
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Land is one of the State's most valuable
2 resources. The record number of visitors to Hawaii has had a
3 major impact on the community's beaches, parks, trails, and
4 wilderness areas. Such a high volume of traffic and use cannot
5 be sustained indefinitely without causing long-term damage to
6 the land. An increased steady stream of funding is needed to
7 support the State's land conservation efforts and to address the
8 constant stress placed upon the natural environment.

9 Another one of Hawaii's most valuable resources is its
10 workforce, which is facing a housing crisis as the cost of
11 rental units climbs while incomes remain constant. Some
12 residents face possible homelessness because they are unable to
13 secure or maintain affordable housing. An increased steady
14 stream of funding is needed to allow the State to encourage
15 private and non-profit developers to develop rental housing for
16 low-income, very low-income, and extremely low-income
17 households.



1 The legislature finds that a strengthened land conservation
2 fund will allow the State to better protect and support Hawaii's
3 long-term environmental sustainability. The legislature further
4 finds that a strengthened rental housing revolving fund will
5 allow the State to support rental housing development and,
6 specifically, the development of projects that allocate all or a
7 portion of the project's units to low-income, very low-income,
8 and extremely low-income households.

9 The purpose of this Act is to amend the conveyance tax
10 statute by amending the basis and rate of the tax, adding an
11 exemption for certain conveyances of real property, and amending
12 the allocation of conveyance taxes to the land conservation fund
13 and the rental housing revolving fund.

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

16 "**§247-2 Basis and rate of tax.** The tax imposed by section
17 247-1 shall be based on the actual and full consideration
18 (whether cash or otherwise, including any promise, act,
19 forbearance, property interest, value, gain, advantage, benefit,
20 or profit), paid or to be paid for all transfers or conveyance
21 of realty or any interest therein, that shall include any liens



1 or encumbrances thereon at the time of sale, lease, sublease,
2 assignment, transfer, or conveyance, and shall be at the
3 following rates:

4 (1) Except as provided in paragraph (2):

5 (A) [~~Ten cents~~] _____ per \$100 for properties with
6 a value of less than \$600,000;

7 (B) [~~Twenty cents~~] _____ per \$100 for properties
8 with a value of at least \$600,000, but less than
9 \$1,000,000;

10 (C) [~~Thirty cents~~] _____ per \$100 for properties
11 with a value of at least \$1,000,000, but less
12 than \$2,000,000;

13 (D) [~~Fifty cents~~] _____ per \$100 for properties
14 with a value of at least \$2,000,000, but less
15 than \$4,000,000;

16 (E) [~~Seventy cents~~] _____ per \$100 for properties
17 with a value of at least \$4,000,000, but less
18 than \$6,000,000;

19 (F) [~~Ninety cents~~] _____ per \$100 for properties
20 with a value of at least \$6,000,000, but less
21 than \$10,000,000; and



(G) [~~One-dollar~~] _____ per \$100 for properties
with a value of \$10,000,000 or greater; and

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

(A) [~~Fifteen-cents~~] _____ per \$100 for properties
with a value of less than \$600,000;

(B) [~~Twenty-five cents~~] _____ per \$100 for
properties with a value of at least \$600,000, but
less than \$1,000,000;

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

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

(E) [~~Eighty-five cents~~] _____ per \$100 for
properties with a value of at least \$4,000,000,
but less than \$6,000,000;



(F) ~~[One dollar and ten cents]~~ _____ per \$100 for
properties with a value of at least \$6,000,000,
but less than \$10,000,000; and

(G) ~~[One dollar and twenty five cents]~~ _____ per
\$100 for properties with a value of \$10,000,000
or greater,

of ~~[such]~~ the actual and full consideration; provided that in
the case of a lease or sublease, this chapter shall apply only
to a lease or sublease whose 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 chapter 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."

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



1 "§247-3 Exemptions. The tax imposed by section 247-1
2 shall not apply to:

3 (1) Any document or instrument that is executed prior to
4 January 1, 1967;

5 (2) Any document or instrument that is given to secure a
6 debt or obligation;

7 (3) Any document or instrument that only confirms or
8 corrects a deed, lease, sublease, assignment,
9 transfer, or conveyance previously recorded or filed;

10 (4) Any document or instrument between husband and wife,
11 reciprocal beneficiaries, or parent and child, in
12 which only a nominal consideration is paid;

13 (5) Any document or instrument in which there is a
14 consideration of \$100 or less paid or to be paid;

15 (6) Any document or instrument conveying real property
16 that is executed pursuant to an agreement of sale, and
17 where applicable, any assignment of the agreement of
18 sale, or assignments thereof; provided that the taxes
19 under this chapter have been fully paid upon the
20 agreement of sale, and where applicable, upon such
21 assignment or assignments of agreements of sale;



- 1 (7) Any deed, lease, sublease, assignment of lease,
2 agreement of sale, assignment of agreement of sale,
3 instrument or writing in which the United States or
4 any agency or instrumentality thereof or the State or
5 any agency, instrumentality, or governmental or
6 political subdivision thereof are the only parties
7 thereto;
- 8 (8) Any document or instrument executed pursuant to a tax
9 sale conducted by the United States or any agency or
10 instrumentality thereof or the State or any agency,
11 instrumentality, or governmental or political
12 subdivision thereof for delinquent taxes or
13 assessments;
- 14 (9) Any document or instrument conveying real property to
15 the United States or any agency or instrumentality
16 thereof or the State or any agency, instrumentality,
17 or governmental or political subdivision thereof
18 pursuant to the threat of the exercise or the exercise
19 of the power of eminent domain;
- 20 (10) Any document or instrument that solely conveys or
21 grants an easement or easements;



1 (11) Any document or instrument whereby owners partition
2 their property, whether by mutual agreement or
3 judicial action; provided that the value of each
4 owner's interest in the property after partition is
5 equal in value to that owner's interest before
6 partition;

7 (12) Any document or instrument between marital partners or
8 reciprocal beneficiaries who are parties to a divorce
9 action or termination of reciprocal beneficiary
10 relationship that is executed pursuant to an order of
11 the court in the divorce action or termination of
12 reciprocal beneficiary relationship;

13 (13) Any document or instrument conveying real property
14 from a testamentary trust to a beneficiary under the
15 trust;

16 (14) Any document or instrument conveying real property
17 from a grantor to the grantor's revocable living
18 trust, or from a grantor's revocable living trust to
19 the grantor as beneficiary of the trust;

20 (15) Any document or instrument conveying real property, or
21 any interest therein, from an entity that is a party



1 to a merger or consolidation under chapter 414, 414D,
2 415A, 421, 421C, 425, 425E, or 428 to the surviving or
3 new entity;

4 (16) Any document or instrument conveying real property, or
5 any interest therein, from a dissolving limited
6 partnership to its corporate general partner that
7 owns, directly or indirectly, at least a ninety per
8 cent interest in the partnership, determined by
9 applying section 318 (with respect to constructive
10 ownership of stock) of the federal Internal Revenue
11 Code of 1986, as amended, to the constructive
12 ownership of interests in the partnership; ~~[and]~~

13 ~~[+]~~ (17) ~~[+]~~ Any document or instrument that conforms to the
14 transfer on death deed as authorized under chapter
15 527 ~~[+]~~; and

16 (18) Any document or instrument conveying real property
17 subject to a government assistance program qualified
18 by the Hawaii housing finance and development
19 corporation and administered or operated by the State,
20 the corporation, the United States, or any of their
21 political subdivisions, agencies, or



1 instrumentalities, corporate or otherwise, which may
2 be used to effectuate housing development and
3 acquisition for the provision of affordable housing
4 for qualified persons in the State."

5 SECTION 4. Section 247-7, Hawaii Revised Statutes, is
6 amended to read as follows:

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

12 (1) ~~[Ten]~~ Fifteen per cent or ~~[\$6,800,000,]~~ \$10,500,000,
13 whichever is less, shall be paid into the land
14 conservation fund established pursuant to section
15 173A-5; and

16 (2) ~~[Fifty]~~ Eighty per cent or ~~[\$38,000,000,]~~ \$60,000,000,
17 whichever is less, shall be paid into the rental
18 housing revolving fund established by section 201H-
19 202."

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



1 SECTION 6. This Act shall take effect on January 1, 2019.



Report Title:

Conveyance Tax; Land Conservation Fund; Rental Housing Revolving Fund

Description:

Amends the basis and rate for the conveyance tax, adds an exemption to the conveyance tax for qualified affordable housing, and increases allocations of the conveyance tax to the Land Conservation Fund and the Rental Housing Revolving Fund.
(HB2750 HD1)

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