

JAN 24 2013

A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

1 SECTION 1. The legislature finds that immediate action is
2 needed to secure Hawaii's water supply. Hotter, drier
3 conditions and damaged watershed forests are escalating the
4 costs and conflicts over water.

5 Protecting forest watersheds is a very cost effective and
6 efficient way to absorb rainwater and replenish ground water.
7 Watersheds also reduce impacts from climate change by absorbing
8 greenhouse gases. Additionally, forests ensure sustainability
9 of irreplaceable cultural values and natural resources.

10 Half of Hawaii's forests have already been lost.
11 Introduced animals, such as feral pigs, sheep, deer, and goats,
12 trample and devour vegetation, leaving bare ground or openings
13 for invasive plants that consume more water and increase runoff.
14 Controlling these and other threats requires a large-scale
15 effort to protect these irreplaceable natural assets.

16 Governor Neil Abercrombie's "A New Day in Hawaii" plan
17 calls for the stewardship of the natural resources that our way
18 of life and economy depend on. Priority actions of the plan

1 include managing invasive species, protecting forests, and
2 restoring capabilities of the department of land and natural
3 resources by finding additional sources of funding. The
4 Abercrombie administration's New Day Status Report also tasks
5 the department of land and natural resources to ensure mauka
6 watersheds are fully functioning so fresh water resources can be
7 utilized and enjoyed by the people of Hawaii in perpetuity. To
8 implement these central goals of the Abercrombie administration,
9 the department of land and natural resources released "The Rain
10 Follows the Forest - A Plan to Protect Hawaii's Source of
11 Water."

12 "The Rain Follows the Forest Forest - A Plan to Protect
13 Hawaii's Source of Water" identifies priority watersheds and
14 outlines on-the-ground actions and projects required to protect
15 and sustain Hawaii's critical water sources. The forests and
16 their ability to capture water depend on the protection provided
17 by the actions listed in this plan. Currently, only ten per
18 cent (approximately 90,000 acres) of the priority watershed
19 areas are protected. This level of management has taken forty
20 years to achieve. The department of land and natural resources'
21 goal is to double the amount of protected watershed areas in

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1 just ten years. This will require approximately \$11,000,000 per
2 year, and create over 150 local jobs.

3 The legislature also finds that the nexus is clear to use a
4 portion of the conveyance tax for watershed protection. The
5 development, sale, and improvement of real estate in Hawaii puts
6 additional pressure on watersheds, Hawaii's water resources, and
7 watershed recharge areas. Protecting watersheds benefits
8 Hawaii's economy, environment, and quality of life. While
9 watershed protection is one of many authorized beneficiaries of
10 the natural area reserve fund, additional funding is needed to
11 restore Hawaii's watershed health and function and control
12 invasive species. This additional funding will support the
13 goals of the Abercrombie administration and the department of
14 land and natural resources' watershed plan, ensuring that
15 watershed protection funding is commensurate with the magnitude
16 of effort needed to ensure Hawaii's water supply for the future.

17 The purpose of this Act is to increase the amount of
18 conveyance tax and portions of the tax's revenues directed
19 toward watershed protection and invasive species control.

20 SECTION 2. Section 247-2, Hawaii Revised Statutes, is
21 amended to read as follows:

1 "§247-2 **Basis and rate of tax.** The tax imposed by section
2 247-1 shall be based on the actual and full consideration
3 (whether cash or otherwise, including any promise, act,
4 forbearance, property interest, value, gain, advantage, benefit,
5 or profit), paid or to be paid for all transfers or conveyance
6 of realty or any interest therein, that shall include any liens
7 or encumbrances thereon at the time of sale, lease, sublease,
8 assignment, transfer, or conveyance, and shall be at the
9 following rates:

- 10 (1) Except as provided in paragraph (2):
- 11 (A) Ten cents per \$100 for properties with a value of
12 less than \$600,000;
- 13 (B) Twenty cents per \$100 for properties with a value
14 of at least \$600,000, but less than \$1,000,000;
- 15 (C) Thirty cents per \$100 for properties with a value
16 of at least \$1,000,000, but less than \$2,000,000;
- 17 (D) [~~Fifty~~] Eighty cents per \$100 for properties with
18 a value of at least \$2,000,000, but less than
19 \$4,000,000;
- 20 (E) [~~Seventy cents~~] One dollar and ten cents per \$100
21 for properties with a value of at least
22 \$4,000,000, but less than \$6,000,000;

1 (F) [~~Ninety cents~~] One dollar and forty-five cents
2 per \$100 for properties with a value of at least
3 \$6,000,000, but less than \$10,000,000; and

4 (G) One dollar and seventy-five cents per \$100 for
5 properties with a value of \$10,000,000 or
6 greater; and

7 (2) For the sale of a condominium or single family
8 residence for which the purchaser is ineligible for a
9 county homeowner's exemption on property tax:

10 (A) Fifteen cents per \$100 for properties with a
11 value of less than \$600,000;

12 (B) Twenty-five cents per \$100 for properties with a
13 value of at least \$600,000, but less than
14 \$1,000,000;

15 (C) Forty cents per \$100 for properties with a value
16 of at least \$1,000,000, but less than \$2,000,000;

17 (D) [~~Sixty~~] Ninety cents per \$100 for properties with
18 a value of at least \$2,000,000, but less than
19 \$4,000,000;

20 (E) [~~Eighty-five~~] One dollar and twenty-five cents
21 per \$100 for properties with a value of at least
22 \$4,000,000, but less than \$6,000,000;

1 (F) One dollar and [~~ten~~] sixty-five cents per \$100
2 for properties with a value of at least
3 \$6,000,000, but less than \$10,000,000; and
4 (G) [~~One dollar and twenty-five cents~~] Two dollars
5 per \$100 for properties with a value of
6 \$10,000,000 or greater,
7 of such actual and full consideration; provided that in the case
8 of a lease or sublease, this chapter shall apply only to a lease
9 or sublease whose full unexpired term is for a period of five
10 years or more, and in those cases, including (where appropriate)
11 those cases where the lease has been extended or amended, the
12 tax in this chapter shall be based on the cash value of the
13 lease rentals discounted to present day value and capitalized at
14 the rate of six per cent, plus the actual and full consideration
15 paid or to be paid for any and all improvements, if any, that
16 shall include on-site as well as off-site improvements,
17 applicable to the leased premises; and provided further that the
18 tax imposed for each transaction shall be not less than \$1."

19 SECTION 3. Section 247-7, Hawaii Revised Statutes, is
20 amended to read as follows:

21 "**§247-7 Disposition of taxes.** All taxes collected under
22 this chapter shall be paid into the state treasury to the credit

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1 of the general fund of the State, to be used and expended for
2 the purposes for which the general fund was created and exists
3 by law; provided that of the taxes collected each fiscal year:

4 (1) Ten per cent shall be paid into the land conservation
5 fund established pursuant to section 173A-5;

6 (2) [~~Twenty five per cent from July 1, 2009, until June~~
7 ~~30, 2012, and thirty~~] Thirty per cent [~~in each fiscal~~
8 ~~year thereafter~~] shall be paid into the rental housing
9 trust fund established by section 201H-202; and

10 (3) [~~Twenty per cent from July 1, 2009, until June 30,~~
11 ~~2012, and twenty five~~] Thirty-five per cent [~~in each~~
12 ~~fiscal year thereafter~~] shall be paid into the natural
13 area reserve fund established by section 195-9;
14 provided that the funds paid into the natural area
15 reserve fund shall be annually disbursed by the
16 department of land and natural resources [~~in~~] for the
17 following [~~priority~~] purposes:

18 (A) To natural area partnership and forest
19 stewardship programs after joint consultation
20 with the forest stewardship committee and the
21 natural area reserves system commission;

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1 (B) Projects undertaken in accordance with watershed
2 management plans pursuant to section 171-58 or
3 watershed management plans negotiated with
4 private landowners, and management of the
5 natural area reserves system pursuant to section
6 195-3; [~~and~~]


7 (C) The youth conservation corps established under
8 chapter 193 [~~-~~];

9 (D) Projects undertaken in accordance with
10 departmental watershed management plans to
11 protect and restore Hawaii's source of water; and

12 (E) Projects for invasive species control including
13 those developed under chapter 194."

14 SECTION 4. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 5. This Act upon its approval, shall take effect
17 on July 1, 2013.

18
19 INTRODUCED BY: 

20 BY REQUEST

Report Title:

Watershed Protection and Invasive Species Control; Conveyance Tax

Description:

Increases the Conveyance Tax on certain real estate transactions and directs an additional ten per cent of Conveyance Tax proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: Land and Natural Resources

TITLE: A BILL FOR AN ACT RELATING TO THE CONVEYANCE TAX.

PURPOSE: To increase the Conveyance Tax on certain real estate transactions and to direct an additional ten per cent of Conveyance Tax proceeds to the Natural Area Reserve Fund for watershed protection and invasive species control.

MEANS: Amend sections 247-2 and 247-7, Hawaii Revised Statutes.

JUSTIFICATION: Immediate action is needed to secure Hawaii's water supply. Hotter, drier conditions and damaged watershed forests are escalating the costs and conflicts over water. Protecting forest watersheds is a very cost effective and efficient way to absorb rainwater and replenish ground water. However, over half of Hawaii's watersheds have been lost.

Governor Neil Abercrombie's "A New Day in Hawaii" plan calls for the stewardship of the natural resources that our way of life and economy depend on. Priority actions of the plan include managing invasive species, protecting forests, and restoring capabilities of the department of land and natural resources by finding additional sources of funding. To implement these central goals of the Abercrombie Administration, the Department released "The Rain Follows the Forest - A Plan to Protect Hawaii's Source of Water."

The development, sale, and improvement of real estate in Hawaii puts additional pressure on watersheds, Hawaii's water resources, and watershed recharge areas. While watershed protection is one of many

authorized beneficiaries of the Natural Area Reserve Fund, additional funding is needed as Hawaii's watershed health declines. This additional funding will support the goals of the Abercrombie Administration and the Department's watershed plan, ensuring that watershed protection funding is commensurate with the magnitude of effort needed to ensure Hawaii's water supply for the future.

This bill proposes to increase the amount of the conveyance tax and to direct portions of its revenues directed toward watershed protection and invasive species control.

Impact on the public: This bill will increase the amount of Conveyance Taxes due for certain real estate transactions.

Impact on the department and other agencies: This bill will increase funding for programs and projects paid by way of the Natural Area Reserve Fund, the Land Conservation Fund, and the Rental Housing Trust Fund.

GENERAL FUND:

None.

OTHER FUNDS:

None.

PPBS PROGRAM
DESIGNATION:

LNR 407.

OTHER AFFECTED
AGENCIES:

Department of Agriculture, Department of Budget and Finance, Department of Taxation, and the Hawaii Housing Finance and Development Corporation.

EFFECTIVE DATE:

July 1, 2013.