TAX FOUNDATION
OF HAWAII
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2021 Administration Proposals			
Dept./No.	**Description**	**Senate**	**House**
TAX-01	Conforms Hawaii income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of 12/31/2020, and the following provisions in the Consolidated Appropriations Act (CAA), Pub. L. No. 116-260. 1. Exclusion of PPP loan forgiveness from income. 2. Exclusion of EIDL Grants from income. 3. Exclusion from income of payments made by Gov't to small business lenders on certain small business loans. 4. Exclusion of certain small business grants (sec. 324 of CAA) from income. These grants are provided to businesses such as live music and entertainment venues and movie theatres. 5. Exclusion of the second recovery rebates ($600 stimulus checks) from income. 6. Exclusion of emergency financial aid grants received by students from income (does not apply to grants for which teaching, research, or services are required). 7. Extension of the increase the charitable deduction for food inventory to apply to contributions made through 2021. 8. Adoption of assorted disaster and retirement plan administration changes. Does not conform to: 1. Allowance of deductions for expenses paid with proceeds of forgiven PPP loans for which the forgiven amounts were excluded from income. 2. Allowance of deductions for expenses paid with grant proceeds and other forgiven loan amounts that were excluded from income. 3. Allowance of partnerships and S corporations to treat excluded forgiven loan proceeds and grant proceeds as tax exempt income. *Eff. TYBA 12/31/2020.*	~~SB1195~~	HB1041 SD1 ACT 89
TAX-02	Requires the annual withholding return to be filed by Jan. 31. Adds penalties of $25 per failure, not to exceed $50 per employee, for noncompliance. *Eff. 1/1/2022.*	SB1196 CD1 ACT 115	~~HB1042~~
TAX-03	In the TAT law, replaces criminal liability with a fining system. Technical changes, including incorporation of personal liability (by x-ref to HRS 237-41.5). *Eff. 1/1/2022.*	~~SB1197~~	HB1043 CD1 ACT 90
TAX-08	Technical amendments to tobacco, liquor, fuel taxes. *Eff. 7/1/2021.*	SB1202 CD1 ACT 116	~~HB1048 HD1~~
TAX-09	Technical cleanup to several different tax types. *Eff. upon approval.*	SB1203 CD1 ACT 117	~~HB1049 HD1~~

TAX-10	Replaces the four district tax boards of review with a single statewide taxation board of review appointed by the governor, consisting of ten members with three required for quorum. Authorizes taxpayers and others appearing before the board to participate using cost-efficient means such as teleconferencing. *Eff. upon approval.*	SB1204 CD1 ACT 118	~~HB1050~~

Legislative Tax Proposals				
Tax	**Bill No.**	**Description**	**Status**	**Companion**
Administration and Appeals		**HRS 231, 232**		
	SB320 CD1	Requires use of the PTIN for paid preparers. Establishes penalties for noncompliance. *Eff. 1/1/2022.*	ACT 96	
	SB384 CD1	Clarifies that filing fees for tax appeals are nonrefundable and that no deposits are required for tax appeals. *Eff. 1/1/2022.*	ACT 99	~~HB184~~
Income		**HRS 235**		
	HB80 CD1	Clarifies when and how members or partners of a taxpayer may claim the low-income housing tax credit. Requires a Form 8609 for purposes of claiming the tax credit. Specifies the application of tax provisions with respect to buildings or projects in service after 12/31/2020. Extends the sunset date of Act 129, SLH 2016, to 12/31/2027. *Eff. 7/1/2021.*	ACT 226	
	HB286 SD2	Requires real estate investment trusts to notify DOTAX of its presence within the State and to report the assets and revenues generated annually. *Eff. TYBA 12/31/2021.*	ACT 78	~~SB786~~
Estate		**HRS 236D**		
General Excise/Use		**HRS 237, 238**		
Transient Accommodations		**HRS 237D**		
	HB862 CD1	Repeals the distribution of transit accommodations tax revenues to the counties. Authorizes each county to impose a surcharge on transient accommodations tax by ordinance, up to 3%. The State does not collect or administer the surcharge; the counties are supposed to do it by themselves. Deletes provisions that depend on county TAT allocation, including the clawback of allocated amount if a county fails to make annual required contribution to ERS or EUTF. Makes certain special funds subject to deductions for central service expenses into the general fund. *Eff. 7/1/2021.*	VETO OVERRIDE Act 001, Special Session 2021	
Fuel		**HRS 243**		
	HB1142 CD1	Allocates 3 cents of the barrel tax to fund the installation of electric vehicle charging systems. Establishes an electric	ACT 75	

TYBA = taxable years beginning after.

		vehicle charging system subaccount within the public utilities commission special fund. *Eff. 7/1/2021.*		
Liquor		**HRS 244D**		
Tobacco		**HRS 245**		
Conveyance		**HRS 247**		
Rental Motor Vehicle Surcharge		**HRS 251**		
	HB485 CD1	Increases the amount of the rental motor vehicle surcharge tax from $5 to $8, in $0.50 increments on the first of each year. Exempts the imposition of the rental motor vehicle surcharge tax for persons whose vehicles have been stolen and are unrecovered or will not be repaired due to total loss. *Eff. upon approval.*	ACT 237	
Unemployment		**HRS 383**		
	HB1278 HD1	Requires the director of labor and industrial relations to omit benefits charged for experience rating for employers due to the event of COVID-19 in calendar years 2021 and 2022. For calendar years 2021 and 2022, sets the employer contribution rate schedule D. *Eff. upon approval, retro. to 1/1/2021.*	ACT 1	
Multiple Tax Types				
	HB58 SD1	**[General Excise, Use, Conveyance]** From 1/1/2022 through 12/31/2023, suspends certain general excise tax exemptions: • Reimbursements for purchased materials for federal cost-plus contractors (HRS 237-13(3)(C)) • Home service providers acting as service carriers providing mobile telecommunications services to other home service providers (HRS 237-13(6)(D)) • Deduction for lease rent on subleased realty (HRS 237-16.5) • Certain sales from independent sugar cane farmers to manufacturers (HRS 237-24(14)) • Gross income of to a stock exchange (HRS 237-24.5) • Sales of tangible property to the federal government (HRS 237-25) • Amounts related to air pollution control facilities, unless the facility has a valid operating certificate on 7/1/2021 (HRS 237-24.7) • Amounts received by telecommunications common carriers from call center operators for interstate or foreign telecommunications services (HRS 237-29.8) From 1/1/2022 through 12/31/2023, suspends certain use tax exemptions:	VETOED	

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		• Tobacco and liquor imported and then sold for consumption out of state in a vessel or plane (HRS 238-3(g)) • Any large fishing vessel built before 7/1/1969 using HIDOT's loan program (HRS 238-3(h)) • Amounts imported for air pollution control facilities (HRS 238-3(k)) Four percent tax is imposed on previously exempt income or value, but county surcharge is not imposed. Grandfather clause relief: No tax on binding written contracts effective before **7/1/2021** that do not permit the passing on of increased taxes. Increases conveyance taxes for the sale of non-commercial properties valued at $4,000,000 or greater. *Eff. 1/1/2022.*		
Miscellaneous				
	HB753 SD2	Excludes housing developed by the DHHL from school impact fees for 3 years. *Eff. upon approval. Sunsets 7/1/2024.*	ACT 197	
	HB1296 CD1	Repeals on 6/30/2025 the Hawaii tobacco prevention and control trust fund and transfers unencumbered balances to the general fund. Specifies that Hawaii tobacco settlement special fund moneys shall only be deposited into the University revenue-undertakings fund until 7/1/2033. Prohibits any contract for the management of Hawaii tobacco prevention and control trust fund moneys from extending beyond 6/30/2025. Imposes a $4,300,000 cap on Hawaii tobacco settlement special fund. Requires report to the legislature twenty days prior to the convening of the regular sessions of 2022, 2023, 2024, 2025, and 2026 on expenditures from Hawaii tobacco prevention and control trust fund moneys. Requires all departments and the University of Hawaii to reimburse fringe benefit costs for non-general funded positions. Specifies that the cigarette tax revenues deposited to the credit of the cancer research special fund shall only be used for capital expenditures and only until 7/1/2041. Ceases deposits of cigarette tax revenues into the emergency medical services special fund on 7/1/2021. *Eff. 7/1/2021.*	VETOED	
	HB1298 CD1	Raids various non-general funds of various departments, totaling $95M. *Eff. 6/30/2021.*	ACT 87	
	HB1299 CD1	Repeals or reclassifies hundreds of non-general funds. *Eff. 7/1/2021.*	Act 009, Special Session 2021	

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