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# A BILL FOR AN ACT

RELATING TO HOUSING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The purpose of this Act is to create an  
2 anti-speculation capital gains tax on the sale of real property  
3 held for less than twenty-four months, excluding the sale of  
4 real property that is owned by a resident and provides  
5 affordable housing rentals for a minimum period of time.

6           SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
7 amended by adding a new section to be appropriately designated  
8 and to read as follows:

9           "§235-    Anti-speculation; capital gains tax. (a) In  
10 addition to the capital gains tax imposed under this chapter,  
11 there shall be an anti-speculation capital gains tax on the net  
12 capital gains realized by a seller of real property, less  
13 commissions, fees, and other charges, if any, related to the  
14 sale. The tax shall be as follows:

15           (1) If the real property was held by the seller for less  
16           than six months prior to the sale, the tax shall be  
17           sixty per cent of the capital gains tax owed;

1       (2) If the real property was held by the seller for at  
2       least six months but less than twelve months prior to  
3       the sale, the tax shall be thirty per cent of the  
4       capital gains tax owed; and

5       (3) If the real property was held by the seller for at  
6       least twelve months but not more than twenty-four  
7       months, the tax shall be fifteen per cent of the  
8       capital gains tax owed.

9       (b) This section shall not apply to:

10      (1) Real property sold to provide affordable rental  
11      housing for a period of not less than ten years to a  
12      resident, as defined in section 235-1, earning less  
13      than one hundred forty per cent of the median Hawaii  
14      income, as determined by the department of taxation;

15      (2) A principal residence sold by reason of a change in  
16      place of employment, health, or unforeseen  
17      circumstances, as exempted under section 121(c)(2) of  
18      the Internal Revenue Code; or

19      (3) Amounts realized from properties that are  
20      involuntarily converted (destroyed, stolen, seized,  
21      requisitioned, or condemned), as exempted under  
22      section 1033 of the Internal Revenue Code.

1       (c) The sale of unimproved real property shall be subject  
2 to taxation under this section, unless otherwise prohibited  
3 under this section.

4       (d) The tax realized pursuant to this section shall be  
5 deposited into an escrow account to be forwarded to the  
6 department of taxation. The department of taxation shall  
7 deposit all of the tax realizations into the rental housing  
8 trust fund under section 201H-202.

9       (e) This section shall not apply to properties that  
10 qualify the seller for a county homeowner's exemption or to  
11 military personnel selling property as a result of military  
12 relocation orders."

13       SECTION 3. New statutory material is underscored.

14       SECTION 4. This Act shall take effect on July 1, 2010.

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**Report Title:**

Public Housing; Anti-Speculation Capital Gains Tax

**Description:**

Creates an anti-speculation capital gains tax on profits from the sale of real property held for less than twenty-four months, excluding the sale of real property that is owned by a resident and provides affordable housing rentals for a minimum period of time and other exceptions. (SD1)

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