

JAN 26 2022

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# A BILL FOR AN ACT

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RELATING TO TAXATION.

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

1       SECTION 1. The legislature finds that vacant homes  
2 negatively impact Hawaii's housing supply by taking units out of  
3 the local housing market. In addition, Hawaii's property taxes  
4 are amongst the lowest in the nation. These factors have  
5 enabled investors to purchase units as investment properties and  
6 allow them to sit empty, rather than contribute to the local  
7 rental stock. Total foreign investment in high-end second homes  
8 have gone up from \$500,000,000 per year from 2008 to 2015 to  
9 \$1,000,000,000 per year for 2016 and 2017. In addition,  
10 continental investors each year purchase another \$4,000,000,000  
11 to \$5,000,000,000 in Hawaii's real estate market. In Honolulu,  
12 the long-term vacancy rate of 5.3 per cent and available vacancy  
13 rate of 3.4 per cent are among the highest in the nation.

14       The legislature further finds that implementing a surcharge  
15 on the conveyance tax for prolonged vacant properties can  
16 disincentivize empty investment properties and generate revenue  
17 for the State. One of the leading examples comes from



1 Vancouver, British Columbia, which implemented a one per cent  
2 empty homes tax on the property's assessed taxable value in  
3 2018. The goal of that law is to encourage conversion to rental  
4 use, but subsequent findings suggest that many owners chose to  
5 pay the tax rather than rent their property. This generated  
6 nearly \$30,000,000 in revenue and reduced the vacancy rate by  
7 roughly fifteen per cent. However, the number of owners who  
8 chose to pay the tax rather than rent out their unit suggests  
9 that a steeper vacancy tax may be more effective at returning  
10 units to the rental market.

11 The purpose of this Act is to disincentivize the  
12 residential property speculation that makes the housing market  
13 so challenging for residents by establishing a conveyance tax  
14 surcharge on conveyed real property that has been vacant for a  
15 prolonged period of time.

16 SECTION 2. Chapter 247, Hawaii Revised Statutes, is  
17 amended by adding a new section to be appropriately designated  
18 and to read as follows:

19 "§247- Conveyance tax vacancy surcharge. (a) A  
20 conveyance tax vacancy surcharge shall be imposed on every



1 prolonged vacant property subject to the tax imposed by section  
2 247-1.

3 (b) The rate of the vacancy surcharge shall be \_\_\_\_\_ per  
4 cent of the actual and full consideration (whether cash or  
5 otherwise, including any promise, act, forbearance, property  
6 interest, value, gain, advantage, benefit, or profit), paid or  
7 to be paid for all transfers or conveyance of realty or any  
8 interest therein, that shall include any liens or encumbrances  
9 thereon at the time of sale, lease, sublease, assignment,  
10 transfer, or conveyance.

11 (c) The vacancy surcharge shall have the same exemptions  
12 as in section 247-3.

13 (d) As used in this section, "prolonged vacant property"  
14 means that the real property has been vacant for \_\_\_\_\_ days or  
15 more in a calendar year."

16 SECTION 3. New statutory material is underscored.

17 SECTION 4. This Act shall take effect on July 1, 2022.

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INTRODUCED BY: 



# S.B. NO. 3175

**Report Title:**

Conveyance Tax Surcharge; Prolonged Vacant Property

**Description:**

Establishes a conveyance tax vacancy surcharge on the conveyance tax for prolonged vacant property.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

