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**HOUSE COMMITTEE ON FINANCE  
TESTIMONY REGARDING SB 1230 SD2  
RELATING TO TAXATION**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: APRIL 2, 2009**

**TIME: 4:30 P.M.**

**ROOM: 308**

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This measure proposes a new real property asset acquisition tax (the "RPAA tax") to capture the tax on the sale of ownership interests in entities that own Hawaii real property.

The Department of Taxation (Department) supports the intent of capturing the tax lost due to complex tax advantaged deal structuring; however has concerns regarding the current draft and suggests amendments. The Department would support a measure containing the language of S.B. 1230, S.D. 1.

**SUPPORT FOR MINIMIZING THE TAX LOSS FROM STRUCTURING**—The intent of this legislation appears to close the "loophole" that is perceived in the taxation of real property transfers where the stock in the entity that owns the property is sold and not the property itself. Though there is nothing inherently wrong with this structuring, it can result in the loss of tax revenue, specifically conveyance tax. The Department supports legislation to capture the proper amount of tax that, in reality and looking through structuring, should be paid for the sale of real property.

**CONCERN OVER DOUBLE TAX**—Proposed §247-C states that "the tax imposed under this part is in addition to any conveyance tax that may be assessed under Part I of this chapter." The Department is concerned that the tax proposed by this chapter could result in a "double tax," which the Department does not support.

**TECHNICAL CONCERNS**—The Department suggests that the following changes to the measure be considered:

- The definition of fair market value should be revised to the definition contained in SB1230, SD1 (or something similar) as it would be costly and burdensome for sellers to

- obtain an audited financial statement "at the date of the stock transaction" and to obtain an appraisal.
- With respect to entities that are taxed as a partnership, it would be burdensome to subject all transfers of interests in such entities to the RPAA tax (i.e., even a transfer of a 1% ownership interest in a partnership that meets the definition of "sale transaction" would be subject to the RPAA tax). It would be better to establish a minimum percentage threshold for which transfers of ownership interests would be subject to the RPAA tax. For instance, in SB 1230, SD 1, transfers of interests in entities taxed as partnerships would be subject to the RPAA tax where the transfer results in the "partnership" being terminated (i.e., transfer of 50% or more of partnership interests) for tax purposes.
  - Reconsider whether an exception from tax should be made for publicly traded entities that invest in Hawaii real estate. Imposition of a tax on such ownership interests may discourage investment in such publicly traded entities (e.g., publicly traded corporations, partnerships, real estate investment trusts) and ultimately, Hawaii real estate.
  - Reconsider those entities that would be within the purview of the RPAA, based on the proposed definition of "sales transaction." At present, an entity could have \$1 million in Hawaii real estate; with total assets of \$100 million (or Hawaii real estate that comprises 1% of the entity's value), and be subject to the tax (depending on the dollar threshold, which, as yet, is unspecified). One possibility is to subject to the RPAA tax only those entities whose total asset value is comprised of a minimum percentage of Hawaii real estate (e.g., an entity for which 25% of the companies fair market value as of the date of the transaction is comprised of Hawaii real estate). Guidelines for determining the fair market value of the entity's assets as well as the fair market value of Hawaii real estate would need to be adopted.
  - §247-B should be revised to clearly define "nonprofit taxpayer" as used in the definition of "Entity."
  - §247-D should be revised to reference a "sale transaction" rather than imposing the tax on the "actual and full consideration . . . paid or to be paid for all applicable transfers of real property located in Hawaii or any interest therein," since technically, no consideration is being paid for the transfer of real property; it is the ownership interest in an entity that holds Hawaii real estate that is being transferred (and subject to tax). Also, the calculation of the tax should be clarified (in conjunction with the definition of "fair market value") to provide that only the portion of the fair market value of the underlying Hawaii real property that is held by the entity that is allocable to the transferred ownership interest would be subject to the RPAA tax. Revision of the calculation would ensure that the tax imposed is fair and proportionate to the value of the Hawaii real estate in comparison to the value of all of the entities assets.
  - §247-E(2) should be revised as mortgages do not apply to ownership interests in entities. Rather, borrowers grant security interests in ownership interests of entities.

**CONCERN OVER JOINT ENFORCEMENT**—The Department is concerned with the Department of Commerce & Consumer Affairs being given enforcement authority. The Department has sufficient enforcement abilities with its existing enforcement resources with respect to the conveyance tax. The Department is prohibited from sharing tax information with other agencies,

therefore DCCA's involvement would be rather minimal.

**FOCUS ON OUT-OF-STATE PROPERTY SALES AS ENFORCEMENT AS WELL—**

This legislation raises a very important issue with perceived tax loss from structuring. There is currently an enforcement loophole in Hawaii's income tax withholding for nonresident real property transfers, known as HARPTA. This withholding tax is similar to the federal withholding tax on the sale of property owned by nonresidents. Currently, HARPTA does not apply to entities that have permission to do business in Hawaii by obtaining a "Certificate of Foreign Authority" with DCCA. The Department suggests that this provision be eliminated because any out-of-state entity can simply file with DCCA and escape the withholding tax. There is a perception that out-of-state entities capitalize on this exemption from HARPTA to avoid Hawaii income tax responsibilities.

Also, HARPTA does not apply to sales of ownership interests in entities that primarily hold real estate, which is the target of this measure. The Department suggests that the HARPTA law be modified to capture sales of ownership interests in entities that primarily hold real estate, which are subject to the withholding tax at the federal level, as would have been provided by SB 1230, SD1. By modifying HARPTA to include stock sales of property from such out-of-state entities, this would be conforming to federal law.

In conjunction with the above revisions to HARPTA, the Department suggests that HARPTA also be amended to impose a tax clearance requirement on nonresident sellers who no longer have any business activity in Hawaii (after the transfer takes place). This would increase compliance by nonresident taxpayers in paying transient accommodation, general excise, and income taxes.

**REVENUE IMPACT—**This legislation will result in an indeterminate revenue impact.



## IOLANI PALACE

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### TESTIMONY OF KIPPEN DE ALBA CHU

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COMMITTEE ON FINANCE  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

Thursday, April 2, 2009  
Agenda #3 – 4:30 pm

### **SB 1230 SD2**

Chair Oshiro, Vice Chair Lee, and members of the Committee, thank you for this opportunity to testify in support of Senate Bill 1230.

Currently by statute, 10% of the total conveyance tax revenue is paid into the Land Conservation Fund. One of this fund's stated public purposes is the acquisition of interests or rights in lands containing sites of cultural or historic value. However, once the State has acquired such sites, there is no source of dedicated funding to ensure their proper maintenance and upkeep.

These sites, such as Iolani Palace and Bishop Museum, are costly to repair and maintain due to historic preservation best practices and requirements. We therefore support this measure and urge the Committee to consider amending Chapter 173A to allow the Land Conservation Fund monies to be used for ongoing operational expenses associated with historic sites.

Thank you again for allowing us to testify in support of this measure.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Real property asset acquisition tax

BILL NUMBER: SB 1230, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Adds a new part to HRS chapter 247 to establish a real property asset acquisition tax on all transfers of any ownership interest or partial interest in real property. The tax shall be based on the actual and full consideration paid at the following rates:

- (1) \_\_\_\_\_ cents per \$ \_\_\_\_\_ for properties with a value of less than \$ \_\_\_\_\_;
- (2) \_\_\_\_\_ cents per \$ \_\_\_\_\_ for properties with a value of at least \$ \_\_\_\_\_, but less than \$ \_\_\_\_\_; and
- (3) \_\_\_\_\_ cents per \$ \_\_\_\_\_ for properties with a value of \$ \_\_\_\_\_ or greater.

depending upon the fair market value of the real property; provided that in the case of a lease or sublease, this part shall apply only to a lease or sublease of five years or more. If a lease has been extended or amended, the tax shall be based on the cash value of the lease rental discounted to present day value and capitalized at the rate of six percent, plus the actual and full consideration paid or to be paid for any and all improvements.

The tax shall be paid by the grantor, lessor, sublessor, assignor, transferor, seller, conveyor, or any other person conveying realty, or any interest therein; unless the United States or any agency or instrumentality of the state or any agency, instrumentality, or governmental or political subdivision is the grantor, lessor, sublessor, assignor, transferor, seller, or conveyor, in which case the tax shall be paid by the grantee, lessee, sublessee, assignee, transferee, purchaser, or conveyee.

The tax shall not be applicable to any: (1) transfer executed before January 1, 2010; (2) existing mortgages on single family homes, apartments, or condominiums; (3) transfer executed pursuant to a tax sale conducted by the United States or any agency or instrumentality thereof or the state or any agency, instrumentality, or governmental or political subdivision for delinquent taxes or assessments; (4) applicable transfer conveying real property due to the power of eminent domain; (5) applicable transfer that results in conveying real property from a testamentary trust to a beneficiary under the trust; (6) applicable transfer that results in conveying real property from a grantor to the grantor's revocable living trust, or from a grantor's revocable living trust to the grantor as beneficiary of the trust; (7) transfer that results in conveying real property from a dissolving limited partnership to its corporate general partner that owns at least a 90% interest in the dissolving limited partnership; and (8) transfer that conveys real property to any organization certified by the Hawaii housing finance and development corporation for low-income housing development.

All taxes collected under this part shall be paid into the state treasury to the credit of the general fund, provided that of the taxes collected each fiscal year: (1) \_\_\_\_\_ percent shall be paid to the credit of the land conservation fund established by section 173A-5; (2) \_\_\_\_\_ percent shall be paid to the credit of the

rental housing trust fund established by section 201H-202; and (3) \_\_\_\_\_ percent shall be paid to the credit of the natural area reserve fund established by section 195-9.

Defines "applicable transfer," "entity" and "fair market value" for purposes of the measure. Defines "sale transaction" as a purchase, transfer, or exchange of any interest in the ownership of a legal entity; provided that the entity selling or transferring the ownership interest holds real property located in Hawaii that has a fair market value exceeding \$ \_\_\_\_\_ on the date of the purchase, transfer, or exchange of the ownership interest of the transferor.

EFFECTIVE DATE: January 1, 2010

STAFF COMMENTS: It appears that this measure is proposed to generate additional revenue by the imposition of a real property asset acquisition tax on all transfers and conveyances of interests or partial interests in real property in the state, similar to the conveyance tax. Like the conveyance tax, revenues derived from this tax are also diverted to the rental housing trust fund, the land conservation fund and the natural area reserve fund.

While the intent of this measure is to provide an additional stable source of revenue, care should be exercised as a tax based on a volatile real estate market may produce sharp swings in the amount of revenues collected. As with any tax it is an additional imposition and the increase will be passed on to taxpayers and consumers. For example, the cost of residential properties will be increased by the additional tax borne by the property; and commercial or industrial property owners will, no doubt, pass on the added costs of the tax to their consumers in the form of higher prices.

Apparently, lawmakers believe that transfers of real property interest are occurring within organizational entities that represent a transfer of value where that value is based on real property. For example, a family holds title to a shopping center where each parent and child holds a share or shares represented by the value of the shopping center. If one child decides that he would like to liquidate his share because he or she wants to open their own business and needs start-up capital, and sells his share to another member of the family, that value of the share would be subject to this tax even though the ownership remains within the corporate entity of the family business. If that is indeed the case, this measure casts a very dark pall over the business climate in Hawaii, as it would deter potential investors in Hawaii companies which may hold real property as part or all of its assets. This is much akin to the taxing of equities which if they were taxed at the market value would discourage investors from purchasing and selling those shares. That is why the trading of equities is not taxed on the value of the transaction but the profit or gains made by the seller under the net income tax law.

Hawaii is already a capital short state, that is, Hawaii needs to attract capital investment in order to keep the economy growing. Without new capital investment, jobs cannot be created nor improvements be made to its infrastructure which again is critical to commerce and industry in Hawaii. This proposal sends a very negative signal to potential investors that Hawaii is not a good place to business as it proposes to tax that investment and not just the earnings produced by that investment.

While lawmakers may be desperate for added resources to address the budget shortfall, driving a stake into Hawaii's economic heart is not a very good idea in these difficult economic times. It is certainly a demonstration that lawmakers do not understand what makes the economic engine run.

Digested 3/13/09



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**April 1, 2009**

**TO: Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair  
Committee on Finance**

**FR: Bishop Museum  
Timothy Johns, President & CEO**

**RE: Thursday, April 2, 2009; 4:30 p.m. Rm. 308  
Support of SB 1230, SD2: Relating to Taxation**

Bishop Museum supports SB 1230, SD2, which authorizes a tax on individuals and entities that transfer stock ownership interest in a legal entity that owns real property located in Hawai'i.

By closing existing loopholes that currently exist in the Conveyance Tax, the state would be "leveling the field" so that all who engage in real property transfers are treated equally. Additionally, the bill seeks to impose a tax similar to the Conveyance Tax in instances where stock in an entity that own real property is transferred, but not property. This new tax would capture untapped source of revenues.

Currently, by statute, 10% of the total Conveyance Tax revenue is distributed to the Land Conservation Fund. One of the fund's purposes is to support the acquisition of interests or rights to lands that contain important historic and cultural sites. Bishop Museum and 'Iolani Palace are of significant historical and cultural value.

We respectfully urge the Finance Committee to support this bill and ask for consideration in amending Chapter 173A to allow the Land Conservation Fund monies to be used for ongoing expenses associated with historic and cultural sites such as Bishop Museum and 'Iolani Palace.

Undoubtedly, this is one of the most fiscally challenging periods the legislature has faced in recent history. Creative and proactive approaches such as this bill are necessary to deal with the budget challenges now and to create economic stability for the future.

Thank you for the opportunity to testify in support of SB 1230, SD2.



**Testimony to the House Committee on Finance  
Thursday, April 2, 2009; 4:30 p.m.  
Conference Room 308  
State Capitol  
Agenda #3**

**Re: SB 1230, SD2 relating to Taxation**

Chair Oshiro, Vice Chair Lee and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber is in opposition to Senate Bill 1230, which creates a Real Property Asset Acquisition ("RPAA") Tax. We are concerned that SB 1230 would create a double-tax regime, and impose undue administrative burdens on both business and government that would discourage investment in Hawaii businesses and real estate. We also believe the purported abuses targeted by the bill are overstated.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

**The Bill Imposes a Double Tax**

Although a handful of states impose a conveyance tax on the transfer of ownership interests in real estate entities, such states generally exempt transfers of real estate to and from an entity, where the underlying beneficial ownership of the real estate before and after the transfer remains the same. SB 1230, by contrast, would tax both transfers of formal title, as well as transfers of beneficial ownership—thereby resulting in double, or even triple, taxation.

Please note that, as indicated in its March 16, 2009 testimony, the Hawaii Department of Taxation shares our concerns that SB 1230, as drafted, will result in double taxation.

**The Bill Creates Administrative Burdens for Business and Government**

The bill as drafted would tax the most miniscule ownership changes in any entity, no matter how large the entity is, or how little Hawaii real estate it holds. It would force businesses



to track precisely what percentage of their assets consists of Hawaii real estate and what percentage of ownership has changed. These burdens would discourage businesses from owning Hawaii real estate, and make it more difficult for them to attract outside investment.

These same aspects of the bill would also make it extremely difficult for the State to enforce. It would be nearly impossible for the State to track tiny changes in entity ownership and to value the amount of Hawaii real estate held by such entity. The administrative burdens might very well outweigh any tax revenue generated by the bill.

Please note that, as indicated in its March 16, 2009 testimony, the Hawaii Department of Taxation shares our concerns that SB 1230, as drafted, will result in undue administrative burdens to Hawaii businesses.

#### The Purported Abuse is Overstated

The bill assumes that investors are selling ownership interests in entities that own real estate, rather than the real estate itself, in order to avoid the conveyance tax. Buyers, however, are generally unwilling to purchase preexisting real estate entities because entities may conceal a variety of potential liabilities (contractual, environmental, tax, etc). Furthermore, under current law, there is no tax advantage to transferring the real estate to newly-formed entity and then selling the entity—because even though the transfer of the entity ownership interest will not trigger the conveyance tax, the transfer of the real estate to the entity will trigger the tax.

For the reasons stated above, we oppose SB 1230 in its entirety. However, if the bill is found to be necessary, we suggest that the bill be amended in the following ways:

1. Impose the RPAA Tax only on transfers of controlling interests in single-member limited liability companies.

First, the application of the new RPAA tax should be limited to transfers of controlling ownership of single-member limited liability companies (“SMLLCs”) that hold only real estate. Ownership of a SMLLC that holds only real estate is in substance very similar to ownership of the underlying real estate itself. By transferring a controlling interest in the SMLLC, the taxpayer can transfer all interest in the underlying real property, and avoid paying conveyance tax on the transfer. This proposed amendment directly addresses the heart of the problem – the possibility of taxpayers avoiding the conveyance tax by selling the entity that owns the property rather than the underlying property itself – while avoiding the unnecessary burden of taxing all transfers of ownership interests.

2. Exempt transfers that result in non-recognition of gain or loss for federal income tax purposes.

Second, the RPAA Tax should contain an exemption for any applicable transfer that results in non-recognition of gain or loss for federal income tax purposes. We believe this is an important amendment to the current proposed bill because it avoids taxing mere changes in the form of ownership of an entity, where there is no change in the actual beneficial ownership of the underlying real property. This would alleviate the risk of double or even triple tax being

triggered on transfers in which no beneficial ownership changed hands.

We believe that these suggested amendments will alleviate these excessive tax and administrative burdens, while directly targeting the issues that the bill is intended to address.

Thank you for the opportunity to submit written testimony.



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April 1, 2009

**Representative Marcus R. Oshiro, Chair**

House Committee on Finance  
State Capitol, Room 308  
Honolulu, Hawaii 96813

**RE: S.B. 1230, S.D.2, Relating to Taxation**

**HEARING DATE: Thursday, April 2, 2009 at 4:30 p.m.**

Aloha Chair Oshiro and Members of the Committee:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR **strongly opposes S.B. 1230, S.D.2, Relating to Taxation**, which purports to authorize a "Real Property Asset Acquisition Tax" on individuals and entities that transfer a stock ownership in a legal entity that owns real property located in Hawaii.

While the HAR understands the State's need for new sources of revenue in these tough economic times, HAR believes that S.B. 1230, S.D.2, is unfair and inequitable to property owners, and is also essentially unworkable for businesses and investors.

For example, this bill would impose, at HRS §247-C, a new tax ". . . on all applicable transfers; provided that the tax imposed under this part is in addition to any conveyance tax that may be assessed under part I of this chapter." [Emphasis added.]

Under S.B. 1230, S.D.2, Part I of HRS Chapter 247 is the existing Conveyance Tax on real property transfers. New HRS §247-B defines "applicable transfer" to mean ". . . all transfers of real property located in Hawaii or any interest therein that is affected by a sale transaction." [Emphasis added.] **S.B. 1230, S.D.2, therefore imposes a second transfer tax on non-entity real property transfers that are already subject to the existing Conveyance Tax as well as a new tax on entity transfers.**

New HRS §247-B goes on to define "sale transaction" as follows:

"Sale transaction" means a purchase, transfer, or exchange of any interest in the ownership of a legal entity held by a individual or another entity; provided that the individual or entity selling or transferring the ownership interest holds real property located in Hawaii that has a fair market value exceeding \$ on the date of the purchase, transfer, or exchange of the ownership interest of the transferor. [Emphasis added.]

**Thus, this new tax could apply to the transfer of as little one share of stock of a publicly traded company which has substantial Hawaii real property holdings.**



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Please note that under new HRS §247-B an "entity" is defined as follows:

"Entity" means a taxpayer subject to the tax laws of Hawaii that is a corporation, limited liability company, single member limited liability company, partnership, limited liability partnership, or S corporation, excluding any trust or nonprofit taxpayer.

Thus, under the above definition of "sale transaction", the new tax will apply to a transfer by a non-resident individual who has an interest in the ownership of an "entity" that holds real property located in Hawaii that has a fair market value exceeding an undetermined amount, but may not apply to a transfer by a non-resident person (corporation, limited liability company, single member limited liability company, partnership, limited liability partnership, or S corporation) who is not otherwise subject to the tax laws of Hawaii who has an interest (perhaps a stock interest) in the ownership of an "entity" that holds real property located in Hawaii because such non-resident person is not an "entity" as defined above.

Furthermore, not every non-profit entity is exempt from federal and Hawaii income taxes, and there may not be a compelling reason why transfers of membership interests in such nonprofits, or beneficial interests in a business trust or a trust that is not a public land trust or a tax-exempt eleemosynary trust should be exempt from this tax.

New HRS §247-B also defines "fair market value" as follows:

"Fair market value" means the greater of the following:

- (1) The cost, contract, sales price, or other consideration transferred, purchased, or exchanged for the stock;
- (2) The value carried on the seller's audited financial statements at the date of the stock transaction; or
- (3) The value obtained by a certified appraiser taking into consideration the highest and best use of the real property. [Emphasis added.]

The fair market value referred to in the definition of "sale transaction" is clearly the fair market value of the Hawaii real property held by an "entity" and not the fair market value of the entity as indicated in item (1) above. HAR would also note that: (i) limited liability companies, single member limited liability companies, partnerships, and limited liability partnerships typically do not have stock; (ii) it is likely that many sellers may not have the audited financial statements indicated in item (2) above; and (iii) it is unclear whether the certified appraiser referred to in item (3) above is a business appraiser appraising the real property holding "entity" or a real estate appraiser appraising the real property held by the "entity" (or whether in practice it will need to be both).

Furthermore, it is not clear how this definition of "fair market value" applies to new HRS §247-D which reads as follows:

**§247-D Basis and rate of tax.** The tax imposed by section 247-C shall be based on the actual and full consideration (whether cash or otherwise, including any promise, act, forbearance, property interest, value, gain, advantage, benefit, or profit) paid or to be paid for all applicable transfers of



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real property located in Hawaii or any interest therein, that shall include any liens or encumbrances thereon at the time of sale, lease, sublease, assignment, transfer, or conveyance, and shall be at the following rates:

- (1) cents per \$ for properties with a value of less than \$ ;
(2) cents per \$ for properties with a value of at least \$ , but less than \$ ; and
(3) cents per \$ for properties with a value of \$ or greater, depending upon the fair market value of the real property on the date of the stock transaction; provided that in the case of a lease or sublease, this part shall apply only to a lease or sublease where the full unexpired term is for a period of five years or more, and in those cases, including (where appropriate) those cases where the lease has been extended or amended, the tax in this part shall be based on the cash value of the lease rentals discounted to present day value and capitalized at the rate of six per cent, plus the actual and full consideration paid or to be paid for any and all improvements, if any, that shall include on-site as well as off-site improvements, applicable to the leased premises; and provided further that the tax imposed for each transaction shall be not less than \$1.

For example, it is possible that the "actual and full consideration" (the sales price of a corporation's stock) could be less than the "fair market value" as defined above (i.e., the value obtained by a certified appraiser taking into consideration the highest and best use of the real property).

Furthermore, as noted above, "applicable transfers" include actual real property transfers and transactions other than stock transactions, while new HRS §247-D references "the fair market value of the real property on the date of the stock transaction." [Emphasis added.]

It is also unclear how the definition of "fair market value" relates to taxation of leases held by "entities" pursuant to new HRS §247-D.

HAR would also note that the exemptions under new HRS §247-E are not the same as those under HRS §247-3, and that real property transfers that are currently exempt from the existing Conveyance Tax could be subject to the new tax.

HAR believes that there are fairer and more equitable ways to tax the transfer or acquisition of interests in entities with interests in real property located in Hawaii. For example, you may want to consider modifying Hawaii's Conveyance Tax Law by incorporating into it provisions of the Washington State Excise Tax on Real Estate Sales which deal with the transfer or acquisition within any 12-month period of a controlling interest in entities with interests in real property located in a state.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

Testimony of The Nature Conservancy of Hawai'i  
Supporting S.B.1230 SD 2 Relating to Taxation  
House Committee on Finance  
April 2, 2009, 4:30PM, Room 308

The Nature Conservancy supports S.B. 1230 SD2 and its purpose to capture tax revenue from transfers of real property that is not currently captured by the existing conveyance tax law.

Under the current conveyance tax law (HRS §247-7(3)), a portion of conveyance tax revenue has been appropriately used to manage forested watersheds and to preserve land via the DLNR's Natural Area Reserve Fund and Land Conservation Fund, respectively. While the development and sale of real estate can have very positive effects on the state's economy, it also poses some significant challenges. For example, fresh water in this state is not a limitless resource that can forever be tapped to support developed real estate.

The source of fresh water is not the faucet, pipe, or even the well or stream it's drawn from. The real source is a system of healthy forested watersheds that capture rain and cloud moisture and deliver it efficiently to aquifers and surface sources for subsequent consumption in our daily lives. In recent years, enormous amounts have been invested in the development and sale of real estate, and there are plans for continued investment in development and construction to help lift our economy out of the current recession. Yet, we make a comparatively tiny investment in managing the upland forests that provide the most basic resource to support that development—clean fresh water.

Unfortunately, with the slumping real estate market and dramatically reduced conveyance tax collections, the forest conservation programs of the Natural Area Reserve Fund likely will suffer 50-60% reductions in FY2010—far more than anticipated by other State funded programs. The partnerships that receive these funds and manage our natural resources have already stopped filling open positions, are planning to cut staff in the coming months, and have pulled back on protection efforts. The attached documents show declining conveyance tax revenues over the last few years, and the anticipated programmatic and staff cuts planned by NAR Fund beneficiaries.

S.B. 1230 SD2 appropriately seeks to include real estate transfers that are not covered under existing conveyance tax law and use those revenues for the protection of Hawaii's land and water resources.

Attachments

BOARD OF TRUSTEES

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Richards Jean E. Rolles Scott Rolles James Romig Crystal Rose Eric Yeaman

CONVEYANCE TAX TRANSFERS FOR FY 2009

Month	Total Monthly Conveyance Tax Collections to General Fund - 100%	DLNR S-09-342-C NARS Trf In - 25%	DLNR S-09-317-C Land Conservation Trf In - 10%	HCDCH T-09-930-B Rental Housing Trust Trf In - 30%	TAXATION G-00-000-C General Fund Balance Remaining - 35%
July	\$2,192,465.87	\$548,116.47	\$219,246.59	\$657,739.76	\$767,363.05
August	\$1,774,945.34	\$443,736.34	\$177,494.53	\$532,483.60	\$621,230.87
September	\$2,514,102.90	\$628,525.73	\$251,410.29	\$754,230.87	\$879,936.01
October	\$1,825,468.79	\$456,367.20	\$182,546.88	\$547,640.64	\$638,914.07
November	\$1,233,090.89	\$308,272.72	\$123,309.09	\$369,927.27	\$431,581.81
December	\$2,074,566.26	\$518,641.57	\$207,456.63	\$622,369.88	\$726,098.18
January	\$1,738,521.89	\$434,630.47	\$173,852.19	\$521,556.57	\$608,482.66
February					\$0.00
March					\$0.00
April					\$0.00
May					\$0.00
June					\$0.00
<b>Grand Totals</b>	<b>\$13,353,161.94</b>	<b>\$3,338,290.50</b>	<b>\$1,335,316.20</b>	<b>\$4,005,948.59</b>	<b>\$4,673,606.65</b>

TOTAL CONVEYANCE TAX COLLECTIONS	
FY08	\$ 38,408,022
FY07	\$ 48,328,508
FY06	\$ 56,646,115
FY05	\$ 24,318,038
FY04	\$ 18,432,214

CONVEYANCE TAX COLLECTIONS & TRANSFERS FOR FY 2008

Month	Total Monthly Conveyance Tax Collections to General Fund - 100%	DLNR S-08-342-C NARS Trf In - 25%	DLNR S-08-317-C Land Conservation Trf In - 10%	HCDCH T-08-930-B Rental Housing Trust Trf In - 50%	TAXATION G-00-000-C General Fund Balance Remaining - 15%
July	\$2,213,212.44	\$553,303.11	\$221,321.25	\$1,106,606.22	\$331,981.86
August	\$3,025,234.70	\$756,308.68	\$302,523.47	\$1,512,617.35	\$453,785.20
September	\$4,492,022.48	\$1,123,005.62	\$449,202.25	\$2,246,011.24	\$673,803.37
October	\$3,573,776.52	\$893,444.13	\$357,377.65	\$1,786,888.26	\$536,066.48
November	\$2,959,259.75	\$739,814.94	\$295,925.98	\$1,479,629.88	\$443,888.95
December	\$3,079,131.57	\$769,782.89	\$307,913.16	\$1,539,565.79	\$461,869.73
January	\$3,478,274.45	\$869,568.61	\$347,827.45	\$1,739,137.23	\$521,741.16
February	\$1,871,282.33	\$467,820.58	\$187,128.23	\$935,641.17	\$280,692.35
March	\$2,952,992.29	\$738,248.07	\$295,299.23	\$1,476,496.15	\$442,948.84
April	\$4,051,020.17	\$1,012,755.04	\$405,102.02	\$2,025,510.09	\$607,653.02
May	\$2,860,587.29	\$715,146.82	\$286,058.73	\$1,430,293.65	\$429,088.09
June	\$3,851,227.53	\$962,806.88	\$385,122.75	\$1,925,613.77	\$577,684.13
Grand Totals	<u>\$38,408,021.52</u>	<u>\$9,602,005.38</u>	<u>\$3,840,802.17</u>	<u>\$19,204,010.79</u>	<u>\$5,761,203.18</u>

TOTAL CONVEYANCE TAX COLLECTIONS	
FY07	\$48,328,508
FY06	\$56,646,115
FY05	\$24,318,038
FY04	\$18,432,214



PROGRAM	OBJECTIVE	TOTAL # OF STAFF	STAFF SUPPORTED BY STATE FUNDS	RESULTS OF ANTICIPATED 60% REDUCTION IN STATE FUNDS IN FY10
WATERSHED PARTNERSHIPS	The Hawaii Association of Watershed Partnerships (HAWP) is comprised of nine Watershed Partnerships on six islands. Watershed Partnerships are voluntary alliances of landowners and other partners working collaboratively to protect more than 1 million acres of forested watersheds for water recharge, conservation, and other ecosystem services.	67	43	<ul style="list-style-type: none"> <li>• <b>Layoff 24 Staff</b></li> <li>• Reduced weed/ungulate control activity</li> <li>• Only maintain current fences</li> <li>• Gains of prior years severely eroded</li> <li>• Loss of species, habitat and water recharge capacity</li> <li>• Increased exposure to fire</li> <li>• Decreased outreach</li> <li>• Increased cost to repair environmental degradation downstream and on reefs</li> </ul>
NATURAL AREA PARTNERSHIP PROGRAM	The Natural Area Partnership Program was established in 1991 to provide state funds on a two-for-one basis with private funds for the management of private lands that are dedicated to conservation. With over 30,000 acres enrolled, this innovative program complements the protection efforts on state lands - a partnership essential for the success of conservation in Hawaii.	28	19	<ul style="list-style-type: none"> <li>• <b>Layoff 11 staff</b></li> <li>• Reduce forest management activity by 60%</li> <li>• Lose investment in staff training and expertise</li> <li>• Increased future costs to control identified invasive species</li> <li>• Feral pig damage will increase significantly causing degradation to native ecosystems, rare plants and watershed</li> <li>• Invasive weeds will significantly displace native ecosystems</li> <li>• Lose ground gained by removing ungulates from newly fenced area</li> </ul>
NATURAL AREA RESERVES SYSTEM	The Natural Area Reserves System (NARS) was established in 1970 to preserve in perpetuity Hawaii's most unique ecosystems. There are currently 19 reserves on five islands, encompassing more than 109,000 acres. The diverse areas found in the NARS range from marine and coastal environments to lava flows, tropical rainforests, and an alpine desert. The reserves also protect major watershed areas, which are vital sources of fresh water.	39	39	<ul style="list-style-type: none"> <li>• <b>Layoff 8-13 staff</b></li> <li>• No ability to conduct necessary archaeological/cultural surveys or design services necessary for effective management of resources within the NARS</li> <li>• Reduced ability to maintain existing fences and special mgmt units, control priority weeds/ungulates, or outplant rare plants</li> <li>• Significantly reduced ability to coordinate volunteers and outreach</li> <li>• Reduced support/funding for educational/outreach programs</li> <li>• No ability to provide consistent presence and reduced ability to accomplish management priorities at ORMP areas: Kaena Point NAR and Ahihi Kinau NAR</li> <li>• Reduced ability to maintain and repair infrastructure such as fences, trails, roads, boardwalks, helipads, and management shelters.</li> </ul>
YOUTH CONSERVATION CORPS	The Youth Conservation Corps (YCC) is a hands-on summer learning experience aimed at educating Hawaii's youth on the many conservation issues that threaten Hawaii's unique environment. Students are mentored by and work alongside some of Hawaii's premiere conservation leaders. Nearly 170 local youth participated in the 2008 summer program.	8	4	<ul style="list-style-type: none"> <li>• <b>Layoff 2 staff</b></li> <li>• Summer program will be reduced from 120 students to 58</li> <li>• Summer program leaders will remain at 24 as they are funded by federal dollars, but for half of the managers, duties will change from mentoring youth to working as an intern for 7 weeks</li> <li>• Natural resources will suffer from less human assistance to mitigate for ungulates, invasives and other impacts</li> </ul>

PROGRAM	OBJECTIVE	TOTAL # OF STAFF	STAFF SUPPORTED BY STATE FUNDS	RESULTS OF ANTICIPATED 60% REDUCTION IN STATE FUNDS IN FY10
FORESTRY/ FOREST STEWARDSHIP PROGRAM	<p>The Forest Stewardship Program (FSP), administered by the Department of Land and Natural Resources, Division of Forestry and Wildlife (DLNR-DOFAW), provides technical and financial assistance to owners of nonindustrial private forest land that are interested in conservation, restoration, and/or timber production.</p> <p>The Forestry Program manages 55 forest reserves comprising more than 640,000 acres, or 16% of Hawaii's land area. The program also provides financial incentives to agricultural landowners to convert fallow or open land to trees, shrubs, and forest habitat, conducts control and monitoring efforts in each county for existing and incipient invasive species, and coordinates T&amp;E species management.</p>	17	12	<ul style="list-style-type: none"> <li>• <b>Layoff 4-6 staff</b></li> <li>• Limited ability to maintain existing fences and special management units, control priority weeds, or control ungulates</li> <li>• Decreased ability to mitigate known threats to federally endangered species, interruption of restoration and data collection projects</li> <li>• No new FSP projects. Two projects in development to be placed on hold</li> <li>• Limited ability to continue multi-year fence construction projects</li> <li>• Unmitigated degradation of existing road, trail and fencing infrastructure</li> <li>• Possible loss of federal funds due to lack of matching, including loss of up to 2.5 FTE state funded staff supporting these projects; more positions may be lost if federal grants are lost due to lack of funding</li> <li>• Erosion of existing rare plant restoration/ research projects, further loss of Hawaii's natural heritage due to extinction</li> </ul>
INVASIVE SPECIES COMMITTEES	<p>The Invasive Species Committees (ISCs) are island-based partnerships of government agencies, NGOs, and private businesses working to protect each island from the most threatening invasive pests. The ISCs address the need for rapid response and control work on new invasive pests that have the ability to severely impact our economy, ecosystem, watersheds, human health, and quality of life. A driving objective of the ISCs is to control the most threatening pests while populations are still relatively small and it is economically feasible to control or eliminate them.</p>	64	29	<ul style="list-style-type: none"> <li>• <b>Layoff 19 staff</b></li> <li>• Increased future costs to control identified invasive species (e.g., estimated cost impacts from delaying miconia work on Maui range from \$22M-\$34M)</li> <li>• Inability to respond to new coqui reports resulting in island-wide infestations</li> <li>• Inability to assist with HDOA nursery surveys to prevent spread of Little Fire Ant, nettle caterpillars, and coqui frogs</li> </ul>
HAWAII INVASIVE SPECIES COUNCIL	<p>The Hawaii Invasive Species Council (HISC) was established to provide policy level direction, coordination, and planning among state departments, federal agencies, and international and local initiatives for the control and eradication of harmful invasive species infestations throughout the State, and to prevent the introduction of other invasive species that may be potentially harmful.</p>	35	35	<ul style="list-style-type: none"> <li>• <b>Layoff 13 staff</b></li> <li>• Cease operation of SuperSucker, and lose 5-year investment in technology/research</li> <li>• Reduced capacity to conduct risk assessments for new plants</li> <li>• Lose ballast water management data collection</li> <li>• Reduced ability to conduct vessel hull inspections</li> <li>• Reduced capacity to respond to new pest incursions</li> <li>• Reduced community outreach</li> <li>• 50% reduction in West Nile Virus sample collection (mosquito traps, dead birds, bird sera), testing and detection</li> </ul>

Programs Supported by the DLNR Natural Area Reserve Fund	FY09 State Funding	FY10 Expected 60% Reduction in State Funds	Staff Funded with State Funds	Expected Layoffs
<b>HAWAII ASSOCIATION OF WATERSHED PARTNERSHIPS</b>				
Kauai Watershed Alliance	\$294,190	\$117,676	5	5
Koolau Mountains Watershed Partnership	\$227,514	\$91,006	6	3
East Molokai Watershed Partnership	\$124,740	\$49,896	8	1
Lanai Forest & Watershed Partnership	\$75,000	\$30,000	0.5	0
W. Maui Mountains Watershed Partnership	\$217,500	\$87,000	5	4
E. Maui Watershed Partnership	\$441,900	\$176,760	5	4
Leeward Haleakala Watershed Restoration Partnership	\$343,830	\$137,532	6	4
Kohala Watershed Partnership	\$235,500	\$94,200	2	0
Three Mountain Alliance	\$448,320	\$179,328	6	3
<b>HAWP Subtotal</b>	<b>\$2,408,494</b>	<b>\$963,398</b>	<b>43.5</b>	<b>24</b>
<b>NATURAL AREA PARTNERSHIP PROGRAM</b>				
Waikamoi Preserve	\$220,000	\$88,000	4.5	4
Kapunakea Preserve	\$125,000	\$50,000	2.5	2.5
Kanepuu Preserve	\$16,667	\$6,667	0.5	0.5
Kamakou Preserve	\$218,737	\$87,495	3	0
Pelekunu Preserve	\$96,289	\$38,516	0.5	0.5
Moomomi Preserve	\$52,455	\$20,982	0.5	0
Kau Preserve	\$119,910	\$47,964	2.5	1
Puu Kukui Preserve	\$281,216	\$112,486	5	3
<b>NAPP Subtotal</b>	<b>\$1,130,274</b>	<b>\$452,110</b>	<b>19</b>	<b>11.5</b>
<b>NATURAL AREA RESERVES SYSTEM</b>				
Hawaii Island NARS			12	5
Maui Nui NARS			12	6
Oahu NARS	\$4,590,000	\$1,836,000	7	1
Kauai NARS			3	0
Statewide Administration			5	1
<b>NARS Subtotal</b>	<b>\$4,590,000</b>	<b>\$1,836,000</b>	<b>39</b>	<b>13</b>
<b>YOUTH CONSERVATION CORP</b>	<b>\$474,588</b>	<b>\$189,835</b>	<b>4</b>	<b>2</b>
<b>FORESTRY / FOREST STEWARDSHIP</b>				
Forest Stewardship	\$453,516	\$181,406	0.5	0
Watershed Management in Forest Reserves	\$1,000,000	\$400,000	1	0
Conservation Reserve Enhancement Program	\$300,000	\$120,000	1	0
DLNR Invasive Species Program Operations	\$244,898	\$97,959	4	0
T&E Species Management	\$400,000	\$160,000	5.5	5.5
<b>FORESTRY / FS Subtotal</b>	<b>\$2,398,414</b>	<b>\$959,366</b>	<b>12</b>	<b>5.5</b>
<b>INVASIVE SPECIES COMMITTEE</b>				
Big Island Invasive Species Committee (BIISC)	\$375,094	\$150,038	9	5
Kauai Invasive Species Committee (KISC)	\$374,249	\$149,700	6	4
Maui Invasive Species Committee (MISC)	\$430,700	\$172,280	7	4
Oahu Invasive Species Committee (OISC)	\$437,200	\$174,880	7	6
<b>ISCs Subtotal</b>	<b>\$1,617,243</b>	<b>\$646,897</b>	<b>29</b>	<b>19</b>
<b>HAWAII INVASIVE SPECIES COUNCIL</b>				
AIS / Hull Fouling	\$579,800	\$231,920	11.5	4.5
DOA / USDA	\$129,200	\$51,680	3	3
Bishop Museum	\$160,000	\$64,000	1	1
Invasive Species Research Grants	\$330,000	\$132,000	10	0
HISC Support	\$135,000	\$54,000	1.5	0.5
Weed Risk Assessment	\$97,700	\$39,080	2	1
Invasive Species Outreach	\$97,700	\$39,080	4	1
West Nile Virus Detection & Suppression	\$307,300	\$122,920	2	2
<b>HISC Subtotal</b>	<b>\$1,836,700</b>	<b>\$734,680</b>	<b>35</b>	<b>13</b>
<b>GRAND TOTAL</b>	<b>\$14,455,713</b>	<b>\$5,782,285</b>	<b>182</b>	<b>88</b>

**SB 1230 SD2  
RELATING TO TAXATION**

**PAUL T. OSHIRO  
MANAGER – GOVERNMENT RELATIONS  
ALEXANDER & BALDWIN, INC.**

**APRIL 2, 2009**

Chair Marcus Oshiro and Members of the House Committee on Finance:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) on SB 1230 SD2, "A BILL FOR AN ACT RELATING TO TAXATION." We respectfully oppose this bill.

The purpose of this bill is to establish a real property asset acquisition tax imposed on an individual or entity engaged in the sale of any ownership interest or partial ownership interest of an entity that holds real estate in Hawaii. While we acknowledge the fiscal constraints that the Legislature must deal with and the desire to generate revenue adequate to fund necessary programs and services, we are concerned with the negative impact that his measure may have upon Hawaii's businesses, residents, and our economy.

With the removal of a provision that was previously contained in the exemptions section of the SD1 version of this bill to exempt a transfer of ownership, capital, or profits interest in an entity that is regularly traded on an established securities market, it is our understanding that this bill may be interpreted to include the imposition of this new tax on the sale, transfer, or gift of shares in a publicly traded corporation that owns real property in Hawaii, such as Alexander & Baldwin, Inc. Should this new tax be applicable to the sale of shares of such corporations, we believe that individuals and

entities may be discouraged from investing in these companies. The net result will be a decline in investment capital available for these entities to utilize in the pursuit of their business and investment activities. We envision that this may have a subsequent negative impact on the viability and ultimate productivity of the company, which may ultimately impact the number of jobs provided by that company, the level of its philanthropic contributions to non-profit and public service entities, and the synergies that the company provides for other businesses and entities.

We also understand that this new tax may be imposed on a transfer of interest within a wholly owned entity, from one member of an affiliated group to another member of that same group. These transactions, which do not result in any change in the beneficial ownership interest in an entity, includes transfers between corporations that are members of the same affiliated group as defined in IRC Sec. 1504 or transfers between a single member LLC and its member. We believe that this new tax should not be imposed on a change in identity, form of ownership, or organization where there is no change in beneficial ownership.

In addition, we also understand that this new tax may be imposed on the purchase or transfer of any ownership interest in entities that own real property in Hawaii, including the purchase or transfer of ownership interests that are minimal and do not have any impact upon the effective control of the entity. We believe that changes in ownership that fall below a minimum percentage threshold that have no impact upon the effective control of the entity should not be included under the purview of this new tax.

Based on the aforementioned we respectfully request that this bill be held in your  
Committee.

Thank you for the opportunity to testify.



Testimony to the House Committee on Finance

Stephen H. MacMillan  
President and Chief Executive Officer  
James Campbell Company LLC

April 1, 2009

Senate Bill 1230 SD2 Relating to Taxation

Chair Marcus Oshiro and Members of the Committee on Finance

My name is Stephen H. MacMillan, testifying on behalf of the James Campbell Company LLC (formerly the Estate of James Campbell) on SB 1230 Relating to Taxation. I would like to thank the Committee for allowing me the opportunity to provide our comments and proposed amendments to SB 1230 SD 2.

The James Campbell Company along with the entire State of Hawaii is currently experiencing one of the most challenging economic periods in recent memory. We empathize with the daunting task faced by the Legislature in having to cut hundreds of millions of dollars from the State budget while at the same time actively seeking out new sources of revenue. The purpose of SB 1230 SD 2 is to capture tax revenue from real property transfers that are intended to be, but through a "loophole" are not currently covered under the conveyance tax. Specifically, this bill imposes a new real property asset acquisition ("RPAA") tax on transfers of any ownership interest in an entity that holds real property located in Hawaii with a certain minimum fair market value. While we understand the purpose behind SB 1230 SD 2, we believe the measure as currently drafted is overly broad and has ramifications well beyond its stated intent. Consequently, we respectfully request the Committee hold this bill or in the alternative make the following amendments:

- (1) Limit application of the RPAA tax to transfers of limited liability companies or other entities owning a single parcel of Hawaii real property.

We believe that selling shares of an active business operation should not be subject to an additional tax simply because it holds some Hawaii real property. However, owning a limited liability company that holds a single parcel real estate is in substance the same as holding the underlying real estate itself, and could be taxed as if the property itself were being transferred. As a practical matter, no one would put more than one property into a single entity with an

intention to avoid conveyance tax (which is the expressed intention of the bill), because the likelihood of selling an entity with two properties to a single buyer is minimal.

- (2) Limit applications of the RPAA tax to transfers of controlling interests (50% or 80% is control under various income tax provisions).

In order to eliminate small transactions which would be very difficult and costly to administer, if SB 1230 SD 2 is passed, it should only attach to transactions where a significant portion of the realty is sold.

- (3) Eliminate ambiguities and inappropriate language in the current draft.

The current bill contains various ambiguities and incorrect references. For example, proposed §247-C provides that a taxable transaction is a transfer of “any interest in . . . a legal entity by an individual . . . , provided the individual . . . holds real property in Hawaii . . .” As currently written, it is possible that an individual owning Hawaii realty would be taxed on the sale of an entity that did not own Hawaii realty. We respectfully submit that a careful vetting of the current language of SB 1230 SD 2 be undertaken, to ensure that both taxpayers and the Department of Taxation can implement the proper tax on only those transactions intended to be covered.

I would like to thank the Committee again for allowing me the opportunity to testify.



**STARWOOD**

9002 San Marco Court  
Orlando, Florida 32819  
(407) 418-7271

April 2, 2009

To: Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair  
House Committee on Finance

Fr: Robin Suarez, Vice President & Associate General Counsel for Starwood Vacation  
Ownership

Re: **SB1230 SD2 - RELATING TO TAXATION – OPPOSE**  
Agenda # 3: Committee on Finance, April 2, 2009, 4:30 PM  
Conference Room 308

Aloha Chair Oshiro, Vice Chair Lee, and Committee members:

My name is Robin Suarez, Vice President & Associate General Counsel for Starwood Vacation Ownership, ("SVO"). Thank you for the opportunity to testify in opposition to SB 1230 SD2, Relating to Taxation.

This bill would authorize a tax on individuals and entities that transfer a stock ownership interest in a legal entity that owns real property located in Hawaii

The language of SB 1230 SD2 is unclear and confusing. Specifically, it is not clear whether the bill is attempting to tax the transfer of real estate between two entities or tax the transfer of ownership of entities. Additionally, this bill is overly broad. Under the current language, the simple sale or transfer of any number of shares in a public traded company holding real estate in Hawaii could be subject to this tax. Given the lack of clarity and broadness in the bill language, the passage of the bill may have unintended consequences. At the very least, the bill language does not accomplish the stated goals in the purpose section of this bill.

This bill could impose a heavy burden on the timeshare industry (especially those developers who are owned by public companies), in a period of severe recessionary challenges. Timeshare projects with their high and consistent rates of occupancy and customer satisfaction are a vital part of Hawaii's tourism industry. In addition to providing traditional resort operations jobs similar to hotel projects, timeshare projects add high skilled and high compensated sales and marketing jobs. As such, timeshare projects represent a valuable and diverse component of Hawaii's important tourism market.

For these reasons, we respectfully request that you hold this bill in committee.

As always, I thank you for the opportunity to share our views on this matter.