

JAN 17 2019

A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

1 SECTION 1. Section 247-2, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~§247-2~~ **Basis and rate of tax.** The tax imposed by section
4 247-1 shall be based on the actual and full consideration
5 (whether cash or otherwise, including any promise, act,
6 forbearance, property interest, value, gain, advantage, benefit,
7 or profit), paid or to be paid for all transfers or conveyance
8 of realty or any interest therein, that shall include any liens
9 or encumbrances thereon at the time of sale, lease, sublease,
10 assignment, transfer, or conveyance, and shall be at the
11 following rates:

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

13 (A) [~~Ten cents per \$100 for~~] For properties with a
14 value of less than \$600,000 [~~+~~]: 10 cents per
15 \$100;



S.B. NO. 13

- 1 (B) ~~[Twenty cents per \$100 for]~~ For properties with a
2 value of at least \$600,000, but less than
3 \$1,000,000 [~~+~~]: 20 cents per \$100;
- 4 (C) ~~[Thirty cents per \$100 for]~~ For properties with a
5 value of at least \$1,000,000, but less than
6 \$2,000,000 [~~+~~]: 30 cents per \$100;
- 7 (D) ~~[Fifty cents per \$100 for]~~ For properties with a
8 value of at least \$2,000,000, but less than
9 \$4,000,000 [~~+~~]: \$1.50 per \$100;
- 10 (E) ~~[Seventy cents per \$100 for]~~ For properties with
11 a value of at least \$4,000,000, but less than
12 \$6,000,000 [~~+~~]: \$2.50 per \$100;
- 13 (F) ~~[Ninety cents per \$100 for]~~ For properties with a
14 value of at least \$6,000,000, but less than
15 \$10,000,000 [~~+~~]: \$3.50 per \$100; and
- 16 (G) ~~[One dollar per \$100 for]~~ For properties with a
17 value of \$10,000,000 or greater [~~+~~]: \$4.50 per
18 \$100; and
- 19 (2) For the sale of a condominium or single family
20 residence for which the purchaser is ineligible for a
21 county homeowner's exemption on property tax:



S.B. NO. 13

- 1 (A) ~~[Fifteen cents per \$100 for]~~ For properties with
2 a value of less than \$600,000 [~~+~~]: 15 cents per
3 \$100;
- 4 (B) ~~[Twenty five cents per \$100 for]~~ For properties
5 with a value of at least \$600,000, but less than
6 \$1,000,000 [~~+~~]: 25 cents per \$100;
- 7 (C) ~~[Forty cents per \$100 for]~~ For properties with a
8 value of at least \$1,000,000, but less than
9 \$2,000,000 [~~+~~]: 40 cents per \$100;
- 10 (D) ~~[Sixty cents per \$100 for]~~ For properties with a
11 value of at least \$2,000,000, but less than
12 \$4,000,000 [~~+~~]: \$2 per \$100;
- 13 (E) ~~[Eighty five cents per \$100 for]~~ For properties
14 with a value of at least \$4,000,000, but less
15 than \$6,000,000 [~~+~~]: \$3 per \$100;
- 16 (F) ~~[One dollar and ten cents per \$100 for]~~ For
17 properties with a value of at least \$6,000,000,
18 but less than \$10,000,000 [~~+~~]: \$4 per \$100; and
- 19 (G) ~~[One dollar and twenty five cents per \$100 for]~~
20 For properties with a value of \$10,000,000 or
21 greater [~~+~~]: \$5 per \$100,



S.B. NO. 13

1 of such actual and full consideration; provided that in the case
2 of a lease or sublease, this chapter shall apply only to a lease
3 or sublease whose full unexpired term is for a period of five
4 years or more, and in those cases, including [~~+~~], where
5 appropriate[~~+~~], those cases where the lease has been extended or
6 amended, the tax in this chapter shall be based on the cash
7 value of the lease rentals discounted to present day value and
8 capitalized at the rate of six per cent, plus the actual and
9 full consideration paid or to be paid for any and all
10 improvements, if any, that shall include on-site as well as off-
11 site improvements, applicable to the leased premises; and
12 provided further that the tax imposed for each transaction shall
13 be [~~net~~] no less than \$1."

14 SECTION 2. Section 247-3, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§247-3 Exemptions.** The tax imposed by section 247-1
17 shall not apply to:

- 18 (1) Any document or instrument that is executed prior to
19 January 1, 1967;
- 20 (2) Any document or instrument that is given to secure a
21 debt or obligation;



S.B. NO. 13

- 1 (3) Any document or instrument that only confirms or
2 corrects a deed, lease, sublease, assignment,
3 transfer, or conveyance previously recorded or filed;
- 4 (4) Any document or instrument between husband and wife,
5 reciprocal beneficiaries, or parent and child, in
6 which only a nominal consideration is paid;
- 7 (5) Any document or instrument in which there is a
8 consideration of \$100 or less paid or to be paid;
- 9 (6) Any document or instrument conveying real property
10 that is executed pursuant to an agreement of sale, and
11 where applicable, any assignment of the agreement of
12 sale, or assignments thereof; provided that the taxes
13 under this chapter have been fully paid upon the
14 agreement of sale, and where applicable, upon such
15 assignment or assignments of agreements of sale;
- 16 (7) Any deed, lease, sublease, assignment of lease,
17 agreement of sale, assignment of agreement of sale,
18 instrument or writing in which the United States or
19 any agency or instrumentality thereof or the State or
20 any agency, instrumentality, or governmental or



S.B. NO. 13

1 political subdivision thereof are the only parties
2 thereto;

3 (8) Any document or instrument executed pursuant to a tax
4 sale conducted by the United States or any agency or
5 instrumentality thereof or the State or any agency,
6 instrumentality, or governmental or political
7 subdivision thereof for delinquent taxes or
8 assessments;

9 (9) Any document or instrument conveying real property to
10 the United States or any agency or instrumentality
11 thereof or the State or any agency, instrumentality,
12 or governmental or political subdivision thereof
13 pursuant to the threat of the exercise or the exercise
14 of the power of eminent domain;

15 (10) Any document or instrument that solely conveys or
16 grants an easement or easements;

17 (11) Any document or instrument whereby owners partition
18 their property, whether by mutual agreement or
19 judicial action; provided that the value of each
20 owner's interest in the property after partition is



S.B. NO. 13

- 1 equal in value to that owner's interest before
2 partition;
- 3 (12) Any document or instrument between marital partners or
4 reciprocal beneficiaries who are parties to a divorce
5 action or termination of reciprocal beneficiary
6 relationship that is executed pursuant to an order of
7 the court in the divorce action or termination of
8 reciprocal beneficiary relationship;
- 9 (13) Any document or instrument conveying real property
10 from a testamentary trust to a beneficiary under the
11 trust;
- 12 (14) Any document or instrument conveying real property
13 from a grantor to the grantor's revocable living
14 trust, or from a grantor's revocable living trust to
15 the grantor as beneficiary of the trust;
- 16 (15) Any document or instrument conveying real property, or
17 any interest therein, from an entity that is a party
18 to a merger or consolidation under chapter 414, 414D,
19 415A, 421, 421C, 425, 425E, or 428 to the surviving or
20 new entity;



S.B. NO. 13

- 1 (16) Any document or instrument conveying real property, or
2 any interest therein, from a dissolving limited
3 partnership to its corporate general partner that
4 owns, directly or indirectly, at least a ninety per
5 cent interest in the partnership, determined by
6 applying section 318 (with respect to constructive
7 ownership of stock) of the federal Internal Revenue
8 Code of 1986, as amended, to the constructive
9 ownership of interests in the partnership; [~~and~~
10 ~~]~~ (17) [~~+~~] Any document or instrument that conforms to the
11 transfer on death deed as authorized under chapter
12 527 [~~-~~]; and
13 (18) Any document or instrument conveying real property
14 subject to a government assistance program qualified
15 by the Hawaii housing finance and development
16 corporation and administered or operated by the State,
17 the corporation, the United States, or any of their
18 political subdivisions, agencies, or
19 instrumentalities, corporate or otherwise, which may
20 be used to effectuate housing development and



1 acquisition for the provision of affordable housing
2 for qualified persons in the State."

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

5 "§247-7 **Disposition of taxes.** All taxes collected under
6 this chapter shall be paid into the state treasury to the credit
7 of the general fund of the State, to be used and expended for
8 the purposes for which the general fund was created and exists
9 by law; provided that of the taxes collected each fiscal year:

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

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

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

18 SECTION 5. This Act shall take effect on July 1, 2019.

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INTRODUCED BY:

 b/r



S.B. NO. 13

Report Title:

Real Estate Conveyance Tax; Rate; Disposition; Affordable Housing Exemption; Rental Housing Revolving Fund

Description:

Increases the rate of real estate conveyance tax for properties with a value of at least \$2,000,000. Amends the calculation for the amount of conveyance taxes to be deposited into the rental housing revolving fund. Exempts from conveyance taxes documents and instruments conveying real property subject to a government assistance program and used for the provision of affordable housing for qualified persons in the State.

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