

STAND. COM. REP. NO. 1098

Honolulu, Hawaii

March 23, 2009

RE: S.B. No. 1230
S.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 1230, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to find new sources of state revenue to address the economic downturn by capturing tax revenue from real property transfers that are not currently covered under the conveyance tax. Specifically, this bill imposes a new real property asset acquisition tax on transfers of any ownership interest in an entity that holds real property located in Hawaii with a certain minimum fair market value.

The Nature Conservancy of Hawaii testified in support of this bill. The Hawaii Association of REALTORS opposed this measure. The Department of Taxation and the Tax Foundation of Hawaii provided comments.

This bill seeks to impose a tax similar to the conveyance tax in instances where stock in an entity that owns real property is transferred, but not the property itself. Such complex stock ownership transactions have apparently facilitated a type of real property transfer without any tax consequences. The new tax established by this bill attempts to capture this untapped source of revenues.

SB1230 SD2 HSCR CPC HMS 2009-3081



As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1230, S.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



