

Honolulu, Hawaii

APR 09 2009

RE: H.B. No. 1741
H.D. 1
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 1741, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE CONVEYANCE TAX,"

begs leave to report as follows:

The purpose of this measure is to temporarily suspend the distribution of a portion of the conveyance tax to the land conservation fund and reduce the portions transferred to the rental housing trust fund and natural area reserve fund.

Specifically, this measure changes the distribution of conveyance tax revenue beginning July 1, 2009, to June 30, 2015, by:

- (1) Suspending the allocation of conveyance tax paid into the land conservation fund;
- (2) Reducing the amount of conveyance tax distributions paid into the rental housing trust fund from thirty to fifteen per cent from; and
- (3) Reducing the amount of conveyance tax distributions paid into the natural area reserve fund from twenty-five to ten per cent.

Your Committee finds that during these tough economic times, allocating a greater share of conveyance tax resources to the



general fund is necessary and fiscally prudent. Your Committee believes, however, that a temporary reduction in certain dispositions, rather than a permanent suspension, will ease the burden of programs that rely on conveyance tax revenue.

To determine the amount of the reduction, your Committee consulted with the Department of Land and Natural Resources which administers the Land Conservation Fund and the Natural Area Reserve Fund. Both funds receive proceeds from the conveyance tax. Based on the Department's recommendations, your Committee reduced the Funds' share of the conveyance tax proceeds to levels that will adequately provide for state conservation programs.

Your Committee also finds that the conveyance tax should be adjusted to reflect the rise in property values in the State by increasing rates accordingly. Increasing the conveyance tax on properties and second homes valued at over \$1,000,000 will provide the State with additional revenue on these high-value real property transactions. Your Committee believes that individuals who own high-value properties or second homes can manage these new rates.

Accordingly, your Committee has amended this measure by:

- (1) Temporarily reducing the distribution of conveyance tax revenue to each of the land conservation fund, rental housing trust fund, and natural area reserve fund by five percentage points, respectively, until June 30, 2012;
- (2) Increasing the conveyance tax on sales of property over \$1,000,000, to be imposed at rates of:
 - (A) Thirty cents per \$100 for properties valued between \$1,000,000 but less than \$2,000,000;
 - (B) Fifty cents per \$100 for properties valued between \$2,000,000 but less than \$4,000,000;
 - (C) Seventy cents per \$100 for properties valued between \$4,000,000 but less than \$6,000,000;
 - (D) Ninety cents per \$100 for properties valued between \$6,000,000 but less than \$10,000,000; and



- (E) One hundred cents per \$100 for properties valued at or greater than \$10,000,000; and
- (3) Increasing the conveyance tax on sales of condominium or single family residences over \$1,000,000 that are ineligible for a county homeowner's exemption, such as second homes, to be imposed at rates of:
- (A) Forty cents per \$100 for properties valued between \$1,000,000 but less than \$2,000,000;
- (B) Sixty cents per \$100 for properties valued between \$2,000,000 but less than \$4,000,000;
- (C) Eighty-five cents per \$100 for properties valued between \$4,000,000 but less than \$6,000,000;
- (D) One hundred ten cents per \$100 for properties valued between \$6,000,000 but less than \$10,000,000; and
- (E) One hundred twenty-five cents per \$100 for properties valued at or greater than \$10,000,000; and
- (4) Changing the effective date to July 1, 2050, to facilitate further discussion on this measure.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1741, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1741, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

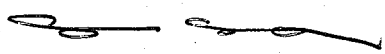


DONNA MERCADO KIM, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1741 HD1	WAM	APRIL 7 2009		
<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
KIM, Donna Mercado (C)	/			
TSUTSUI, Shan S. (VC)			/	
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani	/			
FUKUNAGA, Carol	/			
GALUTERIA, Brickwood	/			
HEE, Clayton	/			
HOOSER, Gary L.	/			
KIDANI, Michelle N.	/			
KOKUBUN, Russell S.	/			
TOKUDA, Jill N.			/	
HEMMINGS, Fred			/	
TOTAL	9	0	3	0
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes