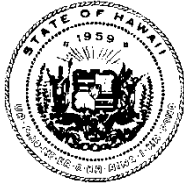


DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

January 30, 2018 at 9:30 a.m.
State Capitol, Room 423

In consideration of
H.B. 1964
RELATING TO PUBLIC EDUCATION.

HHFDC **offers the following comments and requested amendment** to H.B. 1964.

HHFDC has concerns with the proposed increase in the conveyance tax rates on properties over \$4 million in value in this bill because it may have a negative effect on the economic feasibility of affordable rental housing projects. Accordingly, we respectfully request that if the Committee intends to move this bill forward, that affordable housing be exempted from the conveyance tax. A proposed amendment is attached for the Committee's consideration.

Thank you for the opportunity to testify.

PROPOSED AMENDMENT TO H.B. 1964

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

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

- (1) Any document or instrument that is executed prior to January 1, 1967;
- (2) Any document or instrument that is given to secure a debt or obligation;
- (3) Any document or instrument that only confirms or corrects a deed, lease, sublease, assignment, transfer, or conveyance previously recorded or filed;
- (4) Any document or instrument between husband and wife, reciprocal beneficiaries, or parent and child, in which only a nominal consideration is paid;
- (5) Any document or instrument in which there is a consideration of \$100 or less paid or to be paid;
- (6) Any document or instrument conveying real property that is executed pursuant to an agreement of sale, and where applicable, any assignment of the agreement of sale, or assignments thereof; provided that the taxes under this chapter have been fully paid upon the agreement of sale, and where applicable, upon such assignment or assignments of agreements of sale;
- (7) Any deed, lease, sublease, assignment of lease, agreement of sale, assignment of agreement of sale, instrument or writing in which the United States or any agency or instrumentality thereof or the State or any agency, instrumentality, or governmental or political subdivision thereof are the only parties thereto;
- (8) Any document or instrument 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 thereof for delinquent taxes or assessments;
- (9) Any document or instrument conveying real property to the United States or any agency or instrumentality thereof or the State or any agency, instrumentality, or governmental or political subdivision thereof pursuant to the threat of the exercise or the exercise of the power of eminent domain;
- (10) Any document or instrument that solely conveys or grants an easement or easements;

- (11) Any document or instrument whereby owners partition their property, whether by mutual agreement or judicial action; provided that the value of each owner's interest in the property after partition is equal in value to that owner's interest before partition;
- (12) Any document or instrument between marital partners or reciprocal beneficiaries who are parties to a divorce action or termination of reciprocal beneficiary relationship that is executed pursuant to an order of the court in the divorce action or termination of reciprocal beneficiary relationship;
- (13) Any document or instrument conveying real property from a testamentary trust to a beneficiary under the trust;
- (14) Any document or instrument 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;
- (15) Any document or instrument conveying real property, or any interest therein, from an entity that is a party to a merger or consolidation under chapter 414, 414D, 415A, 421, 421C, 425, 425E, or 428 to the surviving or new entity;
- (16) Any document or instrument conveying real property, or any interest therein, from a dissolving limited partnership to its corporate general partner that owns, directly or indirectly, at least a ninety per cent interest in the partnership, determined by applying section 318 (with respect to constructive ownership of stock) of the federal Internal Revenue Code of 1986, as amended, to the constructive ownership of interests in the partnership; ~~and~~
- [+](17)[+] Any document or instrument that conforms to the transfer on death deed as authorized under chapter 527[-]; and
- (18) Any document or instrument conveying real property subject to a government assistance program qualified by the Hawaii housing finance and development corporation and administered or operated by the State, the corporation, the United States, or any of their political subdivisions, agencies, or instrumentalities, corporate or otherwise, which may be used to effectuate housing development and acquisition for the provision of affordable housing for qualified persons in the State."

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813
<http://tax.hawaii.gov/>
Phone: (808) 587-1577 / Fax: (808) 587-1584
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Tom Brower, Chair
and Members of the House Committee on Housing

Date: Tuesday, January 30, 2018
Time: 9:30 A.M.
Place: Conference Room 423, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 1964, Relating to Public Education

The Department of Taxation (Department) offers the following comments on H.B. 1964 for the Committee's consideration.

H.B. 1964 increases the conveyance tax rate for properties valued at \$4,000,000 or more. H.B. 1964 also creates the Tianxin Zhang Public Education Special Fund and allocates an unspecified portion of conveyance tax revenues to the new special fund.

H.B. 1964 increases the general conveyance tax rates as follows:

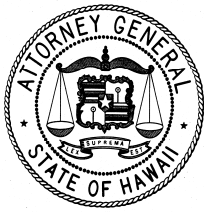
Value of Property	Proposed Rate	Current Rate
\$4,000,000 less than \$6,000,000	\$.80 per \$100	\$.70 per \$100
\$6,000,000 less than \$10,000,000	\$1.00 per \$100	\$.90 per \$100
\$10,000,000 or greater	\$1.25 per \$100	\$1.00 per \$100

H.B. 1964 increases the conveyance tax rates for condominiums and single family residences valued at \$4,000,000 or more for which the purchaser is ineligible for a county homeowner's exemption as follows:

Value of Property	Proposed Rate	Current Rate
\$4,000,000 less than \$6,000,000	\$1.00 per \$100	\$.85 per \$100
\$6,000,000 less than \$10,000,000	\$1.25 per \$100	\$1.10 per \$100
\$10,000,000 or greater	\$1.50 per \$100	\$1.25 per \$100

The Department is able to administer the tax rate changes proposed by this bill, but requests the effective date of the new tax rates be changed to January 1, 2019 to allow the Department time to update the relevant forms and instructions.

Thank you for the opportunity to provide comments.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2018**

ON THE FOLLOWING MEASURE:

H.B. NO. 1964, RELATING TO PUBLIC EDUCATION.

BEFORE THE:

HOUSE COMMITTEE ON HOUSING

LATE

LATE

DATE: Tuesday, January 30, 2018

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 423

TESTIFIER(S): Russell A. Suzuki, First Deputy Attorney General, or
Anne T. Horiuchi, Deputy Attorney General

Chair Brower and Members of the Committee:

The Department of the Attorney General provides the following comments.

The purposes of this bill are to increase the conveyance tax for certain properties valued at \$4,000,000 or greater to provide additional funding for specified public education purposes, establish the Tianxin Zhang public education fund and deposit a portion of conveyance tax moneys into the special fund, and require moneys in the special fund to be used for educational programs and activities.

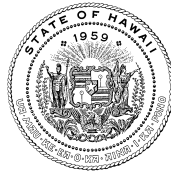
The bill does not contain the required appropriation language. Section 5, Article VII of the Hawaii Constitution, states, "No public money shall be expended except pursuant to appropriations made by law." As such, we recommend adding the following provisions:

"SECTION __. There is appropriated out of the Tianxin Zhang public education special fund the sum of \$_____ or so much thereof as may be necessary for fiscal year _____ for the purposes of the special fund.

The sum appropriated shall be expended by the department of education for the purposes of this Act."

We respectfully ask the Committee to pass this bill with the recommended amendments.

DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
ACTING DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

LATE

LATE

WRITTEN ONLY

TESTIMONY BY LAUREL A. JOHNSTON
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HOUSING
ON
HOUSE BILL NO. 1964

**January 30, 2018
9:30 a.m.
Room 423**

RELATING TO PUBLIC EDUCATION

House Bill No. 1964 amends Sections 247-2 and 247-7 and Chapter 302A of the HRS to increase the conveyance tax for certain properties valued at \$4,000,000 or greater; establishes the Tianxin Zhang Public Education Special Fund within the State treasury; and provides that an unspecified portion of the conveyance tax collected each fiscal year be deposited into the Tianxin Zhang Public Education Special Fund.

Moneys deposited into the Tianxin Zhang Public Education Special Fund are to be used to support educational programs and activities to improve Hawai'i's public schools, including: the establishment of an exchange program between high school students from China and Hawai'i; hiring of additional teachers to improve educational continuity and experience and teacher to student ratios; funding of special education programs; funding of art programs; and funding of any other education programs or infrastructure improvements deemed necessary by the Department of Education to improve the public school system.

As a matter of general policy, the Department of Budget and Finance does not support the creation of any special fund which does not meet the requirements of

Section 37-52.3 of the HRS. Special funds should: 1) serve a need that cannot be implemented under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regard to House Bill No. 1964, concern is raised that the special fund does not meet these requirements.

In addition, the current general fund financial plan does not take into account any additional distributions of the conveyance tax away from the general fund.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR

LATE



DR. CHRISTINA M. KISHIMOTO
SUPERINTENDENT

LATE

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 01/30/2018
Time: 09:30 AM
Location: 423
Committee: House Housing

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

Title of Bill: HB 1964 RELATING TO PUBLIC EDUCATION.

Purpose of Bill: Increases the conveyance tax for certain properties valued at \$4,000,000 or greater. Establishes the Tianxin Zhang public education special fund and deposits a portion of conveyance tax moneys into the special fund. Requires moneys in the special fund to be used for educational programs and activities.

Department's Position:

The Department supports HB 1964 and appreciates any additional funding that will be provided to support education as long as it does not take away from the priorities as outlined in the Department of Education Strategic Plan.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.



46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Co-founder/Executive Director

TESTIMONY FOR HOUSE BILL 1964, RELATING TO PUBLIC EDUCATION

House Committee on Housing
Hon. Tom Brower, Chair
Hon. Nadine K. Nakamura, Vice Chair

Tuesday, January 30, 2018, 9:30 AM
State Capitol, Conference Room 423

Honorable Chair Brower and committee members:

I am Kris Coffield, representing IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in support of House Bill 1964, relating to public education.

In comparison to school districts of similar size and demographic composition, Hawai‘i, ranks 227th in per-pupil funding *before* adjusting for cost of living, at \$12,855 per child. Washington D.C., New York City, Boston, Pittsburgh, and Cincinnati school districts, for example, spend nearly twice as much as Hawai‘i per pupil, at well over \$22,000 to over \$26,000 per student. Similarly, local private schools, discounting Catholic institutions, spend nearly \$19,173 dollars per student, with Punahou President Jim Scott revealing, in 2014, “The real cost of our education per student is \$26,000,” owing to the school’s then-total endowment of \$235 million and fundraising operations of \$12-\$15 million annually.

Moreover, for the beginning of the 2017-2018 school year, the Hawai‘i State Department of Education reported an ongoing teacher shortage crisis, with 1,011 public school teachers unqualified to lead local classrooms. The number of new teachers hired who have not completed a state approved teacher education program has increased from 125 for the 2011-2012 school year to 294 for the 2016-2017 school year. Over the same period, the number of teacher resignations has increased from 624 in 2011-2012 to 850 in 2016-2017, while the total number of voluntary teacher separations has increased from 934 in 2011-2012 to 1,170 in 2016-2017. In short, hundreds of teachers are leaving the workforce each year at an accelerating pace, while the DOE does not have enough trained and licensed teachers in waiting to fill the holes they leave.

Accordingly, we must raise Hawai‘i’s last-in-the-nation teacher pay (adjusted for cost of living) to address the problem. Studies have shown that as teacher pay increases, so, too, does

student achievement. A Stanford University study found that “raising teacher wages by 10 percent reduces high school dropout rates by 3 percent to 4 percent,” while a study of Florida educator retention showed that pay raises reduced teacher attrition by as much as 25 percent for hard-to-fill subject areas, with children’s learning growth gaining from more exposure to experienced educators. Recently, the Hawai’i State Teachers Association performed a study of teacher compensation in comparison with mainland peer districts. HSTA found that teachers’ wages are \$4,000 to \$26,000 below that of their mainland peers. Put simply, to reduce teacher turnover, we must pay educators what they’re worth.

It’s time to provide a quality education to all of Hawai’i’s children. Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance

HB-1964

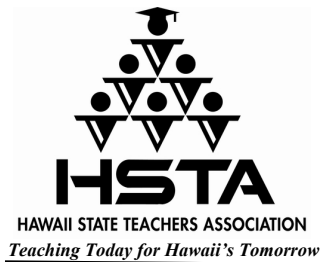
Submitted on: 1/28/2018 9:24:21 PM

Testimony for HSG on 1/30/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
De MONT R. D. CONNER	Ho'omanapono Political Action Committee (HPAC)	Oppose	Yes

Comments:

WE STRONGLY OPPOSE THIS BILL! Hawaiian is an official State Language, yet, Hawaiian Immersion Schools are severely underfunded & Hawaiian Language is not accepted in our Court system. While we recognize & support our Chinese Ohana, we find it wholly offensive that there is even a call for a 4 MILLION DOLLAR account for Chinese students, but no equal or greater special account for Hawaiian Immersion Schools. Chinese is NOT a recognized First Language of the State of Hawaii!!!



LATE

1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

Corey Rosenlee
President
Justin Hughey
Vice President
Amy Perruso
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON
HOUSING

RE: HB 1964 - RELATING TO PUBLIC EDUCATION

TUESDAY, JANUARY 30, 2018

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Brower and Members of the Committee:

The Hawaii State Teachers Association **supports HB 1964**, relating to public education.

Hawai'i shortchanges its public schools. While our state's per-pupil spending of \$12,855 ranks 17th in the nation when compared to other states in raw dollars, comparison with school districts of similar size and demographics yields different results. Mainland districts with high costs of living are typically urban and averaged with rural districts experiencing lower costs of living in statewide analyses, a geographic and fiscal situation that is not applicable to the islands' single statewide school district.

When comparing school districts of similar size, Hawai'i ranked 227th in per-pupil funding *before* adjusting for cost of living, according to an analysis performed by Ballotpedia.org. Likewise, the Department of Business, Economic Development, and Tourism reported, in March of 2017, that Hawai'i's education expenditures, as a share of combined state and local government spending, is 27.3 percent, which ranks as the lowest in the nation.

Hawai'i's major private schools, on the other hand, average \$15,173 in per-pupil spending. When Catholic schools, subsidized by the Roman Catholic Diocese, are removed, private school spending jumps to nearly \$19,173 dollars per student, sans endowment funds that further boost private school baselines. Punahou President Jim Scott revealed, in 2014, that the "real cost of our education per student is \$26,000," with the school's endowment standing then at \$235 million and

fundraising operations generating an additional \$12-\$15 million each year. It is no wonder then, that Hawai'i has one of the highest private school enrollment rates in the nation. According to U.S. Census Bureau data, for the 2016-2017 school year, approximately 20 percent of K-12 students on O'ahu attended private schools, for example, with that number rising to 38 percent for students living in the urban core of Honolulu.

Yet, private school students frequently come from affluent families and do not face the socioeconomic challenges or require the same special needs that many public school students do. We must invest in a quality education for all of Hawai'i's children, including for the recruitment and retention of teachers, public preschools, lower class sizes, special education programming, career and technical education, art, music, Hawaiian studies, Hawaiian language instruction, and after-school programming. To build the schools our keiki deserve, the Hawaii State Teachers Association asks your committee to **support** this bill.

January 30, 2018

The Honorable Tom Brower, Chair
House Committee on Housing
State Capitol, Room 225
Honolulu, Hawaii 96813

LATE

RE: H.B. 1964, Relating to Public Education

LATE

HEARING: Tuesday, January 30, 2018, at 9:30 a.m.

Aloha Chair Brower, Vice Chair Nakamura and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its over 9,500 members. HAR **opposes** House Bill 1964, which increases the Conveyance tax for certain properties valued at \$4 million or greater. This measure also creates the Tianxin Zhang public education special fund and deposits an unnamed percentage and cap of the conveyance tax money into said fund.

In 2005, the Conveyance Tax was increased on a tiered scale on 1) the sale of realty for all transfers or conveyance of realty or any interest (i.e. commercial, timeshare, agricultural, industrial, etc. and condominium or single-family residences for which the purchaser is eligible for a county homeowner's exemption); and 2) the sale of a condominium or single-family residence for which the purchaser is ineligible for a county homeowner's exemption.

In 2009, the Legislature once again increased the Conveyance Tax on 1) the sale of realty from 30 cents per \$100 (.30%) for properties over \$1,000,000 to a maximum of \$1.00 (1%) per \$100 for properties over \$10,000,000 -- an increase of over 333%, and 2) the sale of a property ineligible for a county homeowner exemption from 30 cents per \$100 to \$1.25 per \$100 (1.25%) -- an increase of over 416.66%.

This measure proposes to increase the Conveyance Tax to the following:

Property Value:	Current Rate:	Proposed Rate:	In Dollars (rounded):
\$4 mil - \$5.99 mil	70 cents per \$100	80 cents per \$100	\$48,000 (\$5.99 mil property)
\$6 mil - \$9.99 mil	90 cents per \$100	\$1.00 per \$100	\$100,000 (\$9.99 mil property)
\$10 mil +	\$1.00 per \$100	\$1.25 per \$100	\$125,000 (\$10 mil property)

For the sale of a condo or single-family residence for which the purchaser is ineligible for a county homeowner's exemption, the conveyance tax is increased at the following rates:

Property Value:	Current Rate:	Proposed Rate:	In Dollars (rounded):
\$4 mil - \$5.99 mil	80 cents per \$100	\$1.00 per \$100	\$60,000 (\$5.99 mil property)
\$6 mil - \$9.99 mil	\$1.10 per \$100	\$1.25 per \$100	\$125,000 (\$9.99 mil property)
\$10 mil +	\$1.20 per \$100	\$1.50 per \$100	\$150,000 (\$10 mil property)

The Conveyance Tax applies to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands, as well as condominium and single-family homes. It applies whether or not a property is sold at a gain or a loss.

The tax applies to the entire purchase price, and does not take into account the amount of indebtedness that may be on the property being sold, or whether the seller may be selling at less than what the seller originally acquired the property for. Thus, in certain circumstances the seller may not have the cash to be able to pay the Conveyance Tax, or the amount of tax may be so high relative to the net proceeds that the seller is receiving as to become confiscatory.

Furthermore, the problem linking special funding to the Conveyance tax is that when the real estate market is down, there are not enough funds to pay for the programs and special funds it covers. Then, the Conveyance Tax would need to be increased to cover the program. However, when the market is up, there are excess funds over and above the program's needs. This becomes a cyclical issue, and unreliable in forecasting these program's needs.

While HAR supports education, we oppose increasing the Conveyance Tax and utilizing it to earmark monies to a special fund to do so.

Mahalo for the opportunity to testify in opposition to this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587



SUBJECT: CONVEYANCE, Tax Hike

BILL NUMBER: HB 1964

INTRODUCED BY: SAY

EXECUTIVE SUMMARY: Increases the conveyance tax for certain properties valued at \$4,000,000 or greater. Establishes the Tianxin Zhang public education special fund and deposits a portion of conveyance tax moneys into the special fund. Requires moneys in the special fund to be used for educational programs and activities.

SYNOPSIS: Amends section 247-2, HRS, to raise the conveyance tax rates as follows:

For a condominium or single-family residence for which the purchaser is ineligible for a county homeowner’s exemption on real property tax:

Minimum Property Value	Current Tax (per \$100 of consideration)	New Tax (per \$100 of consideration)
\$0	\$ 0.15	\$ 0.15
\$600,000	0.25	0.25
\$1,000,000	0.40	0.40
\$2,000,000	0.60	0.60
\$4,000,000	0.85	1.00
\$6,000,000	1.10	1.25
\$10,000,000	1.25	1.50

For all other conveyances:

Minimum Property Value	Current Tax (per \$100 of consideration)	New Tax (per \$100 of consideration)
\$0	\$ 0.10	\$ 0.10
\$600,000	0.20	0.20
\$1,000,000	0.30	0.30
\$2,000,000	0.50	0.50
\$4,000,000	0.70	0.80
\$6,000,000	0.90	1.00
\$10,000,000	1.00	1.25

Adds a new section to chapter 302A, HRS, establishing the Tianxin Zhang public education special fund, which is to be used to support educational programs and activities to improve Hawaii’s public schools.

Amends section 247-7, HRS, to earmark ___% of the tax collections or \$_____, whichever is less, to the Tianxin Zhang public education special fund.

EFFECTIVE DATE: July 1, 2018.

STAFF COMMENTS: The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per \$100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per \$100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. As a result of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of the value transferred. Until 2005, 50% of the receipts went into the general fund and the other half was split with the affordable rental housing program and the natural area reserve program. Beginning in 2005, another 10% was taken for the land conservation fund. In 2009, legislators reduced the amount of conveyance tax revenues earmarked to the rental housing trust fund from 30% to 25% until June 30, 2012 in an effort to generate additional revenues for the state general fund. Act 164, SLH 2014, increased the earmark to 50% as of July 1, 2014, and Act 84, SLH 2015, imposed the \$38 million cap on the earmark.

This bill raises the conveyance tax to feed the special fund to be established by this bill for the benefit of public education.

The first question lawmakers need to ask is which taxpayers are going to be impacted by these hikes. Although the intent may be to soak the rich fat cats, the increases will affect developments of multi-unit property, including affordable housing being developed.

Next, the earmark deserves scrutiny. As with any earmarking of revenues, the legislature will be preapproving each of the programs fed by the fund into which the tax monies are diverted, expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether the fund has too little or too much revenue. With this particular proposed special fund, furthermore, the nexus or connection between the conveyance tax and the proposed use of the money is tenuous at best.

If the legislature deems the programs and purposes funded by this special fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting

Re: HB 1964
Page 3

priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each program.

Digested 1/29/2018