

Honolulu, Hawaii

Feb 9, 2010

RE: H.B. No. 1921

H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Economic Revitalization, Business, & Military Affairs, to which was referred H.B. No. 1921 entitled:

"A BILL FOR AN ACT RELATING TO A CONTROLLING INTEREST TRANSFER TAX,"

begs leave to report as follows:

The purpose of this bill is to capture taxes on certain conveyances of real property that currently escape the conveyance tax. Specifically, this bill will establish a tax on transfers of real property that occur within the transfer of a controlling interest in a legal entity that owns the real property.

The Department of Taxation supported the intent of this bill. Land Use Research Foundation of Hawaii opposed this measure. Tax Foundation of Hawaii submitted comments.

Your Committee finds that the conveyance tax is imposed each time real property changes title or ownership. However the tax does not apply when the controlling interest in an entity that owns real property is sold, such as a transfer of the stock in an entity that owns real property. This bill seeks to close this loophole and capture these revenues.

Your Committee has amended this bill by:

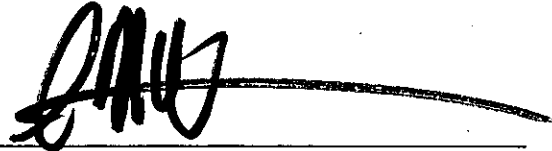
- (1) Replacing the 1.11 percent tax rate with the conveyance tax rate under section 247-2, Hawaii Revised Statutes;



- (2) Ensuring that the exemptions to the conveyance tax apply to the new controlling interest tax;
- (3) Adding a savings clause; and
- (4) Making other technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Revitalization, Business, & Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1921, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1921, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Revitalization, Business, &
Military Affairs,



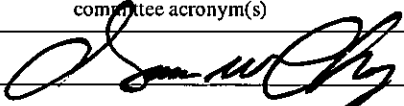
ANGUS L.K. MCKELVEY, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

HSR 212-10

Record of Votes of the Committee on Economic Revitalization, Business, & Military Affairs

Bill/Resolution No.: HB 1921	Committee Referral: EBM, FIN	Date: Feb. 4, 2010		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EBM Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. CHOY, Isaac W. (VC)	✓			
3. BERG, Lyla B.	✓			
4. EVANS, Cindy	✓			
5. MANAHAN, Joey				✓
6. TAKAI, K. Mark	✓			
7. TOKIOKA, James Kunane				✓
8. TSUJI, Clift				✓
9. WAKAI, Glenn	✓			
10. WOOLEY, Jessica	✓			
11. WARD, Gene	✓			
TOTAL (11)	8			3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: _____ 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				