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# 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 the State  
2 desperately needs to increase the development and construction  
3 of affordable housing units. The legislature passed Act 127,  
4 Session Laws of Hawaii 2016, which established a rental housing  
5 goal of developing at least 22,500 rental housing units, ready  
6 for occupancy between 2017 and 2026. The rental housing  
7 revolving fund, which provides low-interest loans or grants to  
8 qualified owners and developers constructing affordable housing  
9 units, can help to fulfill the housing need.

10           The legislature further finds that under the current  
11 statute, fifty per cent or \$38,000,000, whichever is less, is  
12 paid into the rental housing revolving fund annually from the  
13 state conveyance tax. The department of taxation projects that  
14 the conveyance tax revenues will increase over the next five  
15 years. The removal of the \$38,000,000 statutory cap and an  
16 increase in rates for certain conveyance tax categories has the  
17 potential to increase the amount available in the rental housing  
18 revolving fund to be used for the development, pre-development,



1 construction, acquisition, preservation, and substantial  
2 rehabilitation of rental housing units.

3 The purpose of this Act is to further advance development  
4 and construction of rental housing by:

- 5 (1) Removing the \$38,000,000 statutory cap and increasing
- 6 the portion of conveyance tax collections to be paid
- 7 into the rental housing revolving fund; and
- 8 (2) Increasing the rates for certain conveyance tax
- 9 categories.

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

12 "§247-2 **Basis and rate of tax.** The tax imposed by section  
13 247-1 shall be based on the actual and full consideration  
14 (whether cash or otherwise, including any promise, act,  
15 forbearance, property interest, value, gain, advantage, benefit,  
16 or profit), paid or to be paid for all transfers or conveyance  
17 of realty or any interest therein, that shall include any liens  
18 or encumbrances thereon at the time of sale, lease, sublease,  
19 assignment, transfer, or conveyance, and shall be at the  
20 following rates:

- 21 (1) Except as provided in paragraph (2):



- 1 (A) Ten cents per \$100 for properties with a value of
- 2 less than \$600,000;
- 3 (B) Twenty cents per \$100 for properties with a value
- 4 of at least \$600,000, but less than \$1,000,000;
- 5 (C) Thirty cents per \$100 for properties with a value
- 6 of at least \$1,000,000, but less than \$2,000,000;
- 7 (D) Fifty cents per \$100 for properties with a value
- 8 of at least \$2,000,000, but less than \$4,000,000;
- 9 (E) Seventy cents per \$100 for properties with a
- 10 value of at least \$4,000,000, but less than
- 11 \$6,000,000;
- 12 (F) Ninety cents per \$100 for properties with a value
- 13 of at least \$6,000,000, but less than
- 14 \$10,000,000; and
- 15 (G) One dollar per \$100 for properties with a value
- 16 of \$10,000,000 or greater; and
- 17 (2) For the sale of a condominium or single family
- 18 residence for which the purchaser is ineligible for a
- 19 county homeowner's exemption on property tax:
- 20 (A) Fifteen cents per \$100 for properties with a
- 21 value of less than \$600,000;



- 1 (B) Twenty-five cents per \$100 for properties with a  
2 value of at least \$600,000, but less than  
3 \$1,000,000;
- 4 (C) [~~Forty~~] Fifty cents per \$100 for properties with  
5 a value of at least \$1,000,000, but less than  
6 \$2,000,000;
- 7 (D) [~~Sixty~~] Seventy cents per \$100 for properties  
8 with a value of at least \$2,000,000, but less  
9 than \$4,000,000;
- 10 (E) [~~Eighty-five~~] Ninety-five cents per \$100 for  
11 properties with a value of at least \$4,000,000,  
12 but less than \$6,000,000;
- 13 (F) One dollar and [~~ten~~] twenty-five cents per \$100  
14 for properties with a value of at least  
15 \$6,000,000, but less than \$10,000,000; and
- 16 (G) One dollar and [~~twenty-five~~] fifty cents per \$100  
17 for properties with a value of \$10,000,000 or  
18 greater,
- 19 of such actual and full consideration; provided that in the case  
20 of a lease or sublease, this chapter shall apply only to a lease  
21 or sublease whose full unexpired term is for a period of five



1 years or more, and in those cases, including (where appropriate)  
 2 those cases where the lease has been extended or amended, the  
 3 tax in this chapter shall be based on the cash value of the  
 4 lease rentals discounted to present day value and capitalized at  
 5 the rate of six per cent, plus the actual and full consideration  
 6 paid or to be paid for any and all improvements, if any, that  
 7 shall include on-site as well as off-site improvements,  
 8 applicable to the leased premises; and provided further that the  
 9 tax imposed for each transaction shall be not less than \$1."

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

12 "§247-7 **Disposition of taxes.** All taxes collected under  
 13 this chapter shall be paid into the state treasury to the credit  
 14 of the general fund of the State, to be used and expended for  
 15 the purposes for which the general fund was created and exists  
 16 by law; provided that of the taxes collected each fiscal year:

- 17 (1) Ten per cent or \$6,800,000, whichever is less, shall
- 18 be paid into the land conservation fund established
- 19 pursuant to section 173A-5; and



1           (2) [~~Fifty~~] Sixty per cent [~~or \$38,000,000, whichever is~~  
2           ~~less,~~] shall be paid into the rental housing revolving  
3           fund established by section 201H-202."

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

6           SECTION 5. This Act shall take effect on July 1, 2017.

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**Report Title:**

Conveyance Tax; Allocation of Taxes; Rental Housing Revolving Fund

**Description:**

Increases the rates for certain conveyance tax categories. Increases the percentage of conveyance tax to be paid into the rental housing revolving fund for the financing of affordable rental housing development. Repeals the statutory cap on the disposition of conveyance taxes dedicated for deposit into the rental housing revolving fund. (SD1)

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

