Hawaii

#43

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
43 ▼ 1	29 ▼ 1	46 ▼ 1	37 ▲ 2	19 ▼ 4	39 ▲ 4

FORTHCOMING, NOT YET REFLECTED

In May 2026, Hawaii lawmakers adopted a new, additional tax bracket with a rate of 13 percent on residents with incomes over $500,000 ($1 million for married filers). While this change does not take effect until 2027, Hawaii can expect to see a drop in both its individual income tax rank and overall rank in coming years, much like Maine has seen in the current *Index*.

Hawaii's tax code is complex and includes all major tax types, placing the state among the bottom 10 on the *Index*. Hawaii has one of the most complex, least neutral, and most progressive individual income tax systems in the nation, with 12 tax brackets, a top marginal rate of 11 percent, a very low standard deduction, and only a few manual bracket threshold adjustments for inflation in recent years. Additionally, in January of 2027, Hawaii will gain a new 13 percent top income tax bracket. The state does, however, provide favorable treatment of capital gains income. Conversely, Hawaii caps small business expensing under Section 179 at $25,000, whereas the 2026 federal limit is $2.56 million.

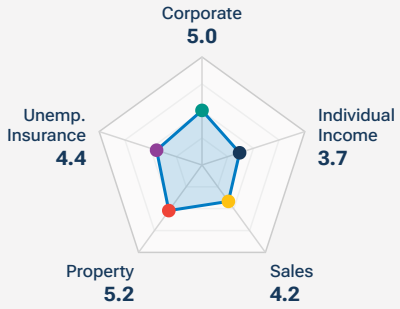
Hawaii's corporate income tax is also progressive (which is unusual), with a top rate of 6.4 percent. The state does not index tax brackets for inflation, does not allow full expensing, and has a throwback rule, which exposes Hawaii-based businesses to tax on certain income earned in other states.

The state's sales tax, known as the general excise tax (GET), has a relatively low rate of 4 percent but an extremely broad base that includes virtually all business inputs, both goods and services (including digital advertising), leading to significant tax pyramiding. Hawaii also allows counties to impose local option sales taxes, generally capped at 0.5 percent.

Hawaii has one of the highest estate tax rates in the nation at 20 percent, with an exemption of $5.49 million. The state's property tax system is generally competitive, and particularly features low rates on owner-occupied property, though some counties have split roll property taxes, where commercial properties are taxed more heavily than residential ones. Some counties also impose assessment caps on homestead properties, which are less efficient than levy limits.

Component scores

out of 10



Hawaii and its neighbors

Hawaii shares no land border with another state.