TAX FOUNDATION
OF HAWAII
735 Bishop Street, Suite 417, Honolulu, Hawaii 96813 Telephone 536-4587 www.tfhawaii.org

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2026 Administration Proposals			
Dept./No.	Description	Senate	House
[GOV-06]	• Adjusts the brackets for rate changes scheduled for 2027 and later. Keeps scheduled tax bracket changes for taxpayers <$350K joint. Same rates as today for taxpayers $350K to $1M. New 13% tax rate for $1M+. (Single, 50% of these amounts; HOH, 75% of these amounts.) For TYBA 12/31/2026. • Limits the renewable energy technologies credit to <$175K single, <$350K joint, effective for TYBA 12/31/2026. Imposes a statewide cap of $40 million in calendar years 2027 through 2030. Makes the credit ineffective for TYBA 12/31/2029. Hawaii State Energy Office shall certify the credits and compliance with the annual cap for TYBA 12/31/2025. • Eliminates the capital goods excise credit as of 1/1/2028. • Eliminates the renewable fuels production tax credit as of 1/1/2029. • Repeals the high technology business investment tax credit on 1/1/2029. • Repeals the technology infrastructure renovation tax credit as of 1/1/2028. • Repeals the tax credit for research activities as of 1/1/2029.	SB 3125 CD2	~~HB 2306 HD1~~
[HTH-10]	Waters down the deposit beverage distributor audit requirement for small businesses. • For distributors of 75M+ bottles per year, independent audit is required for every even numbered year. • For distributors of 5M to 75M bottles per year, independent audit is required for every calendar years ending in 4 or 9. • For distributors of less than 5M bottles per year, no independent audit is required. *Eff. upon approval.*	SB 3138 CD1	~~HB 2318~~
[TAX-01]	Conforms Hawaii income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of December 31, 2025. • Conforms to No Tax on Tips. • Does not conform to No Tax on Overtime. • Does not allow deduction for car loan interest. • Does not allow enhanced standard deduction for seniors. • Conforms to termination of miscellaneous itemized deductions. • Disallows up to 80% of all itemized deductions based on income (“Pease Limitation” as it existed in 2024, with federal 2009 thresholds). • Does not conform to full expensing and bonus depreciation. • Conforms to provision terminating exclusion for bicycle commuting reimbursement. • Conforms to limitation of wagering losses to 90% of losses (but not to exceed gains, as before). • Conforms to provisions reinstating charitable deductions for non-itemizers, up to $1,000 ($2,000 joint) and imposing a 0.5% floor for individuals and 1.0% floor for corporations.	~~SB 3149~~	HB 2329 CD1

Legislative Tax Proposals				
Constitutional Amendment	**Bill No.**	**Description**	**Status**	**Companion**
	SB 3219 CD1	Allows counties to issue housing infrastructure growth bonds (tax increment financing) that would not count against the debt limit. *Eff. upon approval by electorate.*	Final	~~HB 2476 HD2~~
Income	**Bill No.**	**Description**	**Status**	**Companion**
	HB 1576 CD1	Requires DBEDT to provide public notice whenever a production prequalifies for the film production credit or obtains certain permits. *Eff. upon approval.*	Final	~~SB 2574~~
	HB 1661 CD1	Specifies that the maximum contribution and carryover amounts for a public service flexible spending account plan shall be set in accordance with the annual limits prescribed by the Internal Revenue Service for cafeteria plans.	Final	~~SB 2122 SD1~~
	HB 1920 CD1	Provides that a partner or member of a passthrough entity allocated a low-income housing credit may transfer, sell, or assign the credit to another taxpayer. The transferee may not further transfer the credit. *Eff. upon approval.*	Final	~~SB 2675 SD1~~
	SB 2552 CD1	Increases the maximum annual deduction for contributions to individual housing accounts from $10,000 to $40,000 (joint). Increases the cap on lifetime contributions from $25,000 to $200,000. *Eff. TYBA 12/31/2026.*	Final	~~HB 1837~~
	SB 2600 CD1	Transfers $50 million to the rainy day fund. (Intended to satisfy constitutional requirement in art. VII, sec. 6.) *Eff. July 1, 2026.*	Final	
	SB 2881 CD1	Allows a taxpayer getting a 1099-R to elect withholding of state taxes. *Eff. upon approval.*	Final	
General Excise/Use	**Bill No.**	**Description**	**Status**	**Companion**
	HB 1688 CD1	Amends aircraft maintenance exemption to include sale of aircraft parts. *Eff. 1/1/2027.*	Final	~~SB 2399 SD2~~
	HB 2385 CD1	Authorizes the HHFDC to approve and certify general excise tax exemptions for certain housing development projects developed under county housing incentive programs, effective 1/1/2027.	Final	~~SB 2676 SD1~~
Multiple Tax Types	**Bill No.**	**Description**	**Status**	**Companion**
Net Income, General Excise	HB 2429 CD1	Requires the Department of Business, Economic Development, and Tourism to study the effectiveness of tax expenditures and prepare summary descriptive statistics. Allows for DBEDT to access statistical tax return information. *Eff. 7/1/2026.*	Final	~~SB 3278 SD1~~
Net Income, General Excise, Unemployment	SB 2360 CD1	• Adds the following as qualified activities in an enterprise zone: • Biotechnology products, even if not genetically engineered.	Final	

		• Medical and health care services, including home health care, specialized care practices, and health coaching. • Activities of the Hawaii food and product innovation network (defined as an entity). • R&D of aerospace technology. • Information technology design and production services. • DBEDT may designate as EZ up to two census tracts on state land that contain an innovation enterprise, irrespective of county buy-in. • Requires a comprehensive review of the program. Extends the EZ qualification period from 7 to 9 years for nonagricultural businesses.		
Net Income, General Excise	SB 2580 CD1	• Increases the amount of the film production credit by 5% for any production with 80% local hires. • Requires independent third-party certification. • Raises the per-production cap amount from $17M to $20M. Unused cap amounts carry forward. Cap does not apply to productions with >$60M costs. • Allows productions for a streaming platform to qualify. • Exempts from the general excise tax amounts received by a motion picture project employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits and payments to loan-out companies. • Extends the sunset of the movie/TV film production credit to 1/1/2038. *Eff. upon approval. Income tax credit amendments apply to costs incurred after 12/31/2025. Unused cap amount carryforward applies to costs incurred after 12/31/2023.*	Final	
Miscellaneous	**Bill No.**	**Description**	**Status**	**Companion**
	HB 1713 CD1	• Enacts new exemptions from, but does not repeal, school impact fees. • Any project of <500 dwelling units. • Any dwelling unit reserved for residents earning <140% of area median income. • Any studio (no separate bedroom, total floor area of less than 400 sq. ft.). • When land dedication is required, if the State fails to accept the land within 5 years after infrastructure installation or fails to start building school facilities within 7 years after acceptance, then the land will revert to the developer free of the dedication requirement. • Makes permanent the repeal of the construction component of school impact fees (that were temporarily	Final	

		repealed in 2025). Also repeals the reporting required by the 2025 act. • Lapses existing impact fee funds to the School Facilities Special Fund.		
	SB 2598 CD1	Authorizes the use of moneys in certain special and revolving funds for operation and administration costs of the programs. Authorizes the use of the agricultural development revolving fund for land acquisition, paying costs related to the lands acquired, and paying related debt service.	Final	
	SB 2921 CD1	Raids 18 non-general funds for a total of $47M. The two largest transfers are from the tax administration special fund ($23M) and the deposit beverage container deposit special fund ($12M). All other transfers are $2.5 million or less.	Final	