

Honolulu, Hawaii

MAR 23 2007

RE: H.B. No. 252
H.D. 1
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 252, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONVEYANCE TAXES FOR SPECULATIVE SALES,"

begs leave to report as follows:

The purpose of this measure is to increase conveyance tax rates for sales of condominiums or single-family residences where the purchaser is ineligible for a county homeowner's property tax exemption.

Testimony in support of this measure was received from The Nature Conservancy, Sierra Club Hawai'i Chapter, and one individual. The Department of Taxation, National Federation of Independent Businesses, Hawaii Association of REALTORS, and Wyndham Vacation Ownership, Inc., submitted testimony in opposition. The Tax Foundation of Hawaii submitted comments on this measure.

The measure proposes to raise the conveyance tax as follows:

- (1) For properties valued at less than \$600,000, from fifteen cents to thirty-five cents per \$100;
- (2) For properties valued at \$600,000 but less than \$1,000,000, from twenty-five cents to forty cents per \$100,000; and



- (3) For properties valued at more than \$1,000,000, from thirty-five cents to seventy cents per \$100.

The Department of Taxation submitted a revenue impact statement that the revenue gain to the general fund is estimated to be less than \$566,000, and noted that the following distributions are made to the conveyance tax related funds:

- Rental Housing Trust Fund: \$1,800,000
- Land Conservation Fund: \$377,000
- Natural Area Reserve Fund: \$943,000

Your Committee has heard a number of concerns as to the effectiveness of this measure in curbing speculative sales and the particular impact this measure will have for homes selling for less than \$1,000,000. Sales of homes in the under \$1,000,000 range are far less likely to be "speculative" in nature, given Hawaii housing prices, and including them is unlikely to address the problem of affordable housing.

Your Committee has amended this measure accordingly, by deleting the proposals to raise the tax amounts for properties with a value of less than \$1,000,000.

Your Committee notes that this measure already has an effective date of July 1, 2034, which will allow for further discussion on this measure.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 252, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as H.B. No. 252, H.D. 1, S.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,


CAROL FUKUNAGA, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 252, HD 1	CPH, EDT, WAM	3/22/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312				
<input checked="" type="checkbox"/> Pass, with amendments 2311				
<input type="checkbox"/> Hold 2310				
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani	✓			
IGE, David Y.		✓		
SLOM, Sam			✓	
TOTAL	3	1	1	
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Will Espero</i>				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Clerk's Office	Drafting Agency		

*Only one measure per Record of Votes