

SB2188

Measure Title: RELATING TO THE CONVEYANCE TAX.

Report Title: Maui County Package; Conveyance Tax; Affordable Housing
Establishes an additional conveyance tax rate for the sale of certain condominiums or single family residences.

Description: Requires that the revenue collected in each county from the additional conveyance tax rate be allocated to the respective county's affordable housing fund. Sunset 6/30/2023.

Companion: [HB1683](#)

Package: County of Maui

Current Referral: CPH, WAM

Introducer(s): KOUCHI (Introduced by request of another party)



**STATE OF HAWAII
DEPARTMENT OF TAXATION**

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To: The Honorable Rosalyn H. Baker
and Members of the Senate Committee on Commerce, Consumer Protection, and Health

Date: Wednesday, February 7, 2018
Time: 10:00 A.M.
Place: Conference Room 229, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 2188, Relating to the Conveyance Tax

The Department of Taxation (Department) offers the following comments on S.B. 2188 for the Committee's consideration.

Section 1 of S.B. 2188 imposes an additional 1% conveyance tax on condominiums and single family residences with a value of more than \$2,000,000. The resulting effective tax rates for condominiums and single family residences for which the purchaser is eligible for a county homeowner's exemption are as follows:

Value of Property	Proposed Rate	Current Rate
\$2,000,000 less than \$4,000,000	\$1.50 per \$100	\$.50 per \$100
\$4,000,000 less than \$6,000,000	\$1.70 per \$100	\$.70 per \$100
\$6,000,000 less than \$10,000,000	\$1.90 per \$100	\$.90 per \$100
\$10,000,000 or greater	\$2.00 per \$100	\$1.00 per \$100

The resulting effective tax rates for condominiums and single family residences for which the purchaser is ineligible for a county homeowner's exemption are as follows:

Value of Property	Proposed Rate	Current Rate
\$2,000,000 less than \$4,000,000	\$1.60 per \$100	\$.60 per \$100
\$4,000,000 less than \$6,000,000	\$1.85 per \$100	\$.85 per \$100
\$6,000,000 less than \$10,000,000	\$2.10 per \$100	\$1.10 per \$100
\$10,000,000 or greater	\$2.25 per \$100	\$1.25 per \$100

Section 2 of this bill allocates 100% of the revenue from the additional tax rate to the revolving affordable housing fund of the county where the property is located. Additionally, the

bill limits the use of the revenue to specific uses related to purchase, planning, design, and construction of housing; making grants or loans to nonprofits such as community land trusts; and investment in public infrastructure.

The Department is able to administer the changes proposed by this bill, but requests the effective date of the tax rate changes made by section 1 of the bill 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.



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February 7, 2018

The Honorable Rosalyn H. Baker, Chair

Senate Committee on Commerce, Consumer Protection and Health
State Capitol, Room 229
Honolulu, Hawaii 96813

RE: Senate Bill 2188 Relating to the Conveyance Tax

HEARING: Wednesday, February 7, 2018, at 10:00 a.m.

Aloha Chair Baker, Vice Chair Tokuda, and Members of the Committee,

I am Ken Hiraki, Government Affairs Director, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 9,500 members. HAR **strongly opposes** Senate Bill 2188 which establishes an additional conveyance tax rate for the sale of certain condominiums or single family residences. Requires that the revenue collected in each county from the additional conveyance tax rate be allocated to the respective county's affordable housing fund. Sunset 6/30/2023.

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 for condominiums and single-family residences:

Property Value:	Current Rate:	Proposed Rate:	Rate Increase:	In Dollars (rounded):
\$2 mil - \$3.99 mil	50 cents per \$100	\$1.50 per \$100	200%	\$60,000 (\$3.99 mil property)
\$4 mil - \$5.99 mil	70 cents per \$100	\$1.70 per \$100	142.85%	\$102,000 (\$5.99 mil property)
\$6 mil - \$9.99 mil	90 cents per \$100	\$1.90 per \$100	111.11%	\$190,000 (\$9.99 mil property)
\$10 mil +	\$1.00 per \$100	\$2.00 per \$100	100%	\$200,000 (\$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:	Rate Increase:	In Dollars (rounded):
\$2 mil - \$3.99 mil	60 cents per \$100	\$1.60 per \$100	166.66%	\$64,000 (\$3.99 mil property)
\$4 mil - \$5.99 mil	85 cents per \$100	\$1.85 per \$100	117.64%	\$111,000 (\$5.99 mil property)
\$6 mil - \$9.99 mil	\$1.10 per \$100	\$2.10 per \$100	90.91%	\$210,000 (\$9.99 mil property)
\$10 mil +	\$1.25 per \$100	\$2.25 per \$100	80%	\$225,000 (\$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 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.

While HAR supports the counties affordable housing initiatives, we strongly oppose increasing the Conveyance Tax to do so.

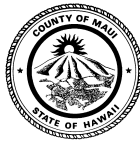
Mahalo for the opportunity to testify.

Council Chair
Mike White

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Stacy Crivello


Councilmembers
Alika Atay
Elle Cochran
Don S. Guzman
Riki Hokama
Kelly T. King
Yuki Lei K. Sugimura



COUNTY COUNCIL
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February 6, 2018

TO: The Honorable Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection, and Health

FROM: Mike White
Council Chair 

SUBJECT: **HEARING OF FEBRUARY 7, 2018; TESTIMONY IN SUPPORT OF SB 2188, RELATING TO THE CONVEYANCE TAX**

Thank you for the opportunity to testify in support of this important measure. The purpose of this bill is to establish an additional conveyance tax rate for the sale of certain condominiums or single family residences and allocate the revenue collected in each county from the additional conveyance tax rate to the respective county's affordable housing fund.

This measure is included in the Maui County Legislative Package. Therefore, I offer this testimony on behalf of the Maui County Council.

I **support** this measure for the following reasons:

1. In each of the four counties, creating additional affordable housing units is a top priority. Demand is far outpacing supply and creative solutions and resources are needed for each county to uniquely address the dire shortage of housing.
2. Placing a conveyance tax on properties over \$2 million in value is a new way to generate additional revenue. Since the value is relatively high compared to average home prices, the transactions are not likely to adversely impact owners or working families.
3. Without a drastic change in the way affordable housing is supported, the ongoing housing supply crises will not be resolved. This proposal adds another tool to supplement the counties current efforts and will help to purchase existing housing units and other interests in real property; allow for the planning, design, or construction of housing units; allow for grants or loans to nonprofit organizations, including community land trusts; and allow for investment in public infrastructure.

For the foregoing reasons, I strongly **support** this measure.

Council Chair
Mike White

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Stacy Crivello

Councilmembers
Alika Atay
Elle Cochran
Don S. Guzman
Riki Hokama
Kelly T. King
Yuki Lei K. Sugimura



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February 6, 2018

TO: The Honorable Rosalyn H. Baker , Chair
Senate Committee on Commerce, Consumer Protection, and Health

FROM: Robert Carroll 
Councilmember, East Maui

DATE: February 6, 2018

SUBJECT: **HEARING OF FEBRUARY 7, 2018; TESTIMONY IN SUPPORT OF SB 2188, RELATING TO THE CONVEYANCE TAX**

Thank you for the opportunity to testify in support of this important measure. The purpose of this bill is to establish an additional conveyance tax rate for the sale of certain condominiums or single family residences and allocate the revenue collected in each county from the additional conveyance tax rate to the respective county's affordable housing fund. My following comments explain my rationale for approval.

At present, demand for housing in each county is overwhelming the available supply, we are in desperate need of creative and innovative solutions to this dilemma. A conveyance tax on properties valued at \$2 million and over is a new way to generate revenue. And finally, this proposal adds another tool to supplement the counties current efforts to construct and purchase existing housing units, allow grants or loans to nonprofit organizations that specialize in housing endeavors, and allow for investment in accompanying public infrastructure.

I support SB 2188 and urge you to approve this measure.