A BILL FOR AN ACT

RELATING TO TAXES.

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

1 SECTION 1. The legislature finds that Hawaii has one of the highest individual income tax rates in the country. Even a single filer working at the minimum wage of $10.10 an hour, which is about $20,200 a year, must pay $1,008 plus 7.2 percent of excess over $19,200. According to the United States Department of Housing and Urban Development, annual income of up to $63,350 qualifies as low income for a single person in Honolulu. An individual at this income level is required to pay $3,214 plus 8.25 percent of anything over $48,000. It is clear that Hawaii's individual income tax structure disproportionately burdens low- and moderate-income households.

Furthermore, filers at low- to medium-income levels contribute relatively little to overall individual income tax revenues. In 2016, the last year for which data is available on number of filers by annual income, 72.61 percent of income tax revenue was generated by filers making more than $75,000 a year.
The State can maintain the same level of state revenue by repealing the individual income tax for those making $20,000 or less per year and slowly scaling marginal tax rates for those making $75,000 or less. Using 2016 revenue data, this adjustment would result in a loss of only $198 million while adding a consequential amount of money back into residents' paychecks.

Revenue loss can be offset by increasing several taxes by a small amount. A tiny 0.15 percent on the general excise tax will have a negligible impact on resident's daily purchases and will export more of the overall tax burden to visitors and non-residents. Increasing the transient accommodations tax by 0.50 percent will likewise transfer the tax burden away from working residents onto tourists. Finally, the liquor and cigarette taxes have not been increased in over ten years, even with the growth of Hawaii's economy and the booming visitor industry. Increasing the liquor and cigarette taxes by modest amounts will result in additional revenue for the state without unduly burdening residents.

The purpose of this Act is to repeal the individual income tax for single and heads-of-household filers making less than
If the taxable income is:  
The tax shall be:

Not over $4,000  
1.40% of taxable income

Over $4,000 but  
not over $8,000

$56.00 plus 3.20% of excess over $4,000

Over $8,000 but  
not over $16,000

$184.00 plus 5.50% of excess over $8,000

Over $16,000 but

$624.00 plus 6.40% of excess over $16,000

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

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

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

(2) Surviving spouse, a tax determined in accordance with the following table:

In the case of any taxable year beginning after 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  
not over $8,000

$56.00 plus 3.20% of excess over $4,000

Over $8,000 but  
not over $16,000

$184.00 plus 5.50% of excess over $8,000

Over $16,000 but

$624.00 plus 6.40% of excess over $16,000

HB HMIA 2019-45-07
If the taxable income is:

1. Not over $4,800
2. Over $4,800 but not over $9,600
3. Over $9,600 but not over $19,200
4. Over $19,200 but

The tax shall be:

1. 1.40% of taxable income
2. $67.00 plus 3.20% of excess over $4,800
3. $221.00 plus 5.50% of excess over $9,600
4. $749.00 plus 6.40% of excess over $19,200

In the case of any taxable year beginning after December 31, 2006:
### Tax Rate Details

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $28,800</td>
<td>excess over $19,200</td>
</tr>
<tr>
<td>Over $28,800 but not over $38,400</td>
<td>$1,363.00 plus 6.80% of excess over $28,800</td>
</tr>
<tr>
<td>Over $38,400 but not over $48,000</td>
<td>$2,016.00 plus 7.20% of excess over $38,400</td>
</tr>
<tr>
<td>Over $48,000 but not over $72,000</td>
<td>$2,707.00 plus 7.60% of excess over $48,000</td>
</tr>
<tr>
<td>Over $72,000 but not over $96,000</td>
<td>$4,531.00 plus 7.90% of excess over $72,000</td>
</tr>
<tr>
<td>Over $96,000</td>
<td>$6,427.00 plus 8.25% of excess over $96,000.</td>
</tr>
</tbody>
</table>

### Additional Taxation Details

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

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $4,800</td>
<td>1.40% of taxable income</td>
</tr>
<tr>
<td>Over $4,800 but not over $9,600</td>
<td>$67.00 plus 3.20% of excess over $4,800</td>
</tr>
<tr>
<td>Over $9,600 but not over $19,200</td>
<td>$221.00 plus 5.50% of excess over $9,600</td>
</tr>
<tr>
<td>Over $19,200 but</td>
<td>$749.00 plus 6.40% of excess over $19,200.</td>
</tr>
</tbody>
</table>
If the taxable income is:

The tax shall be:

Over $40,000 but

$1,008.00 plus 3.6% of

In the case of any taxable year beginning after December 31, 2019:
1. not over $48,000
   2. Over $48,000 but not over $72,000
   3. Over $72,000 but not over $96,000
   4. Over $96,000 but not over $300,000
   5. Over $300,000 but not over $350,000
   6. Over $350,000 but not over $400,000
   7. Over $400,000

(b) There is hereby imposed on the taxable income of every head of a household a tax determined in accordance with the following table:

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

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>not over $3,000</td>
<td>1.40% of taxable income</td>
</tr>
<tr>
<td>Over $3,000 but not over $40,000</td>
<td>$42.00 plus 3.20% of</td>
</tr>
<tr>
<td>Over $40,000</td>
<td>excess over $40,000</td>
</tr>
<tr>
<td>Over $48,000 but not over $72,000</td>
<td>$1,354.00 plus 4.94% of</td>
</tr>
<tr>
<td>Over $72,000 but not over $96,000</td>
<td>$3,851.00 plus 6.72% of</td>
</tr>
<tr>
<td>Over $96,000 but not over $300,000</td>
<td>$5,784.00 plus 7.5% of</td>
</tr>
<tr>
<td>Over $300,000 but not over $350,000</td>
<td>$23,257.00 plus 9.00% of</td>
</tr>
<tr>
<td>Over $350,000 but not over $400,000</td>
<td>$27,757.00 plus 10.00% of</td>
</tr>
<tr>
<td>Over $400,000</td>
<td>excess over $400,000.</td>
</tr>
<tr>
<td>Tax Bracket</td>
<td>Tax Rate and Amount</td>
</tr>
<tr>
<td>-------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Not over $6,000</td>
<td>excess over $3,000</td>
</tr>
<tr>
<td>Over $6,000 but not over $12,000</td>
<td>$138.00 plus 5.50% of excess over $6,000</td>
</tr>
<tr>
<td>Over $12,000 but not over $18,000</td>
<td>$468.00 plus 6.40% of excess over $12,000</td>
</tr>
<tr>
<td>Over $18,000 but not over $24,000</td>
<td>$852.00 plus 6.80% of excess over $18,000</td>
</tr>
<tr>
<td>Over $24,000 but not over $30,000</td>
<td>$1,260.00 plus 7.20% of excess over $24,000</td>
</tr>
<tr>
<td>Over $30,000 but not over $45,000</td>
<td>$1,692.00 plus 7.60% of excess over $30,000</td>
</tr>
<tr>
<td>Over $45,000 but not over $60,000</td>
<td>$2,832.00 plus 7.90% of excess over $45,000</td>
</tr>
<tr>
<td>Over $60,000</td>
<td>$4,017.00 plus 8.25% of excess over $60,000.</td>
</tr>
</tbody>
</table>

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

If the taxable income is: The tax shall be:

<table>
<thead>
<tr>
<th>Tax Bracket</th>
<th>Tax Rate and Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $3,600</td>
<td>1.40% of taxable income</td>
</tr>
<tr>
<td>Over $3,600 but not over $7,200</td>
<td>$50.00 plus 3.20% of excess over $3,600</td>
</tr>
<tr>
<td>Over $7,200</td>
<td>excess over $3,600</td>
</tr>
</tbody>
</table>
over $7,200 but

not over $14,400

Over $14,400 but

not over $21,600

Over $21,600 but

not over $28,800

Over $28,800 but

not over $36,000

Over $36,000 but

not over $54,000

Over $54,000 but

not over $72,000

Over $72,000

$166.00 plus 5.50% of excess over $7,200

$562.00 plus 6.40% of excess over $14,400

$1,022.00 plus 6.80% of excess over $21,600

$1,512.00 plus 7.20% of excess over $28,800

$2,030.00 plus 7.60% of excess over $36,000

$3,398.00 plus 7.90% of excess over $54,000

$4,820.00 plus 8.25% of excess over $72,000

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

If the taxable income is: The tax shall be:

Not over $3,600 1.40% of taxable income

Over $3,600 but

not over $7,200 $50.00 plus 3.20% of excess over $3,600

Over $7,200 but $166.00 plus 5.50% of excess over $7,200.
<table>
<thead>
<tr>
<th></th>
<th>not over $14,400</th>
<th>excess over $7,200</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Over $14,400 but $562.00 plus 6.40% of</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>not over $21,600</td>
<td>excess over $14,400</td>
</tr>
<tr>
<td>4</td>
<td>Over $21,600 but $1,022.00 plus 6.80% of</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>not over $28,800</td>
<td>excess over $21,600</td>
</tr>
<tr>
<td>6</td>
<td>Over $28,800 but $1,512.00 plus 7.20% of</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>not over $36,000</td>
<td>excess over $28,800</td>
</tr>
<tr>
<td>8</td>
<td>Over $36,000 but $2,030.00 plus 7.60% of</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>not over $54,000</td>
<td>excess over $36,000</td>
</tr>
<tr>
<td>10</td>
<td>Over $54,000 but $3,398.00 plus 7.90% of</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>not over $72,000</td>
<td>excess over $54,000</td>
</tr>
<tr>
<td>12</td>
<td>Over $72,000 but $4,820.00 plus 8.25% of</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>not over $225,000</td>
<td>excess over $72,000</td>
</tr>
<tr>
<td>14</td>
<td>Over $225,000 but $17,443.00 plus 9.00% of</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>not over $262,500</td>
<td>excess over $225,000</td>
</tr>
<tr>
<td>16</td>
<td>Over $262,500 but $20,818.00 plus 10.00% of</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>not over $300,000</td>
<td>excess over $262,500</td>
</tr>
<tr>
<td>18</td>
<td>Over $300,000</td>
<td>$24,568.00 plus 11.00% of</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>excess over $300,000.</td>
</tr>
</tbody>
</table>

In the case of any taxable year beginning after December 21, 2019:
<table>
<thead>
<tr>
<th>If the taxable income is:</th>
<th>The tax shall be:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $20,000 but not over $21,600</td>
<td>$281.00 plus 2.60% of excess over $20,000</td>
</tr>
<tr>
<td>Over $21,600 but not over $28,800</td>
<td>$511.00 plus 3.4% of excess over $21,600</td>
</tr>
<tr>
<td>Over $28,800 but not over $36,000</td>
<td>$756.00 plus 3.6% of excess over $28,800</td>
</tr>
<tr>
<td>Over $36,000 but not over $54,000</td>
<td>$1,320.00 plus 4.90% of excess over $36,000</td>
</tr>
<tr>
<td>Over $54,000 but not over $72,000</td>
<td>$2,888.00 plus 6.72% of excess over $54,000</td>
</tr>
<tr>
<td>Over $72,000 but not over $225,000</td>
<td>$4,097.00 plus 7.00% of excess over $72,000</td>
</tr>
<tr>
<td>Over $225,000 but not over $262,500</td>
<td>$17,433.00 plus 9.00% of excess over $225,000</td>
</tr>
<tr>
<td>Over $262,500 but not over $300,000</td>
<td>$20,818.00 plus 10.00% of excess over $262,500</td>
</tr>
<tr>
<td>Over $300,000 but not over $54,000</td>
<td>$24,568.00 plus 11.00% of excess over $300,000</td>
</tr>
</tbody>
</table>

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

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

If the taxable income is:  
The tax shall be:

Not over $2,000  
1.40% of taxable income

Over $2,000 but not over $4,000  
$28.00 plus 3.20% of excess over $2,000

Over $4,000 but not over $8,000  
$92.00 plus 5.50% of excess over $4,000

Over $8,000 but not over $12,000  
$312.00 plus 6.40% of excess over $8,000

Over $12,000 but not over $16,000  
$568.00 plus 6.80% of excess over $12,000

Over $16,000 but not over $20,000  
$840.00 plus 7.20% of excess over $16,000

Over $20,000 but not over $30,000  
$1,128.00 plus 7.60% of excess over $20,000

Over $30,000 but
<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate and Additional Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $2,400</td>
<td>1.40% of taxable income</td>
</tr>
<tr>
<td>Over $2,400 but not over $4,800</td>
<td>$34.00 plus 3.20% of excess over $2,400</td>
</tr>
<tr>
<td>Over $4,800 but not over $9,600</td>
<td>$110.00 plus 5.50% of excess over $4,800</td>
</tr>
<tr>
<td>Over $9,600 but not over $14,400</td>
<td>$374.00 plus 6.40% of excess over $9,600</td>
</tr>
<tr>
<td>Over $14,400 but not over $19,200</td>
<td>$682.00 plus 6.80% of excess over $14,400</td>
</tr>
<tr>
<td>Over $19,200 but not over $24,000</td>
<td>$1,008.00 plus 7.20% of excess over $19,200</td>
</tr>
<tr>
<td>Over $24,000 but not over $36,000</td>
<td>$1,354.00 plus 7.60% of excess over $24,000</td>
</tr>
<tr>
<td>Over $36,000 but not over $48,000</td>
<td>$2,266.00 plus 7.90% of excess over $36,000</td>
</tr>
</tbody>
</table>

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

If the taxable income is: The tax shall be:

- Not over $2,400: 1.40% of taxable income
- Over $2,400 but not over $4,800: $34.00 plus 3.20% of excess over $2,400
- Over $4,800 but not over $9,600: $110.00 plus 5.50% of excess over $4,800
- Over $9,600 but not over $14,400: $374.00 plus 6.40% of excess over $9,600
- Over $14,400 but not over $19,200: $682.00 plus 6.80% of excess over $14,400
- Over $19,200 but not over $24,000: $1,008.00 plus 7.20% of excess over $19,200
- Over $24,000 but not over $36,000: $1,354.00 plus 7.60% of excess over $24,000
- Over $36,000 but not over $48,000: $2,266.00 plus 7.90% of excess over $36,000
- Over $48,000: $2,678.00 plus 8.25% of excess over $40,000.
In the case of any taxable year beginning after December 31, 2017:

If the taxable income is: The tax shall be:

Not over $2,400 1.40% of taxable income
Over $2,400 but $34.00 plus 3.20% of
not over $4,800 excess over $2,400
Over $4,800 but $110.00 plus 5.50% of
not over $9,600 excess over $4,800
Over $9,600 but $374.00 plus 6.40% of
not over $14,400 excess over $9,600
Over $14,400 but $682.00 plus 6.80% of
not over $19,200 excess over $14,400
Over $19,200 but $1,008.00 plus 7.20% of
not over $24,000 excess over $19,200
Over $24,000 but $1,354.00 plus 7.60% of
not over $36,000 excess over $24,000
Over $36,000 but $2,266.00 plus 7.90% of
not over $48,000 excess over $36,000
Over $48,000 but $3,214.00 plus 8.25% of
1 not over $150,000 excess over $48,000
2 Over $150,000 but $11,629.00 plus 9.00% of
3 not over $175,000 excess over $150,000
4 Over $175,000 but $13,879.00 plus 10.00% of
5 not over $200,000 excess over $175,000
6 Over $200,000 $16,379.00 plus 11.00% of
7 excess over $200,000.

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

If the taxable income is: The tax shall be:

11 Over $20,000 but $504.00 plus 3.60% of
12 not over $24,000 excess over $20,000
13 Over $24,000 but $677.00 plus 3.8% of
14 not over $36,000 excess over $24,000
15 Over $36,000 but $1,473.00 plus 5.10% of
16 not over $48,000 excess over $36,000
17 Over $48,000 but $2,411.00 plus 6.20% of
18 not over $150,000 excess over $48,000
19 Over $150,000 but $11,629.00 plus 9.00% of
20 not over $175,000 excess over $150,000
21 Over $200,000 $16,379.00 plus 11.00% of
SECTION 3. Section 237-13, Hawaii Revised Statutes, is amended to read as follows:

"237-13 Imposition of tax. There is hereby levied and shall be assessed and collected annually privilege taxes against persons on account of their business and other activities in the State measured by the application of rates against values of products, gross proceeds of sales, or gross income, whichever is specified, as follows:

(1) Tax on manufacturers.

(A) Upon every person engaging or continuing within the State in the business of manufacturing, including compounding, canning, preserving, packing, printing, publishing, milling, processing, refining, or preparing for sale, profit, or commercial use, either directly or through the activity of others, in whole or in part, any article or articles, substance or substances, commodity or commodities, the amount of the tax to be equal to the value of the articles, substances, or commodities,
manufactured, compounded, canned, preserved, packed, printed, milled, processed, refined, or prepared for sale, as shown by the gross proceeds derived from the sale thereof by the manufacturer or person compounding, preparing, or printing them, multiplied by one-half of one per cent.

(B) The measure of the tax on manufacturers is the value of the entire product for sale.

(2) Tax on business of selling tangible personal property; producing.

(A) Upon every person engaging or continuing in the business of selling any tangible personal property whatsoever, there is likewise hereby levied, and shall be assessed and collected, a tax equivalent to [four] four and fifteen-hundredths per cent of the gross proceeds of sales of the business; provided that, in the case of a wholesaler, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business; and provided further that insofar as the sale of tangible personal property
is a wholesale sale under section 237-4(a)(8),
the tax shall be one-half of one per cent of the
gross proceeds. Upon every person engaging or
continuing within this State in the business of a
producer, the tax shall be equal to one-half of
one per cent of the gross proceeds of sales of
the business, or the value of the products, for
sale.

(B) Gross proceeds of sales of tangible property in
interstate and foreign commerce shall constitute
a part of the measure of the tax imposed on
persons in the business of selling tangible
personal property, to the extent, under the
conditions, and in accordance with the provisions
of the Constitution of the United States and the
Acts of the Congress of the United States which
may be now in force or may be hereafter adopted,
and whenever there occurs in the State an
activity to which, under the Constitution and
Acts of Congress, there may be attributed gross
proceeds of sales, the gross proceeds shall be so attributed.

(C) No manufacturer or producer, engaged in such business in the State and selling the manufacturer's or producer's products for delivery outside of the State (for example, consigned to a mainland purchaser via common carrier f.o.b. Honolulu), shall be required to pay the tax imposed in this chapter for the privilege of so selling the products, and the value or gross proceeds of sales of the products shall be included only in determining the measure of the tax imposed upon the manufacturer or producer.

(D) A manufacturer or producer, engaged in such business in the State, shall pay the tax imposed in this chapter for the privilege of selling its products in the State, and the value or gross proceeds of sales of the products, thus subjected to tax, may be deducted insofar as duplicated as to the same products by the measure of the tax.
upon the manufacturer or producer for the privilege of manufacturing or producing in the State; provided that no producer of agricultural products who sells the products to a purchaser who will process the products outside the State shall be required to pay the tax imposed in this chapter for the privilege of producing or selling those products.

(E) A taxpayer selling to a federal cost-plus contractor may make the election provided for by paragraph (3)(C), and in that case the tax shall be computed pursuant to the election, notwithstanding this paragraph or paragraph (1) to the contrary.

(F) The department, by rule, may require that a seller take from the purchaser of tangible personal property a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any purchaser who furnishes a certificate shall be obligated to pay to the seller,
(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the sales of the business are exclusively at wholesale.

(3) Tax upon contractors.

(A) Upon every person engaging or continuing within the State in the business of contracting, the tax shall be equal to \(\frac{\text{four}}{\text{one hundred and fifteen}}\) per cent of the gross income of the business.

(B) In computing the tax levied under this paragraph, there shall be deducted from the gross income of the taxpayer so much thereof as has been included in the measure of the tax levied under subparagraph (A), on another taxpayer who is a contractor, as defined in section 237-6; provided that any person claiming a deduction under this paragraph shall be required to show in the
person's return the name and general excise number of the person paying the tax on the amount deducted by the person.

(C) In computing the tax levied under this paragraph against any federal cost-plus contractor, there shall be excluded from the gross income of the contractor so much thereof as fulfills the following requirements:

(i) The gross income exempted shall constitute reimbursement of costs incurred for materials, plant, or equipment purchased from a taxpayer licensed under this chapter, not exceeding the gross proceeds of sale of the taxpayer on account of the transaction; and

(ii) The taxpayer making the sale shall have certified to the department that the taxpayer is taxable with respect to the gross proceeds of the sale, and that the taxpayer elects to have the tax on gross
income computed the same as upon a sale to
the state government.

(D) A person who, as a business or as a part of a
business in which the person is engaged, erects,
constructs, or improves any building or
structure, of any kind or description, or makes,
constructs, or improves any road, street,
sidewalk, sewer, or water system, or other
improvements on land held by the person (whether
held as a leasehold, fee simple, or otherwise),
upon the sale or other disposition of the land or
improvements, even if the work was not done
pursuant to a contract, shall be liable to the
same tax as if engaged in the business of
contracting, unless the person shows that at the
time the person was engaged in making the
improvements the person intended, and for the
period of at least one year after completion of
the building, structure, or other improvements
the person continued to intend to hold and not
sell or otherwise dispose of the land or
improvements. The tax in respect of the improvements shall be measured by the amount of the proceeds of the sale or other disposition that is attributable to the erection, construction, or improvement of such building or structure, or the making, constructing, or improving of the road, street, sidewalk, sewer, or water system, or other improvements. The measure of tax in respect of the improvements shall not exceed the amount which would have been taxable had the work been performed by another, subject as in other cases to the deductions allowed by subparagraph (B). Upon the election of the taxpayer, this paragraph may be applied notwithstanding that the improvements were not made by the taxpayer, or were not made as a business or as a part of a business, or were made with the intention of holding the same. However, this paragraph shall not apply in respect of any proceeds that constitute or are in the nature of rent, which shall be taxable under paragraph (9);
provided that insofar as the business of renting or leasing real property under a lease is taxed under section 237-16.5, the tax shall be levied by section 237-16.5.

(4) Tax upon theaters, amusements, radio broadcasting stations, etc.

(A) Upon every person engaging or continuing within the State in the business of operating a theater, opera house, moving picture show, vaudeville, amusement park, dance hall, skating rink, radio broadcasting station, or any other place at which amusements are offered to the public, the tax shall be equal to [four] four and fifteen-hundredths per cent of the gross income of the business, and in the case of a sale of an amusement at wholesale under section 237-4(a)(13), the tax shall be one-half of one per cent of the gross income.

(B) The department may require that the person rendering an amusement at wholesale take from the licensed seller a certificate, in a form
prescribed by the department, certifying that the
sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a
certificate shall be obligated to pay to the
person rendering the amusement, upon demand,
the amount of additional tax that is imposed
upon the seller whenever the sale is not at
wholesale; and

(ii) The absence of a certificate in itself shall
give rise to the presumption that the sale
is not at wholesale unless the person
rendering the sale is exclusively rendering
the amusement at wholesale.

(5) Tax upon sales representatives, etc. Upon every
person classified as a representative or purchasing
agent under section 237-1, engaging or continuing
within the State in the business of performing
services for another, other than as an employee, there
is likewise hereby levied and shall be assessed and
collected a tax equal to [four] four and fifteen-
hundredths per cent of the commissions and other
compensation attributable to the services so rendered by the person.

(6) Tax on service business.

(A) Upon every person engaging or continuing within the State in any service business or calling including professional services not otherwise specifically taxed under this chapter, there is likewise hereby levied and shall be assessed and collected a tax equal to [four] four and fifteen-hundredths per cent of the gross income of the business, and in the case of a wholesaler under section 237-4(a)(10), the tax shall be equal to one-half of one per cent of the gross income of the business.

(B) The department may require that the person rendering a service at wholesale take from the licensed seller a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a certificate shall be obligated to pay to the
person rendering the service, upon demand, the amount of additional tax that is imposed upon the seller whenever the sale is not at wholesale; and

(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the person rendering the sale is exclusively rendering services at wholesale.

(C) Where any person is engaged in the business of selling interstate or foreign common carrier telecommunication services within and without the State, other than as a home service provider, the tax shall be imposed on that portion of gross income received by a person from service which is originated or terminated in this State and is charged to a telephone number, customer, or account in this State notwithstanding any other state law (except for the exemption under section 237-23(a)(1)) to the contrary. If, under the Constitution and laws of the United States, the
entire gross income as determined under this paragraph of a business selling interstate or foreign common carrier telecommunication services cannot be included in the measure of the tax, the gross income shall be apportioned as provided in section 237-21; provided that the apportionment factor and formula shall be the same for all persons providing those services in the State.

(D) Where any person is engaged in the business of a home service provider, the tax shall be imposed on the gross income received or derived from providing interstate or foreign mobile telecommunications services to a customer with a place of primary use in this State when the services originate in one state and terminate in another state, territory, or foreign country; provided that all charges for mobile telecommunications services which are billed by or for the home service provider are deemed to be provided by the home service provider at the customer's place of primary use, regardless of
where the mobile telecommunications originate, terminate, or pass through; provided further that the income from charges specifically derived from interstate or foreign mobile telecommunications services, as determined by books and records that are kept in the regular course of business by the home service provider in accordance with section 239-24, shall be apportioned under any apportionment factor or formula adopted under subparagraph (C). Gross income shall not include:

(i) Gross receipts from mobile telecommunications services provided to a customer with a place of primary use outside this State;

(ii) Gross receipts from mobile telecommunications services that are subject to the tax imposed by chapter 239;

(iii) Gross receipts from mobile telecommunications services taxed under section 237-13.8; and
(iv) Gross receipts of a home service provider acting as a serving carrier providing mobile telecommunications services to another home service provider's customer.

For the purposes of this paragraph, "charges for mobile telecommunications services", "customer", "home service provider", "mobile telecommunications services", "place of primary use", and "serving carrier" have the same meaning as in section 239-22.

(7) Tax on insurance producers. Upon every person engaged as a licensed producer pursuant to chapter 431, there is hereby levied and shall be assessed and collected a tax equal to 0.15 per cent of the commissions due to that activity.

(8) Tax on receipts of sugar benefit payments. Upon the amounts received from the United States government by any producer of sugar (or the producer's legal representative or heirs), as defined under and by virtue of the Sugar Act of 1948, as amended, or other Acts of the Congress of the United States relating
thereto, there is hereby levied a tax of one-half of
one per cent of the gross amount received; provided
that the tax levied hereunder on any amount so
received and actually disbursed to another by a
producer in the form of a benefit payment shall be
paid by the person or persons to whom the amount is
actually disbursed, and the producer actually making a
benefit payment to another shall be entitled to claim
on the producer's return a deduction from the gross
amount taxable hereunder in the sum of the amount so
disbursed. The amounts taxed under this paragraph
shall not be taxable under any other paragraph,
subsection, or section of this chapter.

(9) Tax on other business. Upon every person engaging or
continuing within the State in any business, trade,
activity, occupation, or calling not included in the
preceding paragraphs or any other provisions of this
chapter, there is likewise hereby levied and shall be
assessed and collected, a tax equal to [four] four and
fifteen-hundredths per cent of the gross income
thereof. In addition, the rate prescribed by this
paragraph shall apply to a business taxable under one
or more of the preceding paragraphs or other
provisions of this chapter, as to any gross income
thereof not taxed thereunder as gross income or gross
proceeds of sales or by taxing an equivalent value of
products, unless specifically exempted."

SECTION 4. Section 237D-2, Hawaii Revised Statutes, is
amended to read as follows:

"$237D-2 Imposition and rates. (a) There is levied and
shall be assessed and collected each month a tax of:

(1) Five per cent for the period beginning on January 1,
    1987, to June 30, 1994;

(2) Six per cent for the period beginning on July 1, 1994,
    to December 31, 1998;

(3) 7.25 per cent for the period beginning on January 1,
    1999, to June 30, 2009;

(4) 8.25 per cent for the period beginning on July 1,
    2009, to June 30, 2010; and

(5) 9.25 per cent for the period beginning on July 1,
    2010, and [thereafter]
(6) 9.75 per cent for the period beginning on July 1, 2019, and thereafter;

on the gross rental or gross rental proceeds derived from furnishing transient accommodations.

(b) Every transient accommodations broker, travel agency, and tour packager who arranges transient accommodations at noncommissioned negotiated contract rates and every operator shall pay to the State the tax imposed by subsection (a), as provided in this chapter.

(c) There is levied and shall be assessed and collected each month, on the occupant of a resort time share vacation unit, a transient accommodations tax of:

(1) 7.25 per cent on the fair market rental value until December 31, 2015;

(2) 8.25 per cent on the fair market rental value for the period beginning on January 1, 2016, to December 31, 2016; and

(3) 9.25 per cent on the fair market rental value for the period beginning on January 1, 2017[,... and thereafter...]; and
(4) 9.75 per cent on the fair market rental value for the period beginning on January 1, 2019, and thereafter.

d) Every plan manager shall be liable for and pay to the State the transient accommodations tax imposed by subsection (c) as provided in this chapter. Every resort time share vacation plan shall be represented by a plan manager who shall be subject to this chapter.

e) Notwithstanding the tax rates established in subsections (a)(5) and (c)(3), the tax rates levied, assessed, and collected pursuant to subsections (a) and (c) shall be 10.25 per cent for the period beginning on January 1, 2018, to December 31, 2030; provided that:

(1) The tax revenues levied, assessed, and collected pursuant to this subsection that are in excess of the revenues realized from the levy, assessment, and collection of tax at the 9.75 per cent rate shall be deposited quarterly into the mass transit special fund established under section 248-2.7; and

(2) If a court of competent jurisdiction determines that the amount of county surcharge on state tax revenues deducted and withheld by the State, pursuant to
section 248-2.6, violates statutory or constitutional law and, as a result, awards moneys to a county with a population greater than five hundred thousand, then an amount equal to the monetary award shall be deducted and withheld from the tax revenues deposited under paragraph (1) into the mass transit special fund, and those funds shall be a general fund realization of the State.

The remaining tax revenues levied, assessed, and collected at the [9.25] 9.75 per cent tax rate pursuant to subsections (a) and (c) shall be distributed in accordance with section 237D-6.5(b)."

SECTION 5. Section 244D-4, Hawaii Revised Statutes, is amended to read as follows:

"§244D-4 Tax; limitations. (a) Every person who sells or uses any liquor in the State not taxable under this chapter, in respect of the transaction by which the person or the person's vendor acquired the liquor, shall pay a gallonage tax which is hereby imposed at the following rates for the various liquor categories defined in section 244D-1:
For the period July 1, 1997, to June 30, 1998, the tax rate shall be:

(1) $5.92 per wine gallon on distilled spirits;
(2) $2.09 per wine gallon on sparkling wine;
(3) $1.36 per wine gallon on still wine;
(4) $0.84 per wine gallon on cooler beverages;
(5) $0.92 per wine gallon on beer other than draft beer;
(6) $0.53 per wine gallon on draft beer;

On July 1, 1998, and thereafter, the tax rate shall be:

(1) $5.98 per wine gallon on distilled spirits;
(2) $2.12 per wine gallon on sparkling wine;
(3) $1.38 per wine gallon on still wine;
(4) $0.85 per wine gallon on cooler beverages;
(5) $0.93 per wine gallon on beer other than draft beer;
(6) $0.54 per wine gallon on draft beer;

and at a proportionate rate for any other quantity so sold or used.

On July 1, 2019, and thereafter, the tax rate shall be:

(1) $7.18 per wine gallon on distilled spirits;
(2) $2.54 per wine gallon on sparkling wine;
(3) $1.66 per wine gallon on still wine;
(4) $1.02 per wine gallon on cooler beverages;
(5) $1.12 per wine gallon on beer other than draft beer;
(6) $0.65 per wine gallon on draft beer;
(b) The tax levied pursuant to subsection (a) shall be paid only once upon the same liquor; provided further that the tax shall not apply to:
(1) Liquor held for sale by a permittee but not yet sold;
(2) Liquor sold by one permittee to another permittee;
(3) Liquor which under the Constitution and laws of the United States cannot be legally subjected to the tax imposed by this chapter so long as and to the extent to which the State is without power to impose the tax;
(4) Liquor sold for sacramental purposes or the use of liquor for sacramental purposes, or any liquor imported pursuant to section 281-33;
(5) Alcohol sold pursuant to section 281-37 to a person holding a purchase permit or prescription therefor, or any sale or use of alcohol, so purchased, for other than beverage purposes."

SECTION 6. Section 245-3, Hawaii Revised Statutes, is amended to read as follows:
§245-3 Taxes. (a) Every wholesaler or dealer, in addition to any other taxes provided by law, shall pay for the privilege of conducting business and other activities in the State:

(1) An excise tax equal to 5.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after June 30, 1998, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(2) An excise tax equal to 6.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after September 30, 2002, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(3) An excise tax equal to 6.50 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after June 30, 2003, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(4) An excise tax equal to 7.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer
after June 30, 2004, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(5) An excise tax equal to 8.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2006, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(6) An excise tax equal to 9.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2007, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(7) An excise tax equal to 10.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2008, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(8) An excise tax equal to 13.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after July 1, 2009, whether or not sold at
wholesale, or if not sold then at the same rate upon
the use by the wholesaler or dealer;

(9) An excise tax equal to 11.00 cents for each little
cigar sold, used, or possessed by a wholesaler or
dealer on and after October 1, 2009, whether or not
sold at wholesale, or if not sold then at the same
rate upon the use by the wholesaler or dealer;

(10) An excise tax equal to 15.00 cents for each cigarette
or little cigar sold, used, or possessed by a
wholesaler or dealer on and after July 1, 2010,
whether or not sold at wholesale, or if not sold then
at the same rate upon the use by the wholesaler or
dealer;

(11) An excise tax equal to 16.00 cents for each cigarette
or little cigar sold, used, or possessed by a
wholesaler or dealer on and after July 1, 2011,
whether or not sold at wholesale, or if not sold then
at the same rate upon the use by the wholesaler or
dealer;

(12) An excise tax equal to 20.00 cents for each cigarette
or little cigar sold, used, or possessed by a
wholesaler or dealer on and after July 1, 2019,
whether or not sold at wholesale, or if not sold then
at the same rate upon the use by the wholesaler or
dealer; and

(13) An excise tax equal to seventy per cent of the
wholesale price of each article or item of tobacco
products, other than large cigars, sold by the
wholesaler or dealer on and after September 30, 2009,
whether or not sold at wholesale, or if not sold then
at the same rate upon the use by the wholesaler or
dealer; and

(14) An excise tax equal to fifty per cent of the
wholesale price of each large cigar of any length,
sold, used, or possessed by a wholesaler or dealer on
and after September 30, 2009, whether or not sold at
wholesale, or if not sold then at the same rate upon
the use by the wholesaler or dealer.

Where the tax imposed has been paid on cigarettes, little
cigars, or tobacco products that thereafter become the subject
of a casualty loss deduction allowable under chapter 235, the
tax paid shall be refunded or credited to the account of the
wholesaler or dealer. The tax shall be applied to cigarettes through the use of stamps.

(b) The taxes, however, are subject to the following limitations:

(1) The measure of the taxes shall not include any cigarettes or tobacco products exempted, and so long as the same are exempted, from the imposition of taxes by the Constitution or laws of the United States;

(2) The measure of taxes shall exempt and exclude all sales of cigarettes and tobacco products to the United States (including any agency or instrumentality thereof that is wholly owned or otherwise so constituted as to be immune from the levy of a tax under this chapter), sold by any person licensed under this chapter; and

(3) The taxes shall be paid only once with respect to the same cigarettes or tobacco product. This limitation shall not prohibit the imposition of the excise tax on receipts from sales of tobacco products under subsection (a)(5); provided that the amount subject to
the tax on each sale shall not include amounts
previously taxed under this chapter. "
SECTION 7. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.
SECTION 8. This Act shall take effect on July 1, 2019.

INTRODUCED BY:

H.B. NO. 1591

JAN 24 2019
Report Title:
Individual income tax reduction

Description:
Eliminates the individual income tax for single filers and heads of households making less than $20,000 or joint filers making less than $40,000 and increases the income tax rate more slowly for low- and medium-income filers. Increases the general excise tax by 0.15 percent, the transient accommodations tax by 0.50 percent, the liquor tax, and the cigarette and tobacco tax.

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