

JAN 23 2025

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# A BILL FOR AN ACT

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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  
15 one-time tax at the time of real property sales, is an  
16 appropriate revenue source for affordable housing, land  
17 conservation, and homeless services. Although housing prices in



1 the State have risen dramatically over the past thirteen years,  
2 the State's conveyance tax rates have not been updated since  
3 Act 59, Session Laws of Hawaii 2009. Presently, the State's  
4 conveyance tax is significantly lower than the rates of other  
5 high-cost areas in 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 three years ago, Los Angeles increased the real  
10 property transfer tax to 4.5 per cent on any residential or  
11 commercial property over \$5,000,000 in value and six per cent on  
12 property sales over \$10,000,000 in value. Smaller cities with  
13 high housing costs are also increasing the taxes on real estate  
14 sales to mitigate the impacts of housing costs. Crested Butte  
15 and 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  
21 full-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 have  
10 adopted to fund their various housing programs.

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



1 addressing homelessness and ensuring that everyone in the State  
2 has an affordable place to live.

3 Accordingly, the purpose of this Act is to:

4 (1) Establish the homeless services special fund;

5 (2) Allow counties to apply for matching funds from the  
6 affordable homeownership revolving fund for housing  
7 projects that are subject to a perpetual affordability  
8 requirement;

9 (3) Increase the conveyance tax rates for certain  
10 properties;

11 (4) Repeal the separate conveyance tax rates for the sale  
12 of a condominium or single family residence for which  
13 the purchaser is ineligible for a county homeowner's  
14 exemption or property tax and establish conveyance tax  
15 rates for multifamily residential properties;

16 (5) Exempt from conveyance taxes the conveyances of real  
17 property to:

18 (A) Organizations with certain affordability  
19 requirements;

20 (B) Certain nonprofit organizations; and



- 1 (C) An owner-occupant or renter-occupant of the  
2 property; and  
3 (6) Allocate collected conveyance taxes to the affordable  
4 homeownership revolving fund, homeless services  
5 special fund, and general fund and amend allocations  
6 to the land conservation fund, and rental housing  
7 revolving fund.

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

11 **"§346- Homeless services special fund. (a) There is**  
12 **established within the state treasury a homeless services**  
13 **special fund, to be administered and managed by the department**  
14 **and into which shall be deposited:**

15 (1) Ten per cent of the conveyance tax collected and  
16 allocated to the homeless services fund pursuant to  
17 section 247-7;

18 (2) Appropriations made by the legislature; and

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

20 (b) Moneys from any other private or public source may be  
21 deposited in or credited to the fund; provided that any



1 mandates, regulations, or conditions on the funds shall not  
2 conflict with the use of the fund under this section. Moneys  
3 received as a deposit or private contribution shall be  
4 deposited, used, and accounted for in accordance with the  
5 conditions established by the agency or person making the  
6 contribution.

7 (c) Moneys in the homeless services special fund shall be  
8 used by the department for homeless services and supportive  
9 housing, including homeless facilities programs for the homeless  
10 authorized by the department.

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

15 (1) A detailed account of all funds received; and  
16 (2) All moneys expended from the homeless services special  
17 fund."

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

20 "[+]§201H-206[+] **Affordable homeownership revolving fund.**

21 (a) There is established an affordable homeownership revolving



1 fund to be administered by the corporation for the purpose of  
2 providing, in whole or in part, loans to nonprofit community  
3 development financial institutions and nonprofit housing  
4 development organizations for the development of affordable  
5 homeownership housing projects.

6 (b) Loans shall be awarded in the following descending  
7 order of priority:

8 (1) Projects or units in projects that are funded by  
9 programs of the United States Department of Housing  
10 and Urban Development, United States Department of  
11 Agriculture Rural Development, and United States  
12 Department of the Treasury Community Development  
13 Financial Institutions Fund, wherein:

14 (A) At least fifty per cent of the available units  
15 are reserved for persons and families having  
16 incomes at or below eighty per cent of the median  
17 family income and of which at least five per cent  
18 of the available units are for persons and  
19 families having incomes at or below fifty per  
20 cent of the median family income; and



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

4           (2)   Mixed-income affordable for-sale housing projects or  
5                   units in a mixed-income affordable for-sale housing  
6                   project wherein all of the available units are  
7                   reserved for persons and families having incomes at or  
8                   below one hundred per cent of the median family  
9                   income.

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





1 (d) The fund may include [~~sums~~]:

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

3 (2) Private contributions[~~, proceeds~~];

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

5 (4) Interest and other returns[~~,~~];

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

9 (6) Moneys from other sources.

10 (e) An amount from the fund, to be set by the corporation  
11 and authorized by the legislature, may be used for  
12 administrative expenses incurred by the corporation in  
13 administering the fund; provided that moneys in the fund shall  
14 not be used to finance day-to-day administrative expenses of the  
15 projects allotted moneys from the fund.

16 (f) The corporation may provide loans under this section  
17 as provided in rules adopted by the corporation pursuant to  
18 chapter 91.

19 (g) The corporation may contract with nonprofit community  
20 development financial institutions to fund loans under this



1 section. The corporation may contract for the service and  
2 custody of its loans.

3 (h) The corporation may establish, revise, charge, and  
4 collect a reasonable service fee, as necessary, in connection  
5 with its loans, services, and approvals under this part. The  
6 fees shall be deposited into the affordable homeownership  
7 revolving fund.

8 (i) Counties may apply for matching funds from the fund;  
9 provided that before applying for any matching funds, the  
10 counties shall have an approved comprehensive affordable housing  
11 plan that:

12 (1) Identifies available lands for affordable housing;  
13 (2) Identifies infrastructure needs and availability; and  
14 (3) Requires housing projects developed using moneys from  
15 the fund to be subject to an affordability clause that  
16 keeps the property affordable in perpetuity, also  
17 known as a "deed-restricted property";  
18 provided further that costs for the development of or an update  
19 to an existing county comprehensive affordable housing plan may,  
20 upon application, be paid out of these funds.



1        [(+i+)] (j) The corporation shall submit a report to the  
2 legislature no later than twenty days prior to the convening of  
3 each regular session describing the projects funded using moneys  
4 from the affordable homeownership revolving fund."

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

7        "**§247-2 Basis and rate of tax.** The tax imposed by section  
8 247-1 shall be based on the actual and full consideration  
9 (whether cash or otherwise, including any promise, act,  
10 forbearance, property interest, value, gain, advantage, benefit,  
11 or profit), paid or to be paid for all transfers or conveyance  
12 of realty or any interest therein, that shall include any liens  
13 or encumbrances thereon at the time of sale, lease, sublease,  
14 assignment, transfer, or conveyance, and shall be at the  
15 following rates:

16        (1) Except as provided in paragraph (2):

17                (A) [~~Ten cents per \$100 for~~] For properties with a  
18 value of less than \$600,000[+]: 10 cents per  
19 \$100;



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- 1 (B) [~~Twenty cents per \$100 for~~] For properties with a  
2 value of at least \$600,000, but less than  
3 \$1,000,000[~~+~~]: 20 cents per \$100;
- 4 (C) [~~Thirty cents per \$100 for~~] For properties with a  
5 value of at least \$1,000,000, but less than  
6 \$2,000,000[~~+~~]: 30 cents per \$100;
- 7 (D) [~~Fifty cents per \$100 for~~] For properties with a  
8 value of at least \$2,000,000, but less than  
9 \$4,000,000[~~+~~]: 50 cents per \$100;
- 10 (E) [~~Seventy cents per \$100 for~~] For properties with  
11 a value of at least \$4,000,000, but less than  
12 \$6,000,000[~~+~~]: 70 cents per \$100;
- 13 (F) [~~Ninety cents per \$100 for~~] For properties with a  
14 value of at least \$6,000,000, but less than  
15 \$10,000,000[~~+~~and]: \$1.10 per \$100;
- 16 (G) [~~One dollar per \$100 for~~] For properties with a  
17 value of at least \$10,000,000 [~~or greater; and~~],  
18 but less than \$14,000,000: \$1.40 per \$100;
- 19 (H) For properties with a value of at least  
20 \$14,000,000, but less than \$18,000,000: \$2.00  
21 per \$100;



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1        (I) For properties with a value of at least  
2        \$18,000,000, but less than \$22,000,000: \$3.00  
3        per \$100;

4        (J) For properties with a value of at least  
5        \$22,000,000, but less than \$26,000,000: \$4.00  
6        per \$100; and

7        (K) For properties with a value of \$26,000,000 or  
8        greater: \$6.00 per \$100; and

9        ~~[(2) For the sale of a condominium or single family~~  
10       ~~residence for which the purchaser is ineligible for a~~  
11       ~~county homeowner's exemption on property tax:~~  
12       ~~(A) Fifteen cents per \$100 for properties with a~~  
13       ~~value of less than \$600,000;~~  
14       ~~(B) Twenty-five cents per \$100 for properties with a~~  
15       ~~value of at least \$600,000, but less than~~  
16       ~~\$1,000,000;~~  
17       ~~(C) Forty cents per \$100 for properties with a value~~  
18       ~~of at least \$1,000,000, but less than \$2,000,000;~~  
19       ~~(D) Sixty cents per \$100 for properties with a value~~  
20       ~~of at least \$2,000,000, but less than \$4,000,000;~~



~~(E) Eighty-five cents per \$100 for properties with a value of at least \$4,000,000, but less than \$6,000,000;~~

~~(F) One dollar and ten cents per \$100 for properties with a value of at least \$6,000,000, but less than \$10,000,000; and~~

~~(G) One dollar and twenty-five cents per \$100 for properties with a value of \$10,000,000 or greater,]~~

(2) For the sale of a multifamily residential property:

(A) For properties with a value of less than \$600,000: 10 cents per \$100;

(B) For properties with a value of at least \$600,000, but less than \$1,000,000: 20 cents per \$100;

(C) For properties with a value of at least \$1,000,000, but less than \$2,000,000: 30 cents per \$100;

(D) For properties with a value of at least \$2,000,000, but less than \$4,000,000: 50 cents per \$100;



1           (E) For properties with a value of at least  
2                     \$4,000,000, but less than \$6,000,000: 70 cents  
3                     per \$100;

4           (F) For properties with a value of at least  
5                     \$6,000,000, but less than \$10,000,000: 90 cents  
6                     per \$100;

7           (G) For properties with a value of at least  
8                     \$10,000,000, but less than \$20,000,000: \$1 per  
9                     \$100;

10          (H) For properties with a value of at least  
11                    \$20,000,000, but less than \$50,000,000: \$1.25  
12                    per \$100;

13          (I) For properties with a value of at least  
14                    \$50,000,000, but less than \$100,000,000: \$1.50  
15                    per \$100; and

16          (J) For properties with a value of \$100,000,000 or  
17                    greater: \$2.00 per \$100,

18 of ~~such~~ the actual and full consideration; provided that in  
19 the case of a lease or sublease, this chapter shall apply only  
20 to a lease or sublease whose full unexpired term is for a period  
21 of five years or more~~[, and in those cases, including (where~~



1 ~~appropriate) these cases where the~~; provided further that if a  
2 lease has been extended or amended, the tax in this chapter  
3 shall be based on the cash value of the lease rentals discounted  
4 to present day value and capitalized at the rate of six per  
5 cent, plus the actual and full consideration paid or to be paid  
6 for any and all improvements, if any, that shall include on-site  
7 as well as off-site improvements, applicable to the leased  
8 premises; and provided further that the tax imposed for each  
9 transaction shall be not less than \$1.

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

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

16 **"§247-3 Exemptions.** The tax imposed by section 247-1  
17 shall not apply to:

18 (1) Any document or instrument that is executed prior to  
19 January 1, 1967;

20 (2) Any document or instrument that is given to secure a  
21 debt or obligation;





- 1           (3) Any document or instrument that only confirms or  
2           corrects a deed, lease, sublease, assignment,  
3           transfer, or conveyance previously recorded or filed;  
4           (4) Any document or instrument between husband and wife,  
5           reciprocal beneficiaries, or parent and child, in  
6           which only a nominal consideration is paid;  
7           (5) Any document or instrument in which there is a  
8           consideration of \$100 or less paid or to be paid;  
9           (6) Any document or instrument conveying real property  
10          that is executed pursuant to an agreement of sale, and  
11          where applicable, any assignment of the agreement of  
12          sale, or assignments thereof; provided that the taxes  
13          under this chapter have been fully paid upon the  
14          agreement of sale, and where applicable, upon such  
15          assignment or assignments of agreements of sale;  
16          (7) Any deed, lease, sublease, assignment of lease,  
17          agreement of sale, assignment of agreement of sale,  
18          instrument or writing in which the United States or  
19          any agency or instrumentality thereof or the State or  
20          any agency, instrumentality, or governmental or



1 political subdivision thereof are the only parties  
2 thereto;

3 (8) Any document or instrument executed pursuant to a tax  
4 sale conducted by the United States or any agency or  
5 instrumentality thereof or the State or any agency,  
6 instrumentality, or governmental or political  
7 subdivision thereof for delinquent taxes or  
8 assessments;

9 (9) Any document or instrument conveying real property to  
10 the United States or any agency or instrumentality  
11 thereof or the State or any agency, instrumentality,  
12 or governmental or political subdivision thereof  
13 pursuant to the threat of the exercise or the exercise  
14 of the power of eminent domain;

15 (10) Any document or instrument that solely conveys or  
16 grants an easement or easements;

17 (11) Any document or instrument whereby owners partition  
18 their property, whether by mutual agreement or  
19 judicial action; provided that the value of each  
20 owner's interest in the property after partition is



1 equal in value to that owner's interest before  
2 partition;

3 (12) Any document or instrument between marital partners or  
4 reciprocal beneficiaries who are parties to a divorce  
5 action or termination of reciprocal beneficiary  
6 relationship that is executed pursuant to an order of  
7 the court in the divorce action or termination of  
8 reciprocal beneficiary relationship;

9 (13) Any document or instrument conveying real property  
10 from a testamentary trust to a beneficiary under the  
11 trust;

12 (14) Any document or instrument conveying real property  
13 from a grantor to the grantor's revocable living  
14 trust, or from a grantor's revocable living trust to  
15 the grantor as beneficiary of the trust;

16 (15) Any document or instrument conveying real property, or  
17 any interest therein, from an entity that is a party  
18 to a merger or consolidation under chapter 414, 414D,  
19 415A, 421, 421C, 425, 425E, or 428 to the surviving or  
20 new entity;



1       (16) Any document or instrument conveying real property, or  
2       any interest therein, from a dissolving limited  
3       partnership to its corporate general partner that  
4       owns, directly or indirectly, at least a ninety per  
5       cent interest in the partnership, determined by  
6       applying section 318 (with respect to constructive  
7       ownership of stock) of the federal Internal Revenue  
8       Code of 1986, as amended, to the constructive  
9       ownership of interests in the partnership; ~~and~~

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

13       (18) Any document or instrument conveying real property to  
14       an organization that:

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

17       (B) Places a deed restriction on the property to  
18       maintain permanent affordability.

19       For purposes of this paragraph:

20       "Permanent affordability" means a requirement

21       that a residential real property remain affordable to



1 households with incomes at or below one hundred twenty  
2 per cent of the area median income as determined by  
3 the United States Department of Housing and Urban  
4 Development for the life of the property.

5 "Price-restricted affordability period" means the  
6 period for which a residential real property is  
7 restricted to renter households with incomes at or  
8 below one hundred twenty per cent of the area median  
9 income as determined by the United States Department  
10 of Housing and Urban Development applicable to the  
11 location of the real property for the applicable  
12 federal fiscal year;

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

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

17 (B) Will hold the property in an undeveloped state  
18 and for conservation purposes in perpetuity  
19 through a deed restriction on the property; and

20 (20) Any document or instrument conveying real property to  
21 an individual who is an owner-occupant or



1        renter-occupant of the property; provided that  
2        individual does not have a direct or indirect  
3        ownership interest in any other real property,  
4        including through ownership interest in a trust,  
5        partnership, corporation, limited liability company,  
6        or other entity."

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

9        **"§247-7 Disposition of taxes.** All taxes collected under  
10       this chapter shall be paid into the state treasury to the credit  
11       of the general fund of the State, to be used and expended for  
12       the purposes for which the general fund was created and exists  
13       by law; provided that of the taxes collected each fiscal year:

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

17       (2) [~~Fifty~~] Forty per cent [~~or \$38,000,000, whichever is~~  
18       ~~less,~~] shall be paid into the rental housing revolving  
19       fund established by section 201H-202[-];

1        (3) Ten per cent shall be paid into the affordable  
2        homeownership revolving fund established pursuant to  
3        section 201H-206; and  
4        (4) Ten per cent shall be paid into the homeless services  
5        special fund established pursuant to section 346- ;  
6        provided that the remaining thirty per cent of funds shall be  
7        deposited into the general fund."

8        SECTION 7. Statutory material to be repealed is bracketed  
9        and stricken. New statutory material is underscored.

10       SECTION 8. This Act shall take effect upon its approval.

11

INTRODUCED BY: \_\_\_\_\_



# S.B. NO. 1218

**Report Title:**

DHS; Affordable Housing; Conveyance Tax; Rates; Exemption;  
Homeless Services Fund; Affordable Homeownership Revolving Fund;  
Land Conservation Fund; Rental Housing 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. Repeals the separate conveyance tax rates for the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption on property tax and 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 Special Fund and general fund. Amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund.

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