

JAN 17 2025

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 the housing crisis
2 in the State continues to intensify, exacerbated by the
3 increasing concentration of residential property ownership among
4 large investment entities, such as hedge funds and real estate
5 investment trusts. These entities often acquire substantial
6 numbers of single-family residences, limiting opportunities for
7 local families to purchase homes, driving up housing prices, and
8 destabilizing communities.

9 The legislature further finds that similar concerns have
10 been raised at the federal level, where legislative proposals
11 seek to address the impact of these entities on our critical
12 housing supply. While these federal efforts are necessary,
13 state level action is also essential to address the State's
14 unique housing challenges, including its limited land
15 availability and high cost of living.



1 Accordingly, to reduce speculative practices that
2 artificially inflate housing costs and displace local families,
3 the purpose of this Act is to:

4 (1) Discourage excessive property holdings by imposing
5 excise taxes on hedge funds and other large investment
6 entities that own or acquire single-family residences
7 in excess of specified thresholds;

8 (2) Promote affordable home ownership by establishing a
9 housing down payment trust fund to provide grants for
10 down payment assistance to State residents, ensuring
11 that revenues generated from this Act directly benefit
12 local families seeking to enter the housing market;
13 and

14 (3) Support equitable housing opportunities by
15 incentivizing the sale of single-family residences to
16 local families rather than to offshore corporations or
17 investment entities with extensive property
18 portfolios.

19 This Act is a necessary step to protect the State's housing
20 market from predatory practices, ensure homes remain accessible



1 to local families, and build a more stable and equitable housing
2 ecosystem for the State's residents.

3 SECTION 2. The Hawaii Revised Statutes is amended by
4 adding a new chapter to be appropriately designated and to read
5 as follows:

6 "CHAPTER

7 EXCESS SINGLE-FAMILY RESIDENCE TAX

8 § -1 Short title. This chapter may be cited as the End
9 Hedge Fund Control of Hawaii Homes Act. It is the intent of the
10 legislature to impose an excise tax on certain taxpayers failing
11 to sell excess single-family residences.

12 § -2 Definitions. As used in this chapter:

13 "Covered entity" means any:

14 (1) Partnership;

15 (2) Corporation; or

16 (3) Real estate investment trust.

17 "Covered entity" does not include an organization that is
18 described in section 501(c) (3) of the Internal Revenue Code and
19 exempt from tax under section 501(a) of the Internal Revenue
20 Code, as amended, or an organization primarily engaged in the
21 construction or rehabilitation of single-family residences.



1 "Covered taxpayer" means any covered entity that manages,
2 as a fiduciary, funds pooled from investors.

3 "Department" means the department of taxation.

4 "Director" means the director of taxation.

5 "Disqualified sale" means any sale or transfer to:

6 (1) A corporation or other entity engaged in a trade or
7 business; or

8 (2) An individual who owns any other single-family
9 residence at the time of the sale or transfer.

10 "Hedge fund taxpayer" means, with respect to any taxable
11 year, any covered taxpayer that has \$50,000,000 or more in net
12 value or assets under management on any day during the taxable
13 year.

14 "Single-family residence" means any residential property
15 consisting of one to four dwelling units. "Single-family
16 residence" does not include:

17 (1) Any unoccupied single-family residence acquired
18 through foreclosure;

19 (2) Any single-family residence that is not rented or
20 leased and used as the principal residence, as defined
21 by section 121 of the Internal Revenue Code, of any



1 person who has an ownership interest in the covered
2 taxpayer; or

3 (3) Any single-family residence constructed, acquired, or
4 operated with federal appropriated funding sources.

5 **§ -3 Imposition of tax on newly acquired single-family**
6 **residences.** (a) In the case of a covered taxpayer, there is
7 hereby imposed a tax on the acquisition of any newly acquired
8 single-family residence that shall be in an amount equal to
9 fifty per cent of the fair market value of the single-family
10 residence.

11 (b) For the purposes of this section, "newly acquired
12 single-family residence" means any single-family residence that
13 was acquired by the taxpayer in any taxable year beginning after
14 December 31, 2025.

15 **§ -4 Imposition of tax on excess single-family**
16 **residences.** (a) In the case of a covered taxpayer who fails to
17 meet the requirements of subsection (b), there is hereby imposed
18 a tax in the amount equal to the product of:

19 (1) \$50,000; and

20 (2) The excess of:



1 (A) The number of applicable single-family residences
2 owned by the taxpayer as of the last day of the
3 taxable year, over:

4 (B) The sum of:

5 (i) Fifty (zero in the case of any hedge fund
6 taxpayer); plus

7 (ii) The maximum permissible units for the
8 taxable year.

9 (b) A covered taxpayer meets the requirement of this
10 subsection for any taxable year if the number of applicable
11 single-family residences owned by the taxpayer as of the last
12 day of the taxable year is equal to or less than the maximum
13 permissible units determined with respect to the taxpayer for
14 the taxable year. For the purposes of this subsection, a
15 single-family residence that is sold or transferred in a
16 disqualified sale during the taxable year shall be treated as a
17 single-family residence that is owned by the covered taxpayer as
18 of the last day of the taxable year.

19 (c) The maximum permissible units with respect to any
20 covered taxpayer for any taxable year shall be determined as
21 follows:



1 (1) For taxable years beginning after December 31, 2025,
2 the maximum permissible units for a hedge fund
3 taxpayer shall be ninety per cent of the number of
4 applicable single-family residences owned by the
5 taxpayer on January 1, 2026; provided that the maximum
6 permissible units for any other covered taxpayer shall
7 be fifty plus ninety per cent of the number of
8 applicable single-family residences owned by the
9 taxpayer on January 1, 2026;

10 (2) For taxable years beginning after December 31, 2026,
11 the maximum permissible units for a hedge fund
12 taxpayer shall be eighty per cent of the number of
13 applicable single-family residences owned by the
14 taxpayer on January 1, 2026; provided that the maximum
15 permissible units for any other covered taxpayer shall
16 be fifty plus eighty per cent of the number of
17 applicable single-family residences owned by the
18 taxpayer on January 1, 2026;

19 (3) For taxable years beginning after December 31, 2027,
20 the maximum permissible units for a hedge fund
21 taxpayer shall be seventy per cent of the number of



1 applicable single-family residences owned by the
2 taxpayer on January 1, 2026; provided that the maximum
3 permissible units for any other covered taxpayer shall
4 be fifty plus seventy per cent of the number of
5 applicable single-family residences owned by the
6 taxpayer on January 1, 2026;

7 (4) For taxable years beginning after December 31, 2028,
8 the maximum permissible units for a hedge fund
9 taxpayer shall be sixty per cent of the number of
10 applicable single-family residences owned by the
11 taxpayer on January 1, 2026; provided that the maximum
12 permissible units for any other covered taxpayer shall
13 be fifty plus sixty per cent of the number of
14 applicable single-family residences owned by the
15 taxpayer on January 1, 2026;

16 (5) For taxable years beginning after December 31, 2029,
17 the maximum permissible units for a hedge fund
18 taxpayer shall be fifty per cent of the number of
19 applicable single-family residences owned by the
20 taxpayer on January 1, 2026; provided that the maximum
21 permissible units for any other covered taxpayer shall



1 be fifty plus fifty per cent of the number of
2 applicable single-family residences owned by the
3 taxpayer on January 1, 2026;

4 (6) For taxable years beginning after December 31, 2030,
5 the maximum permissible units for a hedge fund
6 taxpayer shall be forty per cent of the number of
7 applicable single-family residences owned by the
8 taxpayer on January 1, 2026; provided that the maximum
9 permissible units for any other covered taxpayer shall
10 be fifty plus forty per cent of the number of
11 applicable single-family residences owned by the
12 taxpayer on January 1, 2026;

13 (7) For taxable years beginning after December 31, 2031,
14 the maximum permissible units for a hedge fund
15 taxpayer shall be thirty per cent of the number of
16 applicable single-family residences owned by the
17 taxpayer on January 1, 2026; provided that the maximum
18 permissible units for any other covered taxpayer shall
19 be fifty plus thirty per cent of the number of
20 applicable single-family residences owned by the
21 taxpayer on January 1, 2026;



1 (8) For taxable years beginning after December 31, 2032,
2 the maximum permissible units for a hedge fund
3 taxpayer shall be twenty per cent of the number of
4 applicable single-family residences owned by the
5 taxpayer on January 1, 2026; provided that the maximum
6 permissible units for any other covered taxpayer shall
7 be fifty plus twenty per cent of the number of
8 applicable single-family residences owned by the
9 taxpayer on January 1, 2026;

10 (9) For taxable years beginning after December 31, 2033,
11 the maximum permissible units for a hedge fund
12 taxpayer shall be ten per cent of the number of
13 applicable single-family residences owned by the
14 taxpayer on January 1, 2026; provided that the maximum
15 permissible units for any other covered taxpayer shall
16 be fifty plus ten per cent of the number of applicable
17 single-family residences owned by the taxpayer on
18 January 1, 2026; and

19 (10) For taxable years beginning after December 31, 2034,
20 the maximum permissible units for a hedge fund
21 taxpayer shall be zero; provided that the maximum



1 permissible units for any other covered taxpayer shall
2 be fifty.

3 (d) For the purposes of this subsection, "applicable
4 single-family residence" means any single-family residence that
5 is acquired on or before January 1, 2026.

6 **§ -5 Acquisition; ownership.** For the purposes of this
7 chapter, a covered taxpayer shall be treated as:

8 (1) Acquiring a single-family residence if the covered
9 taxpayer acquires a majority ownership interest in the
10 single-family residence, regardless of the percentage
11 of that ownership interest; and

12 (2) Owning a single-family residence if the covered
13 taxpayer owns a majority ownership interest in the
14 single-family residence, regardless of the percentage
15 of that ownership interest.

16 **§ -6 Reporting; penalties; certification.** (a) The
17 director shall require reporting as the director determines
18 necessary or appropriate to carry out the purposes of this
19 chapter, including reporting with respect to:

20 (1) The dates on which single-family residences owned by a
21 covered taxpayer were acquired by the taxpayer; and



1 (2) Whether any person acquiring a single-family residence
2 from a covered taxpayer owns any other single-family
3 residences at the time of the acquisition.

4 (b) Any person who fails to report information required
5 under subsection (a) or who fails to include correct information
6 in the report shall pay a penalty of \$20,000; provided that no
7 penalty shall be imposed under this subsection with respect to
8 any failure if it is shown that the failure was due to
9 reasonable cause and not willful neglect. The penalty under
10 this subsection shall be paid upon notice and demand by the
11 director.

12 (c) The director shall require a certification from each
13 individual to whom a single-family residence is sold or
14 transferred from a covered taxpayer. The certification shall be
15 signed by the purchaser or transferee and state the following:

16 (1) The name and address of the purchaser or transferee;

17 (2) That the sale is not a disqualified sale; and

18 (3) An acknowledgement that the purchaser or transferee

19 shall be subject to the penalties established in

20 subsection (b) for any false certification.



1 § -7 **Forms and procedures; rules.** (a) The director
2 shall prescribe forms and procedures necessary to achieve the
3 purposes of this chapter.

4 (b) The department shall adopt rules pursuant to chapter
5 91 to implement this chapter.

6 § -8 **Housing down payment trust fund.** (a) There is
7 established in the state treasury the housing down payment trust
8 fund, into which shall be deposited:

9 (1) All revenues collected pursuant to sections -3
10 and -4;

11 (2) Penalties collected pursuant to section -6; and

12 (3) Appropriations made by the legislature.

13 (b) The housing down payment trust fund shall be
14 administered by the Hawaii housing finance and development
15 corporation and shall be used to make grants to establish new or
16 supplemental existing programs that provide down payment
17 assistance to families purchasing homes within the State;
18 provided that priority shall be given to families seeking
19 assistance to purchase single-family residences that are sold or
20 transferred by a covered taxpayer as defined in section -2."



SECTION 3. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

SECTION 4. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 5. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2025.

INTRODUCED BY: 



S.B. NO. 1131

Report Title:

DOTAX; HHFDC; Taxation; Hedge Funds; End Hedge Fund Control of Hawaii Homes; Excise Tax on Excess Single-Family Residences; Housing Down Payment Trust Fund; Grant Programs

Description:

Imposes an excise tax on certain hedge funds failing to dispose of excess single-family residences, escalating over a ten-year period. Imposes a tax on any newly acquired single-family residences by a hedge fund. Makes certain exemptions. Requires the Department of Taxation to establish a certification process to ensure buyers of homes sold by hedge funds are not major investors in residential real estate. Establishes the Housing Down Payment Trust Fund to be administered by the Hawaii Housing Finance and Development Corporation to provide grants to establish new or supplement existing programs that provide down payment assistance to families purchasing homes within the State. Allocates collected tax revenue and penalties paid by hedge funds to the Housing Down Payment Trust Fund. Applies to taxable years beginning after 12/31/2025.

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