allocation of transient accommodations tax revenues over a 3-year period. Implements new income tax brackets and rates over a 3-year period. Doubles the amount of the personal exemption. Places limitations on claims for itemized tax deductions. (HB1586 HD1)

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

