
A BILL FOR AN ACT

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, and Hawaii's property taxes are
4 amongst the lowest in the nation. These factors have enabled
5 investors to purchase units as investment properties and allow
6 them to sit empty, rather than contribute to the local rental
7 stock. Foreign investment in high-end second homes increased
8 from \$500,000,000 per year from 2008 to 2015 to \$1,000,000,000
9 per year for 2016 and 2017. Continental investors purchase
10 another \$4,000,000,000 to \$5,000,000,000 each year in Hawaii's
11 real estate market. In Honolulu, the long-term vacancy rate of
12 5.3 per cent and available vacancy rate of 3.4 per cent are
13 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 suggest
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 three 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 prolonged vacant
8 property or any interest therein, that shall include any liens
9 or encumbrances thereon at the time of transfer or conveyance.

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

12 (d) As used in this section, "prolonged vacant property"
13 means real property that has been vacant for one hundred eighty
14 days or more in a calendar year."

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2023.

17

INTRODUCED BY:



JAN 17 2023



H.B. NO. 148

Report Title:

Conveyance Tax Vacancy Surcharge; Prolonged Vacant Property

Description:

Establishes a surcharge on the conveyance tax upon the transfer or conveyance of prolonged vacant property.

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