



STATE OF HAWAII
DEPARTMENT OF TAXATION
830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813
<http://tax.hawaii.gov/>
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, February 11, 2019
Time: 10:00 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 1362, Relating to the Conveyance Tax

The Department of Taxation (Department) appreciates the intent of S.B. 1362 and provides the following comments for the Committee's consideration.

S.B. 1362 raises conveyance tax rates on investment properties and adds a new exemption for certain properties subject to qualified government assistance programs relating to affordable housing. A summary of key provisions are as follows:

- Amends section 247-2, Hawaii Revised Statutes (HRS), to increase conveyance tax rates on properties for which the purchaser is ineligible for a county homeowner's exemption of property tax:
 - From sixty cents per \$100 to one dollar per \$100 for properties with a value of at least \$2,000,000 but less than \$4,000,000;
 - From eighty-five cents per \$100 to two dollars per \$100 for properties with a value of at least \$4,000,000 but less than \$6,000,000;
 - From one dollar and ten cents per \$100 to three dollars per \$100 for properties with a value of at least \$6,000,000 but less than \$10,000,000; and
 - From one dollar and twenty-five cents per \$100 to four dollars per \$100 for properties with a value of \$10,000,000 or greater.
- Amends section 247-3, HRS, to exempt from the conveyance tax any document or instrument conveying real property subject to a government assistance program qualified by the Hawaii Housing Finance and Development Corporation (HHFDC) and administered or operated by the State, the Corporation, the United States, or any of their political subdivisions, agencies, or instrumentalities, which may be used to effectuate housing development and acquisition for the provision of affordable housing for qualified persons in the State; and
- Effective July 1, 2019.

First, the Department notes that this measure adds an exemption to the conveyance tax for property subject to an HHFDC-qualified government assistance program that is administered or operated by the federal or state government. The Department defers to the HHFDC on the merits of this provision, but notes that the existing conveyance tax exemptions are categorical in nature and this would be the first policy-based exemption from the conveyance tax. The Department acknowledges the critical need for low-income and affordable housing, but asks that the Legislature pay careful attention to other conveyance tax exemption proposals that may follow.

Second, the Department notes that the phrase "may be used to effectuate housing development and acquisition for the provision of affordable housing for qualified persons in the State" is unclear and would make this exemption extremely difficult to administer. The Department recommends defining the phrases "may be used to effectuate," "affordable housing," and "qualified persons."

Finally, the Department also notes that the July 1, 2019 effective date for the measure may not provide enough time for the Department to update its forms and instructions, or to provide notice to the public of the change in rates or the new exemption. Accordingly, the Department respectfully requests that the effective date of the bill be changed to January 1, 2020, to allow sufficient time to accomplish these tasks.

Thank you for the opportunity to provide comments.

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 WAYS AND MEANS

February 11, 2019 at 10:00 a.m.
State Capitol, Room 211

In consideration of
S.B. 1362
RELATING TO THE CONVEYANCE TAX.

The HHFDC *offers the following comments* on S.B. 1362. We appreciate the intent of this bill, which increases the conveyance tax rates, and exempts from conveyance taxes the transfer of real property subject to a government assistance program to provide affordable housing. The net result of this proposal would be to provide additional resources that may be used to finance affordable rental housing for low-income households without increasing the fixed costs of such housing.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Tax Hike, Exemption for Affordable Housing

BILL NUMBER: SB 1362

INTRODUCED BY: DELA CRUZ

EXECUTIVE SUMMARY: Raises the conveyance tax rates for residential investment properties with a value of at least \$2,000,000. Exempts affordable housing qualified by the Hawaii Housing Finance and Development Corporation from the conveyance tax.

SYNOPSIS: Amends section 247-2, HRS, to raise the conveyance tax rates 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	1.00
\$4,000,000	0.85	2.00
\$6,000,000	1.10	3.00
\$10,000,000	1.25	4.00

Amends section 247-3, HRS, to exempt 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.

EFFECTIVE DATE: July 1, 2019.

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. Because 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.

This bill proposes to raise conveyance tax rates yet again.

Digested 2/5/2019



February 5, 2019

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Senate Committee on Ways and Means

Comments, Concerns and Opposition to SB 1362, Relating to the Conveyance Tax (Increases the conveyance tax rates for residential investment properties with a value of at least \$2,000,000; exempts affordable housing qualified by the Hawaii Housing Finance and Development Corporation from the conveyance tax.)

Monday, February 11, 2019, at 10:00 a.m., in Conference Room 211

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide **comments, concerns and opposition** to this bill.

SB 1362. Because this bill does not contain a purpose clause, it must be presumed that the measure is intended as a method to generate revenue. A further presumption is made that the drafters of the bill intend that such revenue will be paid into the state treasury to the credit of the general fund of the State. To effectuate this presumed purpose, SB 1362 proposes to increase the rate of real estate conveyance tax for residential investment properties with a value of at least \$2,000,000.

LURF's Position. The proposed increase of the conveyance tax rate for the sale of certain properties is inappropriate, improper, and illegal, given the following:

¹ Further opposition to SB 1362 may be warranted but shall be reserved until the actual purpose of the measure and details regarding disposition and use of the revenues to be collected are disclosed, as is proper and appropriate for any proposed bill for which the intended purpose is to generate revenue.

1. The Hawaii Conveyance Tax was never intended as a revenue-generating tax.

Hawaii Revised Statutes (“HRS”), Chapter 247 (Conveyance Tax), was purposefully enacted in 1966 to provide the State Department of Taxation (“DoTax”) with informational data for the determination of market value of properties transferred, and to assist the DoTax in establishing real property assessed values. In short, the sole intent of the conveyance tax was originally to cover the administrative costs of collecting and assessing said informational data, which necessarily entails the recording of real estate transactions, as performed by the Bureau of Conveyances.

Since the enactment of HRS Chapter 247, however, the State Legislature has proposed, and has successfully implemented changes to the law 1) to allow application of conveyance tax revenue to a number of non-conveyance type uses (land conservation fund; rental housing trust fund; and natural area reserve fund) to the point where there is no longer any clear nexus between the benefits sought by the original Act and the charges now proposed to be levied upon property-holding entities transferring ownership; and 2) also to increase the tax rates to the point where said revenues now appear to far exceed the initially stated purpose of the Act.

These expansions and deviations which go beyond the scope of the original intent of the conveyance tax law are concerning since the proposed bills, particularly if unlawfully targeting certain types of transactions or property owners, could be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.

2. Other legal and voluntary alternatives may be available to increase the general fund.

In lieu of improperly imposing increases of conveyance taxes to increase the State’s general fund, proponents of this bill are urged to look to other possible legitimate means to do so, including funding support through other state and county charges, fees or taxes.

Given that alternative methods to secure revenues exist, expansions and deviations of HRS Chapter 247 which go beyond the scope of the original intent of the conveyance tax law are concerning particularly if solely looked to as an additional source of funding for affordable housing, particularly if based on an increase of conveyance tax revenues applicable only to the transfer of what are considered to be “luxury” properties.

Understanding the importance of the conveyance tax issues raised by SB 1362, **LURF respectfully requests that this bill be deferred, or held by this Committee to**

allow stakeholders, including, but not limited to government agencies, the public, private landowners, legal experts and other interested parties to work together to come to a consensus regarding the bill's purpose, as well as alternatives to increasing the State's general fund perhaps through other broad-based supplemental funding by Hawaii's taxpayers and visitors.

Thank you for the opportunity to provide comments and concerns relating to this proposed measure.



Evelyn Hao
President

Rev. Won-Seok Yuh
Vice President-
Clergy

William Bekemeier
Vice President-
Laity

Jon Davidann
Treasurer

Deanna Espinas
Secretary

Christy MacPherson
Executive
Director

Soo San Schake
Organizing
Assistant

**TESTIMONY IN SUPPORT OF BILL SB1362,
WITH REQUEST FOR AMENDMENTS**

To the Senate Committee on Ways & Means
on February 11, 2019 at 10:00am
In Conference Room 211

Faith Action for Community Equity (formerly FACE) is a 23-year old grassroots, interfaith organization that includes 18 churches and temples, a union (Local 5), housing association, health center and three advocacy organizations. Faith Action is driven by a deep spiritual commitment to improve the quality of life for our members and all people of Hawaii. We strive to address issues of social justice at all levels of government.

We support this bill, with the following 2 amendments requested:

(1) remove the current \$38 million cap in Haw. Rev. Stat. 247-7(2) so 50% of all conveyance tax revenues will flow into the Rental Housing Revolving Fund (RHRF) for affordable housing; and

(2) increase the Conveyance Tax on all properties of \$2 million or more, in the amounts shown below.

Hawaii is in a housing crisis. We need affordable housing for working families and local residents. We should not allow our high-end real estate to be sold for \$2 million or more with such low tax return to the state, when these high-end sales help fuel our affordable housing crisis. Sellers of high-end real estate (many of whom are off-shore investors) are not paying their fair tax share. This bill should be amended to increase taxes for conveyances of all properties of \$2 million or more under Haw. Rev. Stata. 247-2, and should not be limited to only residences that are not owner-occupied.

Current conveyance tax rates for commercial properties, for example, are only 0.50% to 1.0% for \$2 million to \$20 million properties, respectively. By contrast, our state's poor face the nation's second-largest tax burden, and pay regressive taxes of 4.5% to 10%+ for virtually all their goods and services.

The state has shown it understands the nexus (close relationship) between real estate conveyances and housing affordability. Our laws have imposed a progressive tax on residential and commercial real property conveyances. For the past 25 years, our conveyance tax law has devoted a substantial percentage (25-50%) of all those tax proceeds to address affordable housing needs via the RHRF (which provides low-interest loans and grants to qualified owners and developers of affordable housing). This policy of progressive tax rates for commercial and residential properties is one of the few vehicles in our tax laws to try to lessen the unfair tax burdens imposed on our lower income residents. The current bill SB1362 increases taxes only for non-

homeowner residences, but fails to impose a similar fair allocation of higher tax rates on higher end transactions in our commercial and homeowner exempt properties. Those who have greater resources to pay should be required to pay a higher rate.

Accordingly, we seek amendments to the conveyance tax rates to reflect the same rates approved by the Senate Housing Committee and Ways and Means Committee in 2018 in SB2416, SD2, in the following amounts:

Transaction categories	Commercial and Homeowner exempt properties	Residential with No Homeowner exemption
	Current / Proposed	Current/Proposed
up to \$600k	0.10 / 0.10	0.15 / 0.15
600K to \$1 mill	0.20 / 0.20	0.25 / 0.25
\$1 mill - \$2 mill	0.30 / 0.30	0.40 / 0.40
\$2 mil - 4 mil	0.50 / 1.50	0.60 / 2.00
\$4 mil - 6 ml	0.70 / 2.50	0.85 / 3.00
\$6 mil - 10 mil	0.90 / 3.50	1.10 / 4.00
\$10 mil and over	1.00 / 4.50	1.25 / 5.00

The State Department of Taxation has calculated that the additional funds generated by these tax increases would provide over \$36,000,000 to the RHRF annually, and over \$17,000,000 to the General Fund. These additional tax revenues will help affordable housing and the state's treasury.

The removal of the \$38 million cap for the RHRF in Haw. Rev. Stat. 247-7(2) was approved via SB 1120 by the Senate Housing Committee on Feb. 7, 2019, and was also approved by the Senate Housing and Ways and Means Committees in 2018 via SB2416 SD2. We urge this bill be amended to remove this cap to help create more sustainable funds to go to RHRF for affordable housing.

For the foregoing reasons, Faith Action for Community Equity supports this bill but urges that it be passed with the above amendments

Respectfully submitted,

Faith Action for Community Equity



AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS			MAILING ADDRESS
John Bickel, President	Melodie Aduja	Ken Farm	Stephen O'Harrow	P.O. Box 23404
Alan Burdick, Vice President	Guy Archer	Chuck Huxel	Doug Pyle	Honolulu
Marsha Schweitzer, Treasurer	Juliet Begley	Jan Lubin		Hawai'i 96823
Dylan Armstrong, Secretary	Gloria Borland	Jenny Nomura		

Feb. 7 , 2018

TO: Honorable Chair Dela Cruz & WAM Committee Members

RE: SB 1362 RELATING TO THE CONVEYANCE TAX

Support for hearing on Feb. 11

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

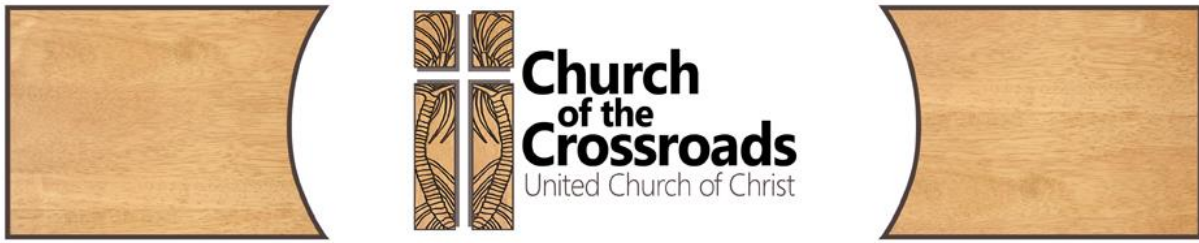
We support SB 1362 as it would raise the conveyance tax. This discourages the use of property as investments. Priority should be given to housing for residents and not for house flippers.

Thank you for your favorable consideration.

Sincerely,

John Bickel President





A Just Peace and Open and Affirming Congregation

TESTIMONY IN SUPPORT OF BILL SB1362, WITH REQUEST FOR AMENDMENTS

To the Senate Committee on Ways & Means, on February 11, 2019 at 10:00am
In Conference Room 211

The Church of the Crossroads was founded in 1922 as Hawaii's first intentionally multicultural church.

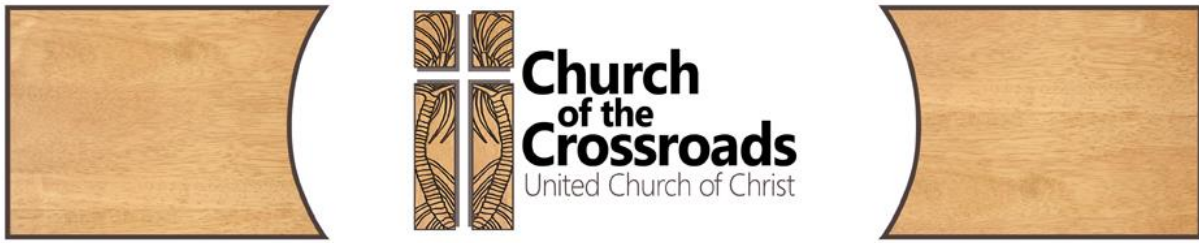
We support this bill, with the following 2 amendments requested:

- (1) remove the current \$38 million cap in HRS 247-2(2), so 50% of all conveyance tax revenues will flow into the Rental Housing Revolving Fund (RHRF) for affordable housing; and**
- (2) increase the Conveyance Tax on all properties of \$2 million or more, in the amounts shown below.**

Hawaii is in a housing crisis. We need affordable housing for working families and local residents, and need to remove the \$38 million cap on conveyance tax revenues flowing to the RHRF, currently in HRS 247-2(2). The removal of this \$38 million cap was approved by the Senate Housing Committee via SB 1120 on Feb. 7, 2019, and was also approved by the Senate Housing and Ways and Means Committees in 2018 via SB2416 SD2. Amending this bill to remove this cap will help create more sustainable funds to go to RHRF for affordable housing.

Our land is our state's most valuable asset. We should not allow high end real estate sales (\$2,000,000+) to occur with such low tax return to the state. Sellers of high end real estate are not paying their fair tax share. Current conveyance tax rates for commercial properties under this bill for example, are only 0.50% to 1.0% for \$2,000,000 to \$10,000,000+ properties, respectively. By contrast, our state's poor face the nation's second-largest tax burden, and pay regressive taxes of 4.5% to 10%+ for virtually all their goods and services.

The state has shown it understands the nexus (close relationship) between real estate conveyances, housing affordability and the RHRF. Since 1993, our conveyance laws have imposed a progressive tax on residential and commercial real property conveyances, with designation of a substantial percentage (currently 50%) of all those tax proceeds to flow to the RHRF to provide low-interest loans and grants to qualified owners and developers of affordable housing. Increasingly high property prices fuel our affordable housing crisis. The state's policy of progressive tax rates for commercial and residential properties is one of the few vehicles in



A Just Peace and Open and Affirming Congregation

our tax laws to help lessen the unfair tax burdens imposed on our lower income residents, while also providing a designated source to help fund affordable housing.

The current bill SB1362 increases taxes only for residential properties with no homeowner exemption. It fails to impose any similar fair allocation of increased tax rates on other real property transactions of \$2,000,000 more, especially for commercial properties. This will perpetuate our problem of the rich getting richer and the poor getting poorer. Those who have greater financial capability should be required to pay a higher rate.

Accordingly, we seek amendments to the conveyance tax rates to reflect the same rates approved by the Senate Housing Committee and Ways and Means Committee in 2018 in SB2416, SD2, in the following amounts:

Transaction categories	Commercial and Homeowner exempt properties Current / Proposed	Residential with No Homeowner exemption Current/Proposed
up to \$600k	0.10 / 0.10	0.15 / 0.15
600K to \$1 mill	0.20 / 0.20	0.25 / 0.25
\$1 mill - \$2 mill	0.30 / 0.30	0.40 / 0.40
\$2 mil - 4 mil	0.50 / 1.50	0.60 / 2.00
\$4 mil - 6 ml	0.70 / 2.50	0.85 / 3.00
\$6 mil - 10 mil	0.90 / 3.50	1.10 / 4.00
\$10 mil and over	1.00 / 4.50	1.25 / 5.00

The State Department of Taxation has calculated the additional funds from these tax increases would provide over \$36,000,000 to the RHRF annually, and over \$17,000,000 to the General Fund. These additional tax revenues will help affordable housing and the state’s treasury.

For the foregoing reasons, the Church of the Crossroads supports this bill but urges that it be passed with the above amendments.

TO : SENAT COMMITTEE ON WAYS
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C Keith-Agaran , Vice Chair

FROM: Eldon L. Wegner, Ph.D.

SUBJECT: SB 1362 Relating to the Conveyance Tax

HEARING: Monday, February 11, 2019, 10:00 am
Conference Room 211, Hawaii State Capitol

POSITION: As a member of Faith Action, I am writing as an individual but am a member of Faith Action. I am in support of the intent of this bill to increase the conveyance tax on properties valued in excess of \$2 million. However, I suggest the bill be amended to include the provisions proposed in SB 1120, namely:

1) Remove the current cap of \$35 million so that 50% of all conveyance tax revenues will flow into the Rental Housing Revolving Fund (RHRF) for affordable housing; and

2) increase the Conveyance Tax on all properties of \$2 million or more, in the amounts originally shown in SB1120.

Real property is our state's most valuable asset. While most property owners pay a conveyance tax from 4.5% to 10%, our current real estate conveyance tax rates range from only 0.1% to 1.25%, on expensive multi-million dollar and luxury properties. This bill proposes that people engaging in high-end property transactions pay a fair rate of taxation, at least comparable to our excise tax, to help address our state's dire housing needs. We should not be giving away potential state revenue to wealthy individuals and then making the claim that the state can't afford to solve our pressing housing problems.

We need solutions to our affordable housing crisis now!

Mahalo. Respectfully submitted by

Eldon L Wegner, PhD.
2333 Kapiolani Blvd #2413
Honolulu, HI 96826

SB-1362

Submitted on: 2/8/2019 12:39:53 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elizabeth Nelson	Individual	Support	No

Comments:

I support this bill with the following 2 amendments requested.

#1- remove current \$38 million cap in Hawaii Revised Statutes 247-7(2), so 50% of all conveyance tax revenues will flow to Rental Housing Revolving Funds for affordable housing

#2 - increase the Conveyance tax on all properties of \$2 million or more in the amounts originally shown in SB1120.

Thank you so much.

SB-1362

Submitted on: 2/8/2019 2:06:18 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Deanna Espinas	Individual	Support	No

Comments:

SB-1362

Submitted on: 2/8/2019 3:12:52 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lawrence S Franco	Individual	Support	No

Comments:

Dear Chair and committee members,

I support taxing properties over \$2m to use for the construction of rental housing for the residents of Hawaii. Housing for our local residents is critical when we hear that local people are leaving their land to find a reasonable cost for shelter in other states. This is crazy. We need to have those who can afford to pay \$2m for a home to provide housing for our local people. My family came from Madeira and Azores in the 1880's to find a better life and have made that life happen until now. Our children and grandchildren are leaving Hawaii because they cannot afford to live here primarily because of our housing cost.

I support this legislation and ask you all to help our local residents. Thanks.

SB-1362

Submitted on: 2/8/2019 4:35:04 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Steven Costa	Individual	Support	No

Comments:

Support, but with additional 2 amendments to increase revenues



**Testimony to the Senate Committee on Ways and Means
Monday, February 11, 2019 at 10:00 A.M.
Conference Room 211, State Capitol**

RE: SB 1362 RELATING TO THE CONVEYANCE TAX

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** SB 1362, which increases the rate of real estate conveyance tax for properties with a value of at least \$2,000,000. The bill also exempts certain affordable housing developments from conveyance taxes.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

The Conveyance Tax was created to cover the administrative costs of recording real estate transactions, such as those performed by the Bureau of Conveyance. We are opposed to this measure, because we do not believe that the conveyance tax is being used in a manner consistent with the purpose for which it was originally established.

Thank you for the opportunity to testify.

SB-1362

Submitted on: 2/8/2019 5:34:08 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Diane S. Martinson	Testifying for Faith Action for Community Equity	Comments	No

Comments:

My interest in SB1362 is for more funds to be made available for affordable housing. Therefore, I request and support this bill with the following two amendments:

(1) remove the current \$38 million cap in Haw. Rev. Stat. 247-7(2), so 50% of all conveyance tax revenues will flow into the Rental Housing Revolving Fund (RHRF) for affordable housing; and

(2) increase the Conveyance Tax on all properties of \$2 million or more, in the amounts originally shown in SB1120.

Thank you for your work in solving the affordable housing crisis in our state.



Board Members

President

Jason Okuhama
Managing Partner,
Commercial & Business Lending

Secretary

Marcus Kawatachi
Deputy Director,
Hawai'i Civil Rights Commission

Trina Orimoto

Clinical & Research
Psychologist

Kaipo Kukahiko

Executive Director,
KEY Project

Miwa Tamanaha

Deputy Director,
Kua'āina Ulu 'Auamo

HACBED Staff

Brent N. Kakesako

Executive Director

Keoki Noji

Chief Operating Officer

Athena T. Esene

Bookkeeper & Office Manager

Foley Pfalzgraf

Program Specialist

Chelsie Onaga

AmeriCorps VISTA

Date: February 9, 2019

To: Senator Donovan M. Dela Cruz, Chair, Senator Gilbert S.C. Keith-Agaran, Vice-Chair, and members of the Committee on Ways and Means

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Support for SB1362, with amendments

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB1362 with amendments to remove the \$38 million cap for the Rental Housing Revolving Fund and increase the Conveyance Tax on all properties of \$2 million or more, which would help many economically struggling families in Hawai'i to find affordable housing.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. HACBED also facilitated the Family & Individual Self-Sufficiency Program (FISSP) from 2008-2016, which administered the Internal Revenues Services' Volunteer Income Tax Assistance (VITA) program as a part of its larger asset building and financial education initiatives for needy families.

The Department of Business, Economic Development and Tourism's latest Self-Sufficiency Income Standard Family Economic Self-Sufficiency Income Standard (2016) depicts the obstacles that Hawai'i families are facing. The Standard measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 31.7% of families with two adults and two children;
- 50.8% of single-adult families with children.

The passage of SB1362, if amended to remove the \$38 million cap for the Rental Housing Revolving Fund and increase the Conveyance Tax on all properties of \$2 million or more, would go a long way to supplement the needs of vulnerable families by increasing affordable housing options.

Mahalo for this opportunity to testify,

Brent N. Kakesako

Executive Director

February 11, 2019

The Honorable Donovan Dela Cruz, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 1362 Relating to the Conveyance Tax

HEARING: Monday, February 11, 2019, at 10:00 a.m.

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee,

I am Ken Hiraki Government Affairs Director, testifying 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 **strongly opposes the portion of** Senate Bill 1362 which increases the rate of real estate conveyance tax for properties with a value of at least \$2,000,000.

Additionally, this measure exempts affordable housing qualified by the Hawaii Housing Finance and Development Corporation from the conveyance tax.

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 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 <i>Per \$100</i>	Proposed Rate: <i>Per \$100</i>	% Tax Increase	Current Tax Rate in Dollars	Proposed Tax Rate in Dollars (rounded)
\$2 mil - \$3.99 mil	\$0.60	\$1.00	66.67%	\$20,000 (\$3.99 mil property)	\$40,000 (\$3.99 mil property)
\$4 mil - \$5.99 mil	\$0.85	\$2.00	135.29%	\$42,000 (\$5.99 mil property)	\$120,000 (\$5.99 mil property)
\$6 mil - \$9.99 mil	\$1.10	\$3.00	172.72%	\$90,000 (\$9.99 mil property)	\$300,000 (\$9.99 mil property)
\$10 mil +	\$1.25	\$4.00	220%	\$100,000 (\$10 mil property)	\$400,000 (\$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.

Additionally, 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.

Mahalo for the opportunity to testify.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

COMMITTEE ON WAYS AND MEANS

MONDAY, 2/11/19, 10 am, Room 211
SB1362, RELATING TO THE CONVEYANCE TAX

TESTIMONY

Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair DELA CRUZ, Vice-Chair KEITH-AGARAN and Committee Members:

The League of Women Voters of Hawaii **supports SB1362** that increases the Conveyance Tax on residential investment properties worth \$2,000,000 or more. SB1362 also exempts qualified affordable housing from the Conveyance Tax.

This measure would address the huge and growing inequality in income and wealth between a small, wealthy part of the population and a much larger and poorer part of the population. We probably don't need to cite evidence for this concern, but according to the Annual Report of the United Health foundation, Hawaii's income inequality measured by the GINI index increased for the third year in a row in 2018. According to the Economic Policy Institute, the average annual income of the top 1% of earners in Hawaii was over \$797,000, while the average income of the bottom 99% was just under \$58,000 (see <http://www.epi.org/multimedia/unequal-states-of-america/##Hawaii>).

SB1362 would address this problem by taxing transfers of very high value properties at much higher levels than is currently done. Taxes on lower end properties would remain unchanged. This would redress some of the regressive aspects of taxation in Hawaii.

In addition, the increased tax revenue is badly needed for several critically important state responsibilities, e.g. addressing sea-level rise impacts on coastal infrastructure and private property, funding obligations due to state employee retirement and health benefits, providing safe housing for our unhoused population, etc.

Please support SB1362.

Thank you for the opportunity to submit testimony.

SB-1362

Submitted on: 2/10/2019 9:38:24 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeff Gilbreath	Testifying for Hawaiian Community Assets	Support	No

Comments:

Our organization supports SB1362 with amendments with the following two amendments:

(1) remove the current \$38 million cap in Haw. Rev. Stat. 247-7(2), so 50% of all conveyance tax revenues will flow into the Rental Housing Revolving Fund (RHRF) for affordable housing; and

(2) increase the Conveyance Tax on all properties of \$2 million or more, in the amounts originally shown in SB1120.

LATE

SB-1362

Submitted on: 2/10/2019 6:03:09 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Galen Fox	Testifying for FAITH ACTION	Comments	Yes

Comments:

Unlike SB 1120, SB1362 does NOT lift the \$38 million cap on the Rental Housing Revolving Fund. Plus, this bill is 1% lower on all new tax rates than the SB1120 that passed out of the Senate Housing Committee. Under SB1362, the Rental Housing Revolving Fund would see no new funding above the \$38 million cap.

Please amend SB1362 to bring it in line with SB1120 (the original, not the SD1 version).

LATE

SB-1362

Submitted on: 2/11/2019 1:25:44 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert H Stiver	Individual	Support	No

Comments:

I support SB1362--with amendments along these lines:

(1) remove the current \$38 million cap in Haw. Rev. Stat. 247-7(2), allowing 50% of all conveyance tax revenues to flow into the Rental Housing Revolving Fund (RHRF) for affordable housing; and

(2) increase, to the amounts originally included in SB1120, the Conveyance Tax on all properties of \$2 million or more.

LATE

SB-1362

Submitted on: 2/11/2019 10:32:22 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Annie AuHoon	Individual	Support	No

Comments:

[SB1362 - Relating to Conveyance Tax](#)

Monday, February 11, 2019

Conference Room 211

From our friends at Faith Action...We SUPPORT SB1362 WITH AMENDMENTS.

The problem with SB1362 is that it does NOT lift the \$38 million cap on the Rental Housing Revolving Fund (RHRF). Plus, this bill is 1% lower on all new tax rates than SB1120 that was passed in the Senate Housing Committee yesterday. So RHRF would see no new monies by passing this bill in its current form, except in years where the existing rates would have produced tax revenues below the \$38 cap. Our interest in getting more funds for affordable housing is being virtually eliminated via SB 1362. Thus, getting SB 1362 amended on Monday is critical for the interests we were pushing for on our conveyance bills (elimination of the cap and greatly increasing tax revenues on higher end properties), and even so those chances are very dim.

I support this bill, with the following 2 amendments requested:

(1) remove the current \$38 million cap in Haw. Rev. Stat. 247-7(2), so 50% of all conveyance tax revenues will flow into the Rental Housing Revolving Fund (RHRF) for affordable housing; and

(2) increase the Conveyance Tax on all properties of \$2 million or more, in the amounts originally shown in SB1120. [TAKE ACTION: Support SB1362 with amendments.](#)

Annie Au
Hoon,
dividual

In