

SB 1145

Measure Title: RELATING TO THE CONVEYANCE TAX.

Report Title: Conveyance Tax; Allocation of Taxes; Rental Housing Revolving Fund

Description: Increases the rates for certain conveyance tax categories. Repeals the statutory cap on the disposition of conveyance taxes dedicated for deposit into the rental housing revolving fund for the financing of affordable rental housing development.

Companion:

Package: None

Current Referral: HOU, WAM

Introducer(s): HARIMOTO, ESPERO, GREEN, KEITH-AGARAN, KIDANI, NISHIHARA, K. RHOADS, Baker, S. Chang, Galuteria, Ihara, Inouye, Riviere, Ruderman, Shimabukuro

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

SENATE COMMITTEE ON HOUSING

February 14, 2017 at 3:00 p.m.
State Capitol, Room 225

In consideration of
S.B. 1145
RELATING TO THE CONVEYANCE TAX.

The HHFDC supports S.B. 1145, but has concerns regarding the significant conveyance tax rate increases that are proposed.

We note that these conveyance tax increases will also raise the cost of acquisition and rehabilitation of affordable housing. Over just the last five years, HHFDC provided financing assistance to acquire 11 projects totaling 1,021 affordable rental units.

HHFDC supports the removal of the cap on the existing conveyance tax allocation to the Rental Housing Revolving Fund (RHRF) as long as it does not replace priorities requested in the Executive Budget.

The RHRF provides loans to projects that set aside rental units affordable to extremely and very low-income families. The RHRF loans fill the financing gap to develop an affordable rental housing project. Since its inception, RHRF awards have been made to 79 affordable rental projects comprising a total of 6,232 units statewide.

In Fiscal Year 2016, the RHRF received approximately \$33,056,876 in conveyance tax revenues, which we anticipate being able to fully utilize to make awards to qualified projects during our 2017 competitive funding rounds.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Will Espero, Chair
and Members of the Senate Committee on Housing

Date: Tuesday, February 14, 2017
Time: 3:00 P.M.
Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1145, Relating to the Conveyance Tax

The Department of Taxation (Department) appreciates the intent of S.B. 1145 and provides the following comments for your consideration.

Section 2 of S.B. 1145 increases the conveyance tax rate for condominiums or single family homes for which the purchaser is not eligible for a county homeowner's exemption on property tax.

Value of Property	Proposed Rate	Current Rate
Less than \$600,000	\$.20 per \$100	\$.15 per \$100
\$600,000 less than \$1,000,000	\$.30 per \$100	\$.25 per \$100
\$1,000,000 less than \$2,000,000	\$.45 per \$100	\$.40 per \$100
\$2,000,000 less than \$4,000,000	\$.65 per \$100	\$.60 per \$100
\$4,000,000 less than \$6,000,000	\$.90 per \$100	\$.85 per \$100
\$6,000,000 less than \$10,000,000	\$1.15 per \$100	\$1.10 per \$100
\$10,000,000 or greater	\$1.30 per \$100	\$1.25 per \$100

Section 3 of S.B. 1145 amends the calculation of the amount of conveyance tax revenues deposited into the rental housing revolving fund. The bill would change the allocation to simply 50% of the conveyance tax collected. Currently the allocation is 50% of the conveyance tax collected, but is capped at \$38,000,000 per year.

The Department is able to administer the changes proposed by this bill. The Department requests the effective date of the tax rate changes made by Section 1 of the bill be changed to January 1, 2018 to allow the Department time to update the relevant forms and instructions.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Tax Hike on Properties Above \$2M

BILL NUMBER: SB 1145

INTRODUCED BY: HARIMOTO, ESPERO, GREEN, KEITH-AGARAN, KIDANI, NISHIHARA, K. RHOADS, Baker, S. Chang, Galuteria, Ihara, Inouye, Riviere, Ruderman, Shimabukuro

EXECUTIVE SUMMARY: Increases the rates for certain conveyance tax categories. Repeals the statutory cap on the disposition of conveyance taxes dedicated for deposit into the rental housing revolving fund for the financing of affordable rental housing development

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	\$ 0.20
\$600,000	0.25	0.30
\$1,000,000	0.40	0.45
\$2,000,000	0.60	0.65
\$4,000,000	0.85	0.90
\$6,000,000	1.10	1.15
\$10,000,000	1.25	1.30

Amends section 247-7, HRS, to repeal the ceiling on money distributable to the rental housing revolving fund.

EFFECTIVE DATE: July 1, 2017.

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 rental housing revolving fund.


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. It may also affect rentals themselves because leases of more than five years are subject to the conveyance tax, using the present discounted value of the lease stream as a proxy for the property's value.


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.

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



**Hawai'i
Association of
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 | 808-733-7060

 | 808-737-4977

 | 1259 A'ala Street, Suite 300
Honolulu, HI 96817

February 14, 2017

The Honorable Will Espero, Chair
Senate Committee on Housing
State Capitol, Room 225
Honolulu, Hawaii 96813

RE: S.B. 1145, Relating to the Conveyance Tax

HEARING: Tuesday, February 14, 2017, at 3:00 p.m.

Aloha Chair Espero, Vice Chair Harimoto, and Members of the Committee.

I am Myoung Oh, 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 9,000 members. HAR **opposes SECTION 2** of S.B. 1145 which increases the rates for certain conveyance tax categories.

The Conveyance Tax applies to the conveyance of **ALL** 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.


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






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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%.

The problem linking 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 programs. 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.

In closing, the Conveyance Tax should not operate as a revenue-generating tax. S.B. 1145 is specifically targeted to a specific group of taxpayers which will inevitably trickle-down and increase the cost to residents of Hawaii.

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





February 11, 2017

From: George S. Massengale
To: Senate Committee on Housing
Date: Hearing February 14, 2017 at 3:00 P.M.
Subj: SB1145, Relating to the Conveyance Tax

Testimony in Strong Support

Chair Espero, Vice Chair Harimoto and members of the Housing Committee I am here today on behalf of Hawaii Habitat for Humanity Association, and our two Oahu Habitat affiliates, Honolulu and Leeward to testify in strong support of SB1145.

Hawaii Habitat for Humanity along with our 7 Habitat affiliates is the largest private nonprofit builder of self-help ownership homes in Hawaii, having built or repaired 510 homes. Although our focus is on home ownership we strongly support the need for decent and affordable rental housing.

As the housing committee members know, Hawaii faces an extraordinary affordable housing crisis, and is projected to need 30,000 units needed, just on Oahu to meet the demand, with two-thirds of these affordable for those who are considered low income or below. Yet little affordable housing, in either rental units, or ownership units are under development. Not surprisingly, our homelessness rates continue to increase, and 95% of Hawaii residents identify high housing costs as a very serious or important problem.

SB1145 if passed, would increase the tax rate for certain conveyance tax categories, and it also would remove the current \$38 million cap on conveyance taxes deposited in the rental housing revolving fund.

We would also point that much of the new high end condominium construction by around Ala Moana Shopping Center and Kaka'ako were presold to out-of-state residents for investment purposes and vacation use. These occasional residents will contribute little to the economy on Oahu. They need to pay their fair share and become part of the solution to our housing crisis. A high net worth individual will hardly notice the increase in conveyance tax paid.

In closing we that the committee move this measure forward. Let's begin to take meaningful steps to end our housing crisis.

Respectfully,

George S. Massengale
Director, Community Engagement

BIA-HAWAII

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the Senate Committee on Housing Tuesday, February 14, 2017 3:00 p.m. Conference Room 225

RE: SB 1145 – Relating to the Conveyance Tax

Chair Espero, Vice-Chair Harimoto, and members of the committee:

My name is Gladys Quinto-Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII provides the following comments on S.B. 1145 which proposes to remove the cap on the amount of conveyance taxes that may be paid into the rental housing revolving fund and increases the percentage of conveyance taxes collected that shall be paid into the rental housing revolving fund.

While we understand and support the need to provide more government assistance for the development of affordable housing, we have consistently voiced our concern regarding the use of the conveyance tax as a means to fund development of more affordable housing.

In August of 2012, Mr. Lowell Kalapa, then-President of the Tax Foundation of Hawaii stated the following:

"On the money side, lawmakers increased the conveyance tax which is imposed on the transfer of real property and earmarked portions of it for the rental housing trust fund and the state's trails program. Somehow lawmakers felt there was a relationship between people buying and selling real property and building affordable housing and maintaining the state's lands and trails. What they seem to have lost sight of is that the conveyance tax merely adds to the cost of acquiring that property. So while the increase in the conveyance tax provided a source of subsidies for affordable rentals, it merely passed the cost onto prospective homeowners and even renters of affordable rental housing. Did lawmakers even stop to think that a non-owner occupied unit would provide housing for a family that could not afford to purchase their own home? This is but one way government has intervened and actually increased the cost of housing in Hawaii."

The conveyance tax has been an attractive means to fund affordable housing as it is difficult if not impossible to identify an organized group of "future purchasers of real property." However, with the average price of a new home on Oahu in the mid \$700,000.00 range, perhaps policy makers should give pause and understand the unintended consequences of increasing the price of a new home in Hawaii.

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households in Hawaii were priced out of the market by a \$1,000 increase in price.

While we strongly support the need to provide more government assistance to build more affordable housing, especially in an environment of historically low interest rates, we also must be concerned on how these various taxes, fees, assessments, etc., impact the "affordability" of housing in Hawaii.

We appreciate the opportunity to provide our input on this important legislation.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Housing
Tuesday, February 14, 2017 at 3:00 P.M.
Conference Room 225, State Capitol**

RE: SENATE BILL 1145 RELATING TO THE CONVEYANCE TAX

Chair Espero, Vice Chair Harimoto, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** SB 1145, which increases the rates for certain conveyance tax categories; repeals the statutory cap on the disposition of conveyance taxes dedicated for deposit into the rental housing revolving fund for the financing of affordable rental housing development.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

While we understand and support the need to provide more government assistance for the development of affordable housing, we have consistently voiced our concern regarding the use of the conveyance tax as a means to fund development of more affordable housing.

In August of 2012, Mr. Lowell Kalapa, then President of the Tax Foundation of Hawaii stated the following:

"On the money side, lawmakers increased the conveyance tax which is imposed on the transfer of real property and earmarked portions of it for the rental housing trust fund and the state's trails program. Somehow lawmakers felt there was a relationship between people buying and selling real property and building affordable housing and maintaining the state's lands and trails. What they seem to have lost sight of is that the conveyance tax merely adds to the cost of acquiring that property. So while the increase in the conveyance tax provided a source of subsidies for affordable rentals, it merely passed the cost onto prospective homeowners and even renters of affordable rental housing. Did lawmakers even stop to think that a non-owner occupied unit would provide housing for a family that could not afford to purchase their own home? This is but one way government has intervened and actually increased the cost of housing in Hawaii."

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Chamber of Commerce HAWAII

The Voice of Business

However, with the average price of a new home on Oahu in the mid \$700,000.00 range, perhaps policy makers should give pause and understand the unintended consequences of increasing the price of a new home in Hawaii.

In 2014, the National Association of Home Builders (NAHB) prepared a state by state analysis of the number of home buyers impacted for every \$1,000 increases in price. In 2014, 594 households were priced out of the market by a \$1,000 increase in price.

While we strongly support the need to provide more government assistance to build more affordable housing, especially in an environment of historically low interest rates, we also must be concerned on how these various taxes, fees, assessments, etc., impact the “affordability” of housing in Hawaii.

For these reasons, we respectfully request that the bill be held in committee. We appreciate the opportunity to provide our input on this important legislation.



The Housing Now Coalition

Catherine Graham
Rev. Bob Nakata

A Coalition of FACE Hawaii

February 13, 2017, 2017

RE: In support of SB1145 – Conveyance Tax

Dear Senator Espero and Senate Housing Committee Members,

I support SB1145 to raise the conveyance tax rate for the following reasons:

1. Hawaii is in a housing crisis with insufficient appropriate housing for local residents. More and more luxury condos are being built and bought by off-shore investors who can afford to pay a higher tax and have a moral obligation to support the community that they are investing in.
2. Our state is missing out on receiving more money from off-shore investors, and this is one way to recover some of those missing opportunities.
3. The state has shown it understands this nexus/close relationship between real estate sales and affordability, as it has for many years imposed a progressive tax on these conveyances, and has previously amended the RE Conveyance Tax law to devote a substantial portion of those tax revenues to the Rental Housing Revolving Fund.
4. The nexus (relationship) between the proposed RE Conveyance Tax and affordable housing is that the rising cost of housing in Hawaii is a major factor in why so many working people and families cannot afford housing here. Taxing real estate conveyances, particularly at progressively higher tax rates, generates state funds to address the problems of affordability of housing and homelessness, both of which are exacerbated by our high cost of housing. Imposing higher tax rates on higher priced properties may also create a mild dis-incentive for even higher prices on those properties.
5. Our research shows that in 2016, just taking into account Oahu single family home sales over \$2,000,000, using the percentages in this bill, the conveyance tax would bring in an additional \$18 million. This does NOT take into account neighbor island sales, commercial real estate sales and leases or new construction sales state-wide. The increase of monies to the conveyance tax by this bill would be a very handsome sum. The Department of Taxation would be able to give a more accurate accounting.

6. This increase in the conveyance tax would not only increase the amount of money going to affordable housing, but also would increase the amount of money going to those programs that receive the other 50% of the conveyance tax.
7. We also support removing the cap of \$38 million which is now going into the Rental Housing Revolving Fund so that a full 50% of the conveyance taxes would go into this fund.

HHFDC really needs ALL the monies that it can get at this point in time to encourage developers to plan and execute appropriate housing at all levels of affordability. The certainty that funds will be available to subsidize affordable housing is a major hurdle for developers in even thinking about making plans. We need visionaries to plan, courageous legislators to commit the funds and a vibrant building community to make this happen.

Respectfully submitted,

Catherine Graham
Rev. Bob Nakata

From: Kenneth Akinaka <KenAkinaka@aol.com>
Sent: Monday, February 13, 2017 8:09 AM
To: HOU Testimony; Sen. Will Espero; senhirmoto@capitol.hawaii.gov
Cc: catgraham48@gmail.com; Bob Nakata, Rev., FACE, UMC Kakaluu
Subject: SB 1145, hearing Schuyler for 2/14/17 in Room 225

To: Senate Committee on Housing
Date: February 13, 2017
Place: Hawaii State Capitol – Room No. 225
Re: SB 1145, Relating to the Conveyance Tax
From: Kenneth Teruya Akinaka, MRA, Vice President, Waianae Cares

Testimony in Strong Support of SB 1145

To: and members of the Senate Committee on Housing.

My name is Kenneth Teruya Akinaka and I am with "Housing Now", a non-profit program of Faith Action for Community Equity. We urge you to pass SB 1145.

We need to invest in more affordable housing to help retain people who cannot afford to pay our increasing rents here in our state. We need to invest in our future to help keep our families together.

Too many of our adult children and relatives are being forced to leave Hawaii due to the high cost of living here. Others are being forced to live in their parents homes after they become adults because they cannot afford the market rents that continue to increase as our property values increase.

SB 1145 will help us to fund building more affordable rental houses and units to prepare for the increase in our population that is projected to increase to more than 2 million people in the near future. It is not uncommon to find that many of our local people are now working at more than one job in order to pay their rent or house their families. Many of the service jobs in the tourist industry, which is our primary source of employment, do not pay a living wage to support local people who were often born and raised here in Hawaii!

Please pass this bill to the Finance Committee(s) for further consideration. We really need affordable housing now to end this constant flow of people who continue to grow our homeless populations.

The lack of affordable housing is the most important issue in the Future of Hawaii. This problem will continue to grow unless important progressive steps are done now! I believe it is needed in order to end the increasing number of homeless who are living in tents lining many of our streets, sidewalks, beaches, parks and rural areas! Mahalo.

Sincerely,
Kenneth Teruya Akinaka, MRA
Vice President, Waianae Cares and
Founder and Retired Executive Director, Hepatitis Support Network of Hawaii
3254 Olu Street, Honolulu, HI 96816
808-221-6204
KenAkinaka@aol.com

To: Senate Committee on Housing

Date: February 13, 2017

Place: Hawaii State Capitol – Room No. 423

Re: SB 1145, Relating to the Conveyance Tax

Testimony in Strong Support

Senator Will Espero, Chair, Senator Breene Harimoto, Vice Chair, and members of the Senate Committee on Housing.

My name is Rev. Steven Costa and I am with Housing Now, a non-profit program of Faith Action for Community Equity, and a Deacon in the Episcopal Church of Hawaii, currently serving at St. Elizabeth's Episcopal Church. We urge you to pass **SB 1145**.

The purpose of this bill is to help provide additional funds to address the severe shortage of affordable housing here in Hawaii, by increasing our real estate tax rates for properties with a value of \$2million or more. This will help affordable housing and the state's treasury.

Please pass this bill to the Finance Committee for further consideration. We really need affordable housing now! Mahalo.

Respectfully submitted by

Rev. Steven Costa, 98-402 Koauka Loop #1802, Aiea, HI 96701, thnxkeakua@gmail.com

To: Senate Committee on Housing
Date: February 10, 2017
Place: Hawaii State Capitol – Room No. 225
Re: SB1145, Relating to the Conveyance Tax

Testimony in Strong Support

Senator Will Espero, Chair; Senator Breene Harimoto, Vice-Chair, and members of the Senate Committee on Housing.

My name is Ellen Godbey Carson and I am with Housing Now, a non-profit program of Faith Action for Community Equity. **I urge you to pass SB1145, with amendments.**

The purpose of this bill is to help provide additional funds to address the severe shortage of affordable housing here in Hawaii, by increasing our real estate tax rates by 5 cents per \$100.00 for exempt properties. This will help affordable housing and the state's treasury.

I urge you to amend property tax rates in SB1145 for properties over \$2,000,000, to be:

\$2.00 per \$100 for properties with a value of \$2,000,000 - \$4,000,000;

\$3.00 per \$100 for properties with a value of \$4,000,000 - \$6,000,000;

\$4.00 per \$100 for properties with a value of \$6,000,000 - \$10,000,000; and

\$5.00 per \$100 for properties with a value of \$10,000,000 or greater.

The modest increase (5 cents per \$100, i.e, 0.5%) sought by the current SB1145 creates an unfairly LOW rate for multimillion dollar properties. Hawaii taxes most consumer transactions 4% to 10% (for goods, services and accommodations). Why do we allow our real estate property taxes to be so low (0.1% to 1.25%) on our most precious commodity – our land, when the sale of our real estate at such high prices creates our affordable housing problem, and sellers reap profits that go largely untaxed? Shouldn't people engaging in high-end property transactions pay their fair share in taxes, at least comparable to our excise tax, to help address our state's financial and housing needs? There is a clear nexus between profits earned on these high-end real estate transactions and the lack of housing for our working families. Sellers of properties over \$2,000,000 have ample means to pay these higher rates at the time of sale, without creating undue burdens for lesser priced properties.

Please pass this bill. We really need affordable housing now! Mahalo.

Respectfully submitted by

Ellen Godbey Carson, 1080 S. Beretania St, GPH2, Honolulu, HI 96814, egcarson@icloud.com

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 13, 2017 2:28 PM
To: HOU Testimony
Cc: btkcharlton@gmail.com
Subject: Submitted testimony for SB1145 on Feb 14, 2017 15:00PM

SB1145

Submitted on: 2/13/2017

Testimony for HOU on Feb 14, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Beth Charlton	Housing Now	Support	Yes

Comments: February 13, 2017, 2017 RE: In support of SB 1145 – Conveyance Tax Dear Representative Brower and House Housing Committee Members, I support SB 1145 to raise the conveyance tax rate for the following reasons: 1. Hawaii is in a housing crisis with insufficient appropriate housing for local residents. More and more luxury condos are being built and bought by off-shore investors who can afford to pay a higher tax and have a moral obligation to support the community that they are investing in. 2. Our state is missing out on receiving more money from off-shore investors, and this is one way to recover some of those missing opportunities. 3. The state has shown it understands this nexus/close relationship between real estate sales and affordability, as it has for many years imposed a progressive tax on these conveyances, and has previously amended the RE Conveyance Tax law to devote a substantial portion of those tax revenues to the Rental Housing Revolving Fund. 4. The nexus (relationship) between the proposed RE Conveyance Tax and affordable housing is that the rising cost of housing in Hawaii is a major factor in why so many working people and families cannot afford housing here. Taxing real estate conveyances, particularly at progressively higher tax rates, generates state funds to address the problems of affordability of housing and homelessness, both of which are exacerbated by our high cost of housing. Imposing higher tax rates on higher priced properties may also create a mild dis-incentive for even higher prices on those properties. 5. Our research shows that in 2016, just taking into account Oahu single family home sales over \$2,000,000, using the percentages in this bill, the conveyance tax would bring in an additional \$18 million. This does NOT take into account neighbor island sales, commercial real estate sales and leases or new construction sales state-wide. The increase of monies to the conveyance tax by this bill would be a very handsome sum. The Department of Taxation would be able to give a more accurate accounting. 6. This increase in the conveyance tax would not only increase the amount of money going to affordable housing, but also would increase the amount of money going to those programs that receive the other 50% of the conveyance tax. 7. We also support removing the cap of \$38 million which is now going into the Rental Housing Revolving Fund so that a full 50% of the conveyance taxes would go into this fund. HHFDC needs ALL the monies that it can get to encourage developers to plan and execute appropriate housing at all levels of affordability. The certainty that funds will be available to subsidize affordable housing is a major hurdle for developers in even thinking about making plans. We need visionaries to plan, courageous legislators to commit the funds and a vibrant building community to make this happen. Respectfully submitted, Beth Charlton btkcharlton@gmail.com

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SB1145

Submitted on: 2/13/2017

Testimony for HOU on Feb 14, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Margaret Graybill	FACE	Comments Only	Yes

Comments: There needs to be a reliable stream of money to build or improve affordable housing for the working poor. Otherwise, developers will never commit to building/renovating it. It also needs to be done now in order to even begin to catch up with the current population. This is also a great way to create that stream without taxing the middle class or poor.

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SB1145

Submitted on: 2/13/2017

Testimony for HOU on Feb 14, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Joyce Midori Charles	Individual	Support	No

Comments: Housing Now! members and allies are volunteers working for affordable housing. We have deep compassion for the homeless communities and for the 78% of the population living paycheck-to-paycheck. We are terrified at the numbers in our communities who could easily become homeless. We watch with unease the building and selling of luxury housing units. Let us all take care of the least among us.

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