

STAND. COM. REP. NO. **1147**-24

Honolulu, Hawaii

**MAR 15**, 2024

RE: S.B. No. 2044  
S.D. 2  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-Second State Legislature  
Regular Session of 2024  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 2044, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE CONTROLLING INTEREST TRANSFER TAX,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Specify that the transfer or acquisition of a controlling interest in an entity that owns real property in the State is subject to the conveyance tax; and
- (2) Require an unspecified amount of conveyance tax revenue to be deposited into the Dwelling Unit Revolving Fund.

Your Committee received testimony in support of this measure from the Department of Land and Natural Resources; Office of Planning and Sustainable Development; Hawaii Housing Finance and Development Corporation; Partners In Care; Land Use Research Foundation of Hawaii; Hawaii Appleseed Center for Law & Economic Justice; and one individual. Your Committee received testimony in opposition to this measure from the Hawai'i Association of REALTORS; NAIOP Hawaii; Grassroot Institute of Hawaii; and one

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individual. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that existing conveyance tax laws inadvertently enable parties, who are typically large investors and corporate entities, to avoid paying conveyance tax by transferring real property through entity-level transactions. Your Committee further finds that instead of conveying the real property directly, one party acquires the entity that owns the real property from another party, thereby avoiding the conveyance tax. This measure will close a loophole in existing conveyance tax laws to ensure that the State receives its fair share of tax revenue from certain entities.

Your Committee notes the concerns raised in testimony by the Department of Taxation regarding the difficulty of identifying and verifying when transfers of controlling interest occur, as records from entity transfers are not publicly available or reported to the Bureau of Conveyances. Your Committee respectfully requests your Committee on Consumer Protection & Commerce, should it deliberate on this measure, to work with pertinent state agencies to establish a reporting procedure that addresses the concerns of the Department of Taxation to ensure this measure is enforceable.

Your Committee has amended this measure by:

- (1) Repealing the dollar cap amounts of conveyance tax collections paid into the Land Conservation Fund and Rental Housing Revolving Fund;
- (2) Specifying that ten percent of conveyance tax collections are to be paid into the Dwelling Unit Revolving Fund for purposes of funding infrastructure programs in transit-oriented development areas;
- (3) Changing the effective date to January 1, 3000, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No.



2044, S.D. 2, as amended herein, and recommends that it pass  
Second Reading in the form attached hereto as S.B. No. 2044, S.D.  
2, H.D. 1, and be referred to your Committee on Consumer  
Protection & Commerce.

Respectfully submitted on  
behalf of the members of the  
Committee on Housing,

**ZAC**

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LUKE A. EVSLIN, Chair



**Record of Votes of the Committee on Housing**

<b>Bill/Resolution No.:</b> <i>SB2044, SD2</i>	<b>Committee Referral:</b> <i>HSG, CPC, FIN</i>	<b>Date:</b> <i>3/13/2024</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
HSG Members	Ayes	Ayes (WR)	Nays	Excused
1. EVSLIN, Luke A. (C)	✓			
2. AIU, Micah P.K. (VC)		✓		
3. KILA, Darius K.				✓
4. KITAGAWA, Lisa	✓			
5. MIYAKE, Tyson K.		✓		
6. ONISHI, Richard H.K.	✓			
7. TODD, Chris	✓			
8. MATSUMOTO, Lauren		✓		
<b>TOTAL (8)</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <span style="margin-left: 300px;">committee acronym(s)</span>				
<b>Vice Chair's or designee's signature:</b> <i>Tril Aul</i>				
<b>Distribution:</b> Original (White) – Committee      Duplicate (Yellow) – Chief Clerk's Office      Duplicate (Pink) – HMSO				