

---

---

# 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 federal  
3 government has significantly raised the threshold for the  
4 federal estate tax. The federal estate tax grants an exemption  
5 of \$5,490,000 per individual and up to \$10,980,000 for a  
6 surviving spouse; provided that the surviving spouse elects to  
7 use portability of the predeceased spouse's exemption on the  
8 predeceased spouse's estate tax return. Estates valued at less  
9 than these amounts are exempt from paying federal estate taxes.  
10 The recently enacted Public Law No. 115-97, originally  
11 introduced in Congress as the Tax Cuts and Jobs Act, doubles the  
12 threshold to approximately \$11,180,000 and \$22,360,000,  
13 respectively, and will result in a reduction in federal estate  
14 tax revenues. According to Internal Revenue Service data,  
15 twenty-one estates in Hawaii paid a total of \$23,471,000 in  
16 federal estate taxes in 2015.



1           The legislature further finds that these changes to the  
 2 federal estate tax provide the State with an opportunity to  
 3 benefit Hawaii residents. By amending Hawaii's estate tax  
 4 thresholds and rates, the State can capture some of the money  
 5 that certain residents will no longer be required to pay to the  
 6 federal government and redirect that money to the State.

7           The legislature additionally finds that any additional  
 8 estate tax revenue paid to the State can be used to pay for  
 9 priorities that the federal government will no longer be able to  
 10 support due to the significant reduction of estate tax revenues.

11           The purpose of this part is to maintain the responsibility  
 12 of Hawaii residents to pay a fair and equitable tax on large  
 13 estates.

14           SECTION 2. Section 236E-8, Hawaii Revised Statutes, is  
 15 amended by amending subsection (b) to read as follows:

16           "(b) With respect to the estates of decedents dying after  
 17 January 25, 2012, the tax based on the Hawaii net taxable estate  
 18 shall be as provided in the following schedule:

19           If the Hawaii net taxable	
20           estate is:	The tax shall be:
21           \$1,000,000 or less	10.0% of the Hawaii net



1 taxable estate  
2  
3 Over \$1,000,000 but \$100,000 plus 11.0% of the  
4 not over \$2,000,000 amount by which the Hawaii  
5 net taxable estate  
6 exceeds \$1,000,000  
7  
8 Over \$2,000,000 but \$210,000 plus 12% of the  
9 not over \$3,000,000 amount by which the Hawaii  
10 net taxable estate  
11 exceeds \$2,000,000  
12  
13 Over \$3,000,000 but \$330,000 plus 13% of the  
14 not over \$4,000,000 amount by which the Hawaii  
15 net taxable estate  
16 exceeds \$3,000,000  
17  
18 Over \$4,000,000 but \$460,000 plus 14% of the  
19 not over \$5,000,000 amount by which the Hawaii  
20 net taxable estate  
21 exceeds \$4,000,000



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

Over \$5,000,000 but \$600,000 plus 15.7% of the  
not over \$10,000,000 amount by which the Hawaii  
net taxable estate  
exceeds \$5,000,000 [-]

Over \$10,000,000 \$1,385,000 plus 20% of the  
amount by which the Hawaii  
net taxable estate  
exceeds \$10,000,000."

PART II

SECTION 3. Section 247-2, Hawaii Revised Statutes, is amended to read as follows:

"§247-2 Basis and rate of tax. The tax imposed by section 247-1 shall be based on the actual and full consideration (whether cash or otherwise, including any promise, act, forbearance, property interest, value, gain, advantage, benefit, or profit), paid or to be paid for all transfers or conveyance of realty or any interest therein, that shall include any liens or encumbrances thereon at the time of sale, lease, sublease,



1 assignment, transfer, or conveyance, and shall be at the  
2 following rates:

3 (1) Except as provided in paragraph (2):

4 (A) Ten cents per \$100 for properties with a value of  
5 less than \$600,000;

6 (B) Twenty cents per \$100 for properties with a value  
7 of at least \$600,000, but less than \$1,000,000;

8 (C) Thirty cents per \$100 for properties with a value  
9 of at least \$1,000,000, but less than \$2,000,000;

10 (D) Fifty cents per \$100 for properties with a value  
11 of at least \$2,000,000, but less than \$4,000,000;

12 (E) Seventy cents per \$100 for properties with a  
13 value of at least \$4,000,000, but less than  
14 \$6,000,000;

15 (F) Ninety cents per \$100 for properties with a value  
16 of at least \$6,000,000, but less than  
17 \$10,000,000; and

18 (G) One dollar per \$100 for properties with a value  
19 of \$10,000,000 or greater; and

20 (2) For the sale of a single-family residential

21 condominium or single family residence for which the



- 1 purchaser is ineligible for a county homeowner's  
2 exemption on property tax:
- 3 (A) Fifteen cents per \$100 for properties with a  
4 value of less than \$600,000;
  - 5 (B) Twenty-five cents per \$100 for properties with a  
6 value of at least \$600,000, but less than  
7 \$1,000,000;
  - 8 (C) Forty cents per \$100 for properties with a value  
9 of at least \$1,000,000, but less than \$2,000,000;
  - 10 (D) [~~Sixty cents~~] One dollar per \$100 for properties  
11 with a value of at least \$2,000,000, but less  
12 than \$4,000,000;
  - 13 (E) [~~Eighty five cents~~] Two dollars per \$100 for  
14 properties with a value of at least \$4,000,000,  
15 but less than \$6,000,000;
  - 16 (F) [~~One dollar and ten cents~~] Three dollars per \$100  
17 for properties with a value of at least  
18 \$6,000,000, but less than \$10,000,000; and
  - 19 (G) [~~One dollar and twenty five cents~~] Four dollars  
20 per \$100 for properties with a value of  
21 \$10,000,000 or greater,



1 of [~~such~~] the actual and full consideration; provided that in  
2 the case of a lease or sublease, this chapter shall apply only  
3 to a lease or sublease whose full unexpired term is for a period  
4 of five years or more, and in those cases, including (where  
5 appropriate) those cases where the lease has been extended or  
6 amended, the tax in this chapter shall be based on the cash  
7 value of the lease rentals discounted to present day value and  
8 capitalized at the rate of six per cent, plus the actual and  
9 full consideration paid or to be paid for any and all  
10 improvements, if any, that shall include on-site as well as off-  
11 site improvements, applicable to the leased premises; and  
12 provided further that the tax imposed for each transaction shall  
13 be not less than \$1."

14 PART III

15 SECTION 4. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 5. This Act shall take effect upon its approval;  
18 provided that:

- 19 (1) Part I shall apply to decedents dying or taxable  
20 transfers occurring after December 31, 2017; and  
21 (2) Part II shall take effect on January 1, 2019.



**Report Title:**

Estate and Generation-Skipping Transfer Tax; Conveyance Tax;  
Investment Property

**Description:**

Increases estate taxes for Hawaii net taxable estates valued at over \$10,000,000. Raises the conveyance tax rates for single-family residential investment properties with a value of at least \$2,000,000. (SD1)

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

