
A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

1 SECTION 1. The legislature finds that the health,
2 happiness, and well-being of Hawaii's people depends on the
3 State's ability to address the high cost of living, particularly
4 the high cost of housing, that is fueling the homelessness
5 crisis and forcing local families to move out of the State. The
6 sustainability of the State's unique and irreplaceable natural
7 resources is critical to its residents' quality of life. To
8 address these problems and secure a prosperous future for the
9 State's children, greater investment into public resources from
10 a sustainable revenue source is needed to reduce the cost of
11 housing for residents, preserve the State's natural resources,
12 and provide solutions for community members experiencing
13 houselessness.

14 The legislature also finds that the conveyance tax, a one-
15 time tax at the time of real property sales, is an appropriate
16 revenue source for affordable housing, land conservation, and
17 homeless services. Although housing prices in the State have



1 risen dramatically over the past thirteen years, the State's
2 conveyance tax rates have not been updated since Act 59, Session
3 Laws of Hawaii 2009. Presently, the State's conveyance tax is
4 significantly lower than the rates of other high-cost areas in
5 the country.

6 Cities across the country are increasing their conveyance
7 tax rates to fund affordable housing. San Francisco increased
8 the tax rate to 5.5 per cent on homes valued over \$10,000,000 in
9 2020, and two years ago Los Angeles increased the real property
10 transfer tax to 4.5 per cent on any residential or commercial
11 property over \$5,000,000 in value and six per cent on property
12 sales over \$10,000,000 in value. Smaller cities with high
13 housing costs are also increasing the taxes on real estate sales
14 to mitigate the impacts of housing costs. Crested Butte and
15 Telluride in Colorado, which attract wealthy buyers due to
16 access to world class ski opportunities, have a tax of three per
17 cent on home sales regardless of price. Aspen, Colorado, which
18 has the most well-developed workforce housing program in the
19 country where almost forty per cent of the housing total housing
20 stock is reserved as permanently affordable housing for full-
21 time residents, has largely funded their workforce housing



1 program through a 1.5 per cent tax on property sales that has
2 been in place since 1989.

3 Presently, it is common practice to tax property sales as a
4 means to mitigate the impacts of high home costs and the loss of
5 land due to housing development. Furthermore, a conveyance tax
6 of 0.5 per cent on homes valued at less than \$5,000,000, a rate
7 of four per cent on homes valued between \$5,000,000 and
8 \$10,000,000, and six per cent on homes valued at over
9 \$10,000,000 conforms to tax rates that other cities are
10 assessing to fund their various housing programs.

11 The legislature additionally finds that increases in tax
12 rates on homes over \$5,000,000 is unlikely to have any negative
13 impact on local full-time residents as the vast majority of
14 buyers who purchase these homes do so as an investment and not
15 as their full-time residence. The monthly mortgage costs of a
16 \$5,000,000 home are approximately \$32,600 a month, which would
17 be considered affordable for an individual or a couple earning
18 \$81,500 per month, or roughly \$978,000 a year. Very few
19 families in Hawaii would fall within these income categories,
20 and those that do most likely already own a home and are not
21 impacted by rising rents or the lack of affordable housing.



1 Accordingly, it is appropriate for out-of-state investors of
2 real estate to assist in mitigating the impacts for residents
3 who are not benefiting from the current market dynamics.
4 Renters, houseless residents, and the local workforce are
5 struggling with the rising cost of housing, thus a tax on real
6 estate at the time of sale to help mitigate those costs is
7 appropriate and fair.

8 The legislature recognizes that the increases in housing
9 prices, residential rent, and the homeless population over the
10 past several years has accelerated the urgent need to
11 sustainably fund affordable housing and homeless services in
12 Hawaii. The 2023 point in time count estimates that there are
13 currently 6,223 individuals living unsheltered in the State, not
14 including the greater number of "hidden homeless" individuals
15 temporarily living with friends or relatives because they cannot
16 afford to live on their own. Investing in affordable housing
17 and homeless services, including supportive housing, is key to
18 addressing homelessness and ensuring that everyone in the State
19 has an affordable place to live.

20 Accordingly, the purpose of this Act is to:

21 (1) Establish the homeless services special fund;



- 1 (2) Allow counties to apply for matching funds from the
2 affordable homeownership revolving fund for housing
3 projects that are subject to a perpetual affordability
4 requirement;
- 5 (3) Increase the conveyance tax rates for certain
6 properties;
- 7 (4) Establish conveyance tax rates for multifamily
8 residential properties;
- 9 (5) Exempt from conveyance taxes the conveyances of real
10 property to:
- 11 (A) Organizations with certain affordability
12 requirements;
- 13 (B) Certain nonprofit organizations; and
- 14 (C) An owner-occupant or renter-occupant of the
15 property; and
- 16 (6) Allocate collected conveyance taxes to the affordable
17 homeownership revolving fund, homeless services
18 special fund, and dwelling unit revolving fund and
19 amend allocations to the land conservation fund and
20 rental housing revolving fund.



1 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
2 amended by adding a new section to part XVII to be appropriately
3 designated and to read as follows:

4 "§346- Homeless services special fund. (a) There is
5 established within the state treasury a homeless services
6 special fund, to be administered and managed by the department
7 and into which shall be deposited:

8 (1) Ten per cent of the conveyance tax collected and
9 allocated to the homeless services fund pursuant to
10 section 247-7;

11 (2) Appropriations made by the legislature; and

12 (3) Interest earned upon any moneys in the fund.

13 (b) Moneys from any other private or public source may be
14 deposited in or credited to the fund; provided that any
15 mandates, regulations, or conditions on these funds do not
16 conflict with the use of the fund under this section. Moneys
17 received as a deposit or private contribution shall be
18 deposited, used, and accounted for in accordance with the
19 conditions established by the agency or person making the
20 contribution.



1 (c) Moneys in the homeless services special fund shall be
2 used by the department for homeless services and supportive
3 housing, including homeless facilities programs for the homeless
4 authorized by the department.

5 (d) The department shall submit a report to the
6 legislature providing an accounting of the fund no later than
7 twenty days prior to the convening of each regular session. The
8 report shall include, at minimum:

- 9 (1) A detailed account of all funds received; and
10 (2) All moneys expended from the homeless services special
11 fund."

12 SECTION 3. Section 201H-206, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "[~~§~~201H-206~~§~~] **Affordable homeownership revolving fund.**

15 (a) There is established an affordable homeownership revolving
16 fund to be administered by the corporation for the purpose of
17 providing, in whole or in part, loans to nonprofit community
18 development financial institutions and nonprofit housing
19 development organizations for the development of affordable
20 homeownership housing projects.



1 (b) Loans shall be awarded in the following descending
2 order of priority:

3 (1) Projects or units in projects that are funded by
4 programs of the United States Department of Housing
5 and Urban Development, United States Department of
6 Agriculture Rural Development, and United States
7 Department of the Treasury Community Development
8 Financial Institutions Fund, wherein:

9 (A) At least fifty per cent of the available units
10 are reserved for persons and families having
11 incomes at or below eighty per cent of the median
12 family income and of which at least five per cent
13 of the available units are for persons and
14 families having incomes at or below fifty per
15 cent of the median family income; and

16 (B) The remaining units are reserved for persons and
17 families having incomes at or below one hundred
18 twenty per cent of the median family income; and

19 (2) Mixed-income affordable for-sale housing projects or
20 units in a mixed-income affordable for-sale housing
21 project wherein all of the available units are



1 reserved for persons and families having incomes at or
2 below one hundred per cent of the median family
3 income.

4 (c) Moneys in the fund shall be used to provide loans for
5 the development, pre-development, construction, acquisition,
6 preservation, and substantial rehabilitation of affordable for-
7 sale housing units. Uses of moneys in the fund may include but
8 are not limited to planning, design, and land acquisition,
9 including the costs of options, agreements of sale, and down
10 payments; equity financing as matching funds for nonprofit
11 community development financial institutions; or other housing
12 development services or activities as provided in rules adopted
13 by the corporation pursuant to chapter 91. The rules may
14 provide that money from the fund shall be leveraged with other
15 financial resources to the extent possible.

16 (d) The fund may include sums:

17 (1) Sums appropriated by the legislature [~~private~~];

18 (2) Private contributions [~~proceeds~~];

19 (3) Proceeds from repayment of loans [~~interest~~];

20 (4) Interests and other returns [~~interest~~];



1 (5) Conveyance taxes collected under chapter 247 and
2 allocated to the affordable homeownership revolving
3 fund pursuant to section 247-7; and [moneys]

4 (6) Moneys from other sources.

5 (e) An amount from the fund, to be set by the corporation
6 and authorized by the legislature, may be used for
7 administrative expenses incurred by the corporation in
8 administering the fund; provided that moneys in the fund shall
9 not be used to finance day-to-day administrative expenses of the
10 projects allotted moneys from the fund.

11 (f) The corporation may provide loans under this section
12 as provided in rules adopted by the corporation pursuant to
13 chapter 91.

14 (g) The corporation may contract with nonprofit community
15 development financial institutions to fund loans under this
16 section. The corporation may contract for the service and
17 custody of its loans.

18 (h) The corporation may establish, revise, charge, and
19 collect a reasonable service fee, as necessary, in connection
20 with its loans, services, and approvals under this part. The



1 fees shall be deposited into the affordable homeownership
2 revolving fund.

3 (i) Counties may apply for matching funds from the fund;
4 provided that prior to applying for any matching funds, the
5 counties shall have an approved comprehensive affordable housing
6 plan that:

7 (1) Identifies available lands for affordable housing;

8 (2) Identifies infrastructure needs and availability; and

9 (3) Requires housing projects developed using moneys from
10 the fund to be subject to an affordability clause that
11 keeps the property affordable in perpetuity, also
12 known as a "deed-restricted property";

13 provided further that costs for the development of or an update
14 to an existing county comprehensive affordable housing plan may,
15 upon application, be paid out of these funds.

16 ~~[(i)]~~ (j) The corporation shall submit a report to the
17 legislature no later than twenty days prior to the convening of
18 each regular session describing the projects funded using moneys
19 from the affordable homeownership revolving fund."

20 SECTION 4. Section 247-2, Hawaii Revised Statutes, is
21 amended to read as follows:



- 1 (D) [~~Fifty cents per \$100 for~~] For properties with a
2 value of at least \$2,000,000, but less than
3 \$4,000,000 [~~+~~]: 50 cents per \$100;
- 4 (E) [~~Seventy cents per \$100 for~~] For properties with
5 a value of at least \$4,000,000, but less than
6 \$6,000,000 [~~+~~]: 70 cents per \$100;
- 7 (F) [~~Ninety cents per \$100 for~~] For properties with a
8 value of at least \$6,000,000, but less than
9 \$10,000,000 [~~+~~ and]: \$1.10 per \$100;
- 10 (G) [~~One dollar per \$100 for~~] For properties with a
11 value of at least \$10,000,000 [~~or greater; and~~],
12 but less than \$14,000,000: \$1.40 per \$100;
- 13 (H) For properties with a value of at least
14 \$14,000,000, but less than \$18,000,000: \$2.00
15 per \$100;
- 16 (I) For properties with a value of at least
17 \$18,000,000, but less than \$22,000,000: \$3.00
18 per \$100;
- 19 (J) For properties with a value of at least
20 \$22,000,000, but less than \$26,000,000: \$4.00
21 per \$100; and



- 1 (K) For properties with a value of \$26,000,000 or
- 2 greater: \$6.00 per \$100;
- 3 (2) For the sale of a multifamily residential property:
- 4 (A) For properties with a value of less than
- 5 \$600,000: 10 cents per \$100;
- 6 (B) For properties with a value of at least \$600,000,
- 7 but less than \$1,000,000: 20 cents per \$100;
- 8 (C) For properties with a value of at least
- 9 \$1,000,000, but less than \$2,000,000: 30 cents
- 10 per \$100;
- 11 (D) For properties with a value of at least
- 12 \$2,000,000, but less than \$4,000,000: 50 cents
- 13 per \$100;
- 14 (E) For properties with a value of at least
- 15 \$4,000,000, but less than \$6,000,000: 70 cents
- 16 per \$100;
- 17 (F) For properties with a value of at least
- 18 \$6,000,000, but less than \$10,000,000: 90 cents
- 19 per \$100;



1 (G) For properties with a value of at least
2 \$10,000,000, but less than \$20,000,000: \$1 per
3 \$100;

4 (H) For properties with a value of at least
5 \$20,000,000, but less than \$50,000,000: \$1.25
6 per \$100;

7 (I) For properties with a value of at least
8 \$50,000,000, but less than \$100,000,000: \$1.50
9 per \$100; and

10 (J) For properties with a value of \$100,000,000 or
11 greater: \$2.00 per \$100; and

12 [+2] (3) For the sale of a condominium or single family
13 residence for which the purchaser is ineligible for a
14 county homeowner's exemption on property tax:

15 (A) [~~Fifteen cents per \$100 for~~] For properties with
16 a value of less than \$600,000[+]: 15 cents per
17 \$100;

18 (B) [~~Twenty-five cents per \$100 for~~] For properties
19 with a value of at least \$600,000, but less than
20 \$1,000,000[+]: 25 cents per \$100;



- 1 (C) [~~Forty cents per \$100 for~~] For properties with a
2 value of at least \$1,000,000, but less than
3 \$2,000,000 [~~+~~]: 40 cents per \$100;
- 4 (D) [~~Sixty cents per \$100 for~~] For properties with a
5 value of at least \$2,000,000, but less than
6 \$4,000,000 [~~+~~]: \$1.00 per \$100;
- 7 (E) [~~Eighty five cents per \$100 for~~] For properties
8 with a value of at least \$4,000,000, but less
9 than \$6,000,000 [~~+~~]: \$1.50 per \$100;
- 10 (F) [~~One dollar and ten cents per \$100 for~~] For
11 properties with a value of at least \$6,000,000,
12 but less than \$10,000,000 [~~+~~ and]: \$2.00 per
13 \$100;
- 14 (G) [~~One dollar and twenty five cents per \$100 for~~]
15 For properties with a value of at least
16 \$10,000,000 [~~or greater,~~], but less than
17 \$14,000,000: \$3.00 per \$100;
- 18 (H) For properties with a value of at least
19 \$14,000,000, but less than \$18,000,000: \$4.00
20 per \$100;



1 (I) For properties with a value of at least
2 \$18,000,000, but less than \$22,000,000: \$5.00
3 per \$100;

4 (J) For properties with a value of at least
5 \$22,000,000, but less than \$26,000,000: \$6.00
6 per \$100; and

7 (K) For properties with a value of \$26,000,000 or
8 greater: \$7.00 per \$100,

9 of ~~such~~ the actual and full consideration; provided that in
10 the case of a lease or sublease, this chapter shall apply only
11 to a lease or sublease whose full unexpired term is for a period
12 of five years or more~~[, and in those cases, including (where~~
13 ~~appropriate) those cases where the]; provided further that if a
14 lease has been extended or amended, the tax in this chapter
15 shall be based on the cash value of the lease rentals discounted
16 to present day value and capitalized at the rate of six per
17 cent, plus the actual and full consideration paid or to be paid
18 for any and all improvements, if any, that shall include on-site
19 as well as off-site improvements, applicable to the leased
20 premises; and provided further that the tax imposed for each
21 transaction shall be not less than \$1.~~



1 For purposes of this section, "multifamily residential
2 property" means a structure that is located within the state
3 urban land use district and divided into five or more dwelling
4 units."

5 SECTION 5. Section 247-3, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§247-3 Exemptions.** The tax imposed by section 247-1
8 shall not apply to:

- 9 (1) Any document or instrument that is executed prior to
10 January 1, 1967;
- 11 (2) Any document or instrument that is given to secure a
12 debt or obligation;
- 13 (3) Any document or instrument that only confirms or
14 corrects a deed, lease, sublease, assignment,
15 transfer, or conveyance previously recorded or filed;
- 16 (4) Any document or instrument between husband and wife,
17 reciprocal beneficiaries, or parent and child, in
18 which only a nominal consideration is paid;
- 19 (5) Any document or instrument in which there is a
20 consideration of \$100 or less paid or to be paid;



- 1 (6) Any document or instrument conveying real property
- 2 that is executed pursuant to an agreement of sale, and
- 3 where applicable, any assignment of the agreement of
- 4 sale, or assignments thereof; provided that the taxes
- 5 under this chapter have been fully paid upon the
- 6 agreement of sale, and where applicable, upon such
- 7 assignment or assignments of agreements of sale;
- 8 (7) Any deed, lease, sublease, assignment of lease,
- 9 agreement of sale, assignment of agreement of sale,
- 10 instrument or writing in which the United States or
- 11 any agency or instrumentality thereof or the State or
- 12 any agency, instrumentality, or governmental or
- 13 political subdivision thereof are the only parties
- 14 thereto;
- 15 (8) Any document or instrument executed pursuant to a tax
- 16 sale conducted by the United States or any agency or
- 17 instrumentality thereof or the State or any agency,
- 18 instrumentality, or governmental or political
- 19 subdivision thereof for delinquent taxes or
- 20 assessments;



- 1 (9) Any document or instrument conveying real property to
- 2 the United States or any agency or instrumentality
- 3 thereof or the State or any agency, instrumentality,
- 4 or governmental or political subdivision thereof
- 5 pursuant to the threat of the exercise or the exercise
- 6 of the power of eminent domain;
- 7 (10) Any document or instrument that solely conveys or
- 8 grants an easement or easements;
- 9 (11) Any document or instrument whereby owners partition
- 10 their property, whether by mutual agreement or
- 11 judicial action; provided that the value of each
- 12 owner's interest in the property after partition is
- 13 equal in value to that owner's interest before
- 14 partition;
- 15 (12) Any document or instrument between marital partners or
- 16 reciprocal beneficiaries who are parties to a divorce
- 17 action or termination of reciprocal beneficiary
- 18 relationship that is executed pursuant to an order of
- 19 the court in the divorce action or termination of
- 20 reciprocal beneficiary relationship;



1 (13) Any document or instrument conveying real property
2 from a testamentary trust to a beneficiary under the
3 trust;

4 (14) Any document or instrument conveying real property
5 from a grantor to the grantor's revocable living
6 trust, or from a grantor's revocable living trust to
7 the grantor as beneficiary of the trust;

8 (15) Any document or instrument conveying real property, or
9 any interest therein, from an entity that is a party
10 to a merger or consolidation under chapter 414, 414D,
11 415A, 421, 421C, 425, 425E, or 428 to the surviving or
12 new entity;

13 (16) Any document or instrument conveying real property, or
14 any interest therein, from a dissolving limited
15 partnership to its corporate general partner that
16 owns, directly or indirectly, at least a ninety per
17 cent interest in the partnership, determined by
18 applying section 318 (with respect to constructive
19 ownership of stock) of the federal Internal Revenue
20 Code of 1986, as amended, to the constructive
21 ownership of interests in the partnership; [~~and~~]



1 [+](17)[+]Any document or instrument that conforms to the
2 transfer on death deed as authorized under chapter
3 527[-];

4 (18) Any document or instrument conveying real property to
5 an organization that:

6 (A) Has a minimum of thirty years remaining of a
7 price-restricted affordability period; or

8 (B) Places a deed restriction on the property to
9 maintain permanent affordability.

10 For purposes of this paragraph:

11 "Permanent affordability" means a requirement
12 that a residential real property remain affordable to
13 households with incomes at or below one hundred twenty
14 per cent of the area median income as determined by
15 the United States Department of Housing and Urban
16 Development for the life of the property.

17 "Price-restricted affordability period" means the
18 period for which a residential real property is
19 restricted to renter households with incomes at or
20 below one hundred twenty per cent of the area median
21 income as determined by the United States Department



1 of Housing and Urban Development applicable to the
2 location of the real property for the applicable
3 federal fiscal year;

4 (19) Any document or instrument conveying real property to
5 a nonprofit organization that:

6 (A) Is exempt from federal income tax by the Internal
7 Revenue Services; and

8 (B) Will hold the property in an undeveloped state
9 and for conservation purposes in perpetuity
10 through a deed restriction on the property; and

11 (20) Any document or instrument conveying real property to
12 an individual who is an owner-occupant or renter-
13 occupant of the property; provided the individual does
14 not have a direct or indirect ownership interest in
15 any other real property, including through ownership
16 interest in a trust, partnership, corporation, limited
17 liability company, or other entity."

18 SECTION 6. Section 247-7, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§247-7 Disposition of taxes.** All taxes collected under
21 this chapter shall be paid into the state treasury to the credit



1 of the general fund of the State, to be used and expended for
2 the purposes for which the general fund was created and exists
3 by law; provided that of the taxes collected each fiscal year:

4 (1) ~~[Ten]~~ Eight per cent ~~[or \$5,100,000, whichever is~~
5 ~~less,~~] shall be paid into the land conservation fund
6 established pursuant to section 173A-5; ~~[and]~~

7 (2) ~~[Fifty per cent or \$38,000,000, whichever is less,~~
8 Thirty-eight per cent shall be paid into the rental
9 housing revolving fund established by section 201H-
10 202~~[-]~~;

11 (3) Eight per cent shall be paid into the affordable
12 homeownership revolving fund established pursuant to
13 section 201H-206;

14 (4) Eight per cent shall be paid into the homeless
15 services special fund established pursuant to section
16 346- ; and

17 (5) Eight per cent shall be paid into the dwelling unit
18 revolving fund established pursuant to section 201H-
19 191 for the purposes of funding infrastructure
20 programs in transit-oriented development areas."



1 SECTION 7. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 8. This Act shall take effect on July 1, 3000.



Report Title:

DHS; Affordable Housing; Conveyance Tax; Rates; Exemption;
Homeless Services Fund; Affordable Homeownership Revolving Fund;
Land Conservation Fund; Rental Housing Revolving Fund; Dwelling
Unit Revolving Fund

Description:

Establishes the Homeless Services Special Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund for certain housing projects. Increases the conveyance tax rates for certain properties. Establishes conveyance tax rates for multifamily residential properties. Establishes new exemptions to the conveyance tax. Allocates collected conveyance taxes to the Affordable Homeownership Revolving Fund, Homeless Services Fund and, and Dwelling Unit Revolving Fund. Amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund. Effective 7/1/3000. (HD2)

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

