

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No.1211, Relating to Conveyance Tax

**BEFORE THE:**

House Committee on Water & Land

**DATE:** Tuesday, February 14, 2023

**TIME:** 8:30 a.m.

**LOCATION:** State Capitol, Room 430

Chair Ichiyama, Vice-Chair Poepoe, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1211 for your consideration.

H.B. 1211 amends the conveyance tax rates in section 247-2, Hawaii Revised Statutes.

The Department recommends that the effective date in section 3, on page 5 of the bill be amended to read "This Act, upon approval, shall apply to transfers of interests in real property dated after December 31, 2023." This will provide the Department and the Bureau of Conveyances sufficient time to update any relevant forms, instructions and computer processing systems to account for the increased rates.

Thank you for the opportunity to provide comments on this measure.



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT OF HB 1211: RELATING TO CONVEYANCE TAX

TO: House Committee on Land and Water  
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i  
Hearing: **TUESDAY, 2/14/23; 9:30 AM; via videoconference**

Chair Ichiyama, Vice Chair Poepoe, and Members, Committee on Land and Water:

We appreciate the opportunity to provide testimony **in Strong Support of HB 1211 with one amendment, below**, to increase the conveyance tax on certain properties. I am Rob Van Tassell, with Catholic Charities Hawai'i. We are a member of Partners In Care.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 75 years. CCH has programs serving elders, children, families, people experiencing homelessness, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has long been a supporter of funding to create substantial rental housing in our State.

Additional State revenues are greatly needed to address our state's housing crisis and to end homelessness. Our high housing costs and the high cost of living are creating out-migration of our population. These are driving our workers to move out of the state just when we need them the most. Our high housing costs are creating family instability and educational threats when families must move, disrupting the education of their children. Our high housing costs are creating homelessness, including a projected 300% for elders over the next 10 years. The public is demanding that the State end homelessness. Significant additional revenues are needed to help vulnerable people out of homelessness as well as create funding for successful models of supportive housing.

**Suggested Amendment: We urge you to allocate 10% of the conveyance tax revenues to homeless services and supportive housing.** See suggested language on page 2 from SB 678, Section 2 and Section 5. (SB 678 has not been heard.) The Homeless Services Fund should be administered and managed by the Department of Human Services. Allocating 10% of the conveyance tax to homeless services would be a critical step forward for the State to prevent homelessness and expand services to move people off our streets. It would also provide dedicated funding for the services essential to create permanent supportive housing.

We urge your support to expand revenues to produce new affordable rental housing and to address homelessness which is created by our housing crisis. Both efforts would give hope to the people of Hawai'i.

Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) if you have any questions.



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eaumoku Street, Honolulu, HI 96822  
Phone (808)373-0356 • [bettylou.larson@CatholicCharitiesHawaii.org](mailto:bettylou.larson@CatholicCharitiesHawaii.org)



**Insert the following language from SB 678, Section 2:**

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

**"§346- Homeless services fund.** (a) There is established within the state treasury a homeless services fund, into which shall be deposited:

(1) Ten per cent of the conveyance tax collected and allocated to the homeless services fund as provided by section 247-7; and

(2) Appropriations made by the legislature to the fund.

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

(c) The homeless services fund shall be administered and managed by the department of human services. Moneys in the homeless services fund shall be expended for homeless services and supportive housing, including homeless facilities programs for the homeless authorized by the department.

(d) The department shall submit an annual report to the legislature no later than twenty days prior to the convening of each regular session. The report shall include at a minimum detailing all funds received and all moneys disbursed out of the homeless services fund."

**Section 5 of SB 678 also amends 247-7 of Hawaii Revised Statutes regarding the Disposition of taxes. Insert the following language into HB 1211:**

SECTION 5. Section 247-7, Hawaii Revised Statutes, is amended to read as follows:

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

(3) Ten per cent shall be paid into the homeless services fund established pursuant to section 346- ."

# PARTNERS IN CARE

*Oahu's Continuum of Care*

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*Our mission is to eliminate homelessness through open and inclusive participation and the coordination of integrated responses.*

## TESTIMONY IN SUPPORT OF HB 1211: RELATING TO CONVEYANCE TAX

TO: House Committee on Water and Land  
FROM: Partners In Care (PIC)  
Hearing: **Tuesday, 2/14/23; 9:30 AM; via videoconference**

Chair Ichiyama, Vice Chair Poepoe, and Members, Committee on Land and Water:

Partners In Care (PIC) is a coalition of more than 60 non-profit homelessness providers and concerned organizations.

Thank you for the opportunity to provide testimony **in strong support for HB 1211**, which raises the conveyance tax on certain properties. **We request that you amend the bill to allocate 10% of the conveyance tax revenue to homeless services and supportive housing, utilizing the language found in SB 678**, which was deleted from the agenda of its first scheduled hearing. Specific amendment suggestions may be found at the end of this letter.

Hawai`i needs to significantly increase its investment in homeless services and supportive housing. By investing in these areas now, the legislature will work to end homelessness and bring relief to our local workforce, which is in trouble. The high cost of living is forcing many lifelong residents and Native Hawaiians to move away from Hawai`i or into homelessness. 50% of the conveyance tax revenues go to the Rental Housing Revolving Fund (RHRF), which provides the gap equity essential for the State to promote the development of new affordable rental units. Partners In Care urges your support to increase revenues to the conveyance tax, which would significantly add resources to meet the critical housing needs of our population.

Hawaii's high cost home market is exacerbated by the high percentage of houses owned by non-residents. Many of these properties are multi-million dollar luxury properties which are the primary focus of this bill. By driving up housing prices and rents, the wealthy investors purchasing these homes outcompete local buyers. Increasing rents may force working families, kupuna and people with disabilities into homelessness. Homelessness is a state-wide issue and expanding services are essential to ease the suffering of our neighbors.

Homelessness also creates high public costs. For example, vulnerable elders on walkers sometimes come into emergency shelters. If we had an adequate supply of supportive housing, we could prevent aging related conditions from becoming life-threatening. Currently, hospitalizations and other intensive treatments are likely to be paid for by taxpayers. Studies predict almost a 300% increase in elderly homelessness over the next 10 years. We are doing everything in our power to prevent this, but we need your help.

**Bob Wardlaw, Advocacy Chair, PARTNERS IN CARE, OAHU'S CONTINUUM OF CARE**  
200 North Vineyard Boulevard • Suite 210 • Honolulu, Hawaii 96817 • (808) 380-9444 •  
[PICadvocate@gmail.com](mailto:PICadvocate@gmail.com)

Creating a permanent funding stream for homeless services and affordable housing through the conveyance tax is a top priority for homeless service providers and advocates who are currently experiencing homelessness. Allocating 10% of the conveyance tax to homeless service and supportive housing would give us the potential to make significant progress in meeting the needs of people experiencing homelessness, especially the most vulnerable.

**1. Insert the following language from SB 678, Section 2:**

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

**"§346- Homeless services fund.** (a) There is established within the state treasury a homeless services fund, into which shall be deposited:

(1) Ten per cent of the conveyance tax collected and allocated to the homeless services fund as provided by section 247-7; and

(2) Appropriations made by the legislature to the fund.

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

(c) The homeless services fund shall be administered and managed by the department of human services. Moneys in the homeless services fund shall be expended for homeless services and supportive housing, including homeless facilities programs for the homeless authorized by the department.

(d) The department shall submit an annual report to the legislature no later than twenty days prior to the convening of each regular session. The report shall include at a minimum detailing all funds received and all moneys disbursed out of the homeless services fund."

**2. Clarify that the Homeless Services Fund would be administered and managed by the Department of Human Services.**

**3. Insert the following language from SB 678, Section 5:**

SECTION 5. Section 247-7, Hawaii Revised Statutes, is amended to read as follows:

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

(3) Ten per cent shall be paid into the homeless services fund established pursuant to section 346- ."



February 10, 2023

Representative Linda Ichiyama, Chair  
Representative Mahina Poepoe, Vice Chair  
House Committee on Water & Land

**Comments, Concerns and Opposition to HB 1211, Relating to Conveyance Tax (Increases the conveyance tax rate for certain properties.)**

**Tuesday, February 14, 2023, at 8:30 a.m.; State Capitol, Conference Room 430 Via Videoconference**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide **comments, concerns and opposition** to this bill.

**HB 1211.** Because this bill does not contain a purpose clause, a presumption must be made that the measure is intended as a method to generate revenue. A further presumption made is that proponents of the bill intend that such revenue will be paid into the state treasury to the credit of the general fund of the State. To effectuate this purpose, HB 1211 proposes to increase the rate of real estate conveyance tax for certain properties.

**LURF's Position.** The proposed increase of the conveyance tax rate for the transfer or conveyance of certain properties is inappropriate, improper, and illegal, given the following:<sup>1</sup>

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<sup>1</sup> Further opposition to HB 1211 may be warranted but shall be reserved until the actual purpose of the measure and details regarding disposition and use of the revenues to be collected are disclosed, as is proper and appropriate with any proposed bill for which the intended purpose is to generate revenue.

## **1. The Hawaii Conveyance Tax was Never Intended to be and Should Not Operate as a Revenue-Generating Tax.**

Chapter 247 (Conveyance Tax) of the HRS was purposefully enacted in 1966 to provide the State Department of Taxation (“DoTax”) with informational data for the determination of market value of properties transferred, and to assist the DoTax in establishing real property assessed values. In short, the sole intent of the conveyance tax was originally to cover the administrative costs of collecting and assessing said informational data, which necessarily entails the recording of real estate transactions, as performed by the Bureau of Conveyances.

Since the enactment of HRS Chapter 247, however, the State Legislature has proposed, and has managed to implement changes to the law 1) to allow application of conveyance tax revenue to a number of non-conveyance type uses (land conservation fund; rental housing trust fund; and natural area reserve fund) to the point where there is no longer any clear nexus between the benefits sought by the original Act and the charges now proposed to be levied upon property-holding entities transferring ownership; and 2) also to increase the tax rates to the point where said revenues now far exceed the initially stated purpose of the Act. Moreover, supplemental funding for some of those expanded uses for which conveyance tax revenues were subsequently authorized has since been determined to be unnecessary, and recommended to be discontinued, creating an even stronger basis for legal objection and challenge.

Such expansions and deviations, including the unspecified use of conveyance tax proposed by the current measure, go beyond the scope of the original intent of the conveyance tax law, and are concerning to LURF since the proposed bill, particularly if unlawfully targeting specific types of transactions or groups of property owners, could be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.

## **2. Other legal and voluntary alternatives may be available to increase funding or incentivize support for affordable housing.**

In lieu of improperly imposing increases of conveyance taxes to increase the State’s general fund, proponents of this bill are urged to look to other possible legitimate means to do so, including funding support through other state and county charges, fees, or taxes.

Given that alternative methods to secure revenues exist, expansions and deviations of HRS Chapter 247 which go beyond the scope of the original intent of the conveyance tax law are concerning particularly if solely looked to as an additional source of funding, particularly if based on an increase of conveyance tax revenues applicable only to the transfer of what may be considered or labeled to be “luxury” properties.

**3. Measures Which Attempt to Utilize the State Conveyance Tax as a Revenue Generating Tax Will Likely Cause Unintended Negative Consequences.**

**a. Hawaii's large *kama'aina* landowners will likely be affected.**

These types of proposed bills would impact local landowners who may be transferring large properties for agricultural farms, housing developments, environmental programs, or other developments that would serve the community and create needed employment.

**b. Such measures would create significant disincentive for business in Hawaii.**

At a time when the State continues to reel from the effects of the Covid pandemic, and is still attempting to encourage business expansion in, and attract business operations to Hawaii, measures implemented to utilize the State conveyance tax as a revenue generating tax would create a disincentive and will have a substantial negative impact on persuading new and existing businesses to open or expand in Hawaii, or to relocate their operations to this State. The proposed additional cost of doing business in Hawaii would certainly appear to negatively outweigh any positive revenue impact resulting from the imposition of conveyance taxes pursuant to these types of measures.

**c. This type of legislation would drive up the cost of lands for agricultural production, affordable and market homes, and commercial development.**

This Committee should be aware that the impact of this proposed measure is not limited to "luxury" properties. The imposition of an increase of conveyance tax on transfers which affect **agricultural lands** will be passed on to farmers and other agricultural operators, making it even harder for agriculture to survive in Hawaii; the proposed imposition of the tax on transfers which affect **land intended for non-government assisted housing developments** will be passed on to home buyers and will thus increase the price of homes and exacerbate the affordable housing problem in Hawaii; and the proposed imposition of the conveyance tax onto transfers which affect **commercial properties** will also be passed on to small businesses, creating yet another substantial financial burden on them.

**d. Should these types of measures be enacted, exemptions should be created for all landowners and developers that build needed housing, and for those that otherwise provide substantial support for the programs that benefit from conveyance tax revenues.**

It is ironic and unfair that among the entities which will be hardest hit by these types of measures include Hawaii's large landowners that build housing (including affordable housing), and serve as stewards of our lands, and are the leading partners in,



and contributors to the purposes funded by conveyance tax revenues. At the very least, exemptions to these types of measures should be written in, or created for those entities that lend to the housing needs in the State, or support and participate in conservation and watershed programs.

**Conclusion.**

Given the incontrovertibly clear and express intent of Hawaii's conveyance tax law (HRS Chapter 247), which is to use State conveyance tax revenue to specifically cover administrative costs incurred by DoTax to collect and assess informational data, any use of State conveyance tax revenue must be strictly limited to that purpose as set out in the original Act. Use of conveyance tax revenue for any other purpose is subject to scrutiny and legal challenge.

Given the importance of the conveyance tax issues raised by HB 1211, **LURF respectfully requests that this bill be deferred by this Committee** to allow stakeholders, including, but not limited to government agencies, the public, private landowners, legal experts and other interested parties to work together to come to a consensus regarding the bill's purpose and alternatives to subsidizing the general fund, including other broad-based supplemental funding by Hawaii's taxpayers and visitors.

Thank you for the opportunity to provide comments and concerns relating to this proposed measure.

February 14, 2023

**The Honorable Linda Ichiyama, Chair**

House Committee on Water & Land

State Capitol, Conference Room 430 & Videoconference

**RE: House Bill 1211, Relating to Conveyance Tax**

**HEARING: Tuesday, February 14, 2023, at 8:30 a.m.**

Aloha Chair Ichiyama, Vice Chair Poepoe, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i and its over 11,000 members. HAR strongly **opposes** House Bill 1211, which increases the conveyance tax rate for certain properties.

This measure proposes to change the property value rates of the Conveyance Tax and increase the Conveyance Tax rates for real property. The following are examples of the new rate increases:

Current Property Value:	Proposed Property Value:	Current Per \$100:	Proposed:	Current Rate (in Dollars):	Proposed (in \$):
\$1 mil – \$1.99 mil	\$1 mil - \$1.5 mil	\$0.30	\$0.30	\$3,000 (\$1mil property)	\$3,000
\$2 mil - \$3.99 mil	\$1.5 mil - \$1.99 mil	\$0.50	\$0.50	\$4,500 (\$1.5mil prop.)	<b>\$7,500</b>
\$4 mil - \$5.99 mil	\$2 mil - \$3.99 mil	\$0.70	\$0.70	\$10,000 (\$2mil prop.)	<b>\$24,000</b>
\$6 mil - \$9.99 mil	\$4 mil - \$5.99 mil	\$0.90	<b>\$1.00</b>	\$35,000 (\$5mil prop.)	<b>\$50,000</b>
\$10mil+	\$6 mil - \$9.99 mil	\$1.00	<b>\$1.50</b>	\$54,000 (\$6mil prop.)	<b>\$90,000</b>
New	\$10 mil - \$13.99 mil	New	<b>\$3.00</b>	\$130,000 (\$13mil prop.)	<b>\$390,000</b>
New	\$14 mil - \$18.99 mil	New	<b>\$5.00</b>	\$160,000 (\$16mil prop.)	<b>\$800,000</b>
New	\$19 mil - \$23.99 mil	New	<b>\$8.00</b>	\$200,000 (\$20mil prop.)	<b>\$1.6 mil.</b>
New	\$24 mil+	New	<b>\$10.00</b>	\$240,000 (\$24mil prop.)	<b>\$2.4 mil.</b>

Additionally, for condominiums and single-family homes which the purchaser is ineligible to qualify for a homeowner exemption.

Current Property Value:	Proposed Property Value:	Current Per \$100:	Proposed:	Current Rate (in Dollars):	Proposed (in \$):
\$1 mil – \$1.99 mil	\$1 mil - \$1.5 mil	\$0.40	\$0.40	\$4,000 (\$1mil property)	\$4,000
\$2 mil - \$3.99 mil	\$1.5 mil - \$1.99 mil	\$0.60	\$0.75	\$6,000 (\$1.5mil prop.)	<b>\$11,250</b>
\$4 mil - \$5.99 mil	\$2 mil - \$3.99 mil	\$0.85	<b>\$1.15</b>	\$12,000 (\$2mil prop.)	<b>\$23,000</b>
\$6 mil - \$9.99 mil	\$4 mil - \$5.99 mil	\$1.10	<b>\$2.00</b>	\$42,500 (\$5mil prop.)	<b>\$100,000</b>
\$10mil+	\$6 mil - \$9.99 mil	\$1.25	<b>\$3.00</b>	\$66,000 (\$6mil prop.)	<b>\$180,000</b>
New	\$10 mil - \$13.99 mil	New	<b>\$4.00</b>	\$162,500 (\$13mil prop.)	<b>\$520,000</b>
New	\$14 mil - \$18.99 mil	New	<b>\$7.00</b>	\$200,000 (\$16mil prop.)	<b>\$1.12 mil.</b>
New	\$19 mil - \$23.99 mil	New	<b>\$10.00</b>	\$250,000 (\$20mil prop.)	<b>\$2 mil.</b>
New	\$24 mil+	New	<b>\$12.00</b>	\$300,000 (\$24mil prop.)	<b>\$2.88 mil.</b>

The Conveyance Tax applies to not only residential property such as single-family homes and condominiums, but to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands. With inflation hitting a 40-year high and rising interest rates, Hawaii's real estate market experienced a 22.64% decrease in sales from the previous year for single-family homes and 20.06% decrease for condominiums.<sup>1</sup> Increasing the conveyance tax would be counterproductive during our current real estate market which has slowed.

Furthermore, this would affect development projects including affordable housing rentals or for sale projects, which purchase uninhabitable property and make it habitable. According to the Department of Business Economic Development and Tourism's 2019 report on Housing Demand in Hawai'i, the state needs up to 45,497, housing units to meet demand in Hawai'i by 2030<sup>2</sup>. **Ultimately, we have a housing supply problem, and the Conveyance Tax proposed in this measure adds to the cost of housing.**

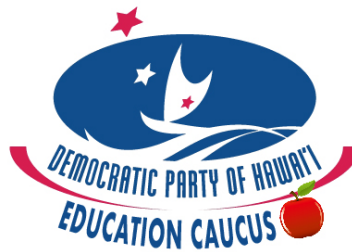
HAR would also note that the Conveyance Tax applies even if someone sells a property at a loss. While negotiable, in many instances it is the seller that pays the Conveyance Tax. This makes it a punishing tax, especially for someone that is already struggling financially and needs to sell their assets. One pays the same Conveyance Tax regardless of whether it is sold at a loss or a profit.

For the foregoing reasons, Hawai'i Association of REALTORS® strongly opposes this measure. Mahalo for the opportunity to testify.

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<sup>1</sup> Hawai'i REALTORS®. (2023). *2022 Statewide Housing Data*. <https://www.hawaiiirealtors.com/wp-content/uploads/2023/01/2022-Annual-Statewide-Statistics-Report.pdf>

<sup>2</sup> Department of Business, Economic Development & Tourism. (2019). *Hawaii Housing Demand 2020-2030*. <https://files.hawaii.gov/dbedt/economic/reports/housing-demand-2019.pdf>



## **HOUSE BILL 1211, RELATING TO THE CONVEYANCE TAX**

FEBRUARY 14, 2023 · HOUSE WATER AND LAND  
COMMITTEE · CHAIR REP. LINDA ICHIYAMA

**POSITION:** Support with amendments.

**RATIONALE:** The Democratic Party of Hawai'i Education Caucus supports and suggests amendments for HB 1211, relating to the conveyance tax, which increases the conveyance tax rate for certain properties.

The revenue from the conveyance tax is, in part, used to fund the development of affordable housing, as well as to protect conservation land and natural resources. As noted by the Hawai'i Appleseed Center for Law and Economic Justice, these are two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts.

Since the onset of the pandemic, Hawai'i's luxury real estate market has been booming. Yet, conveyance taxes have not risen concurrently, so that the sellers of high-end properties are not currently paying their fair tax share to support our state's public interest. In fact, while the cost of housing and the value of real estate have continued to skyrocket, our islands' conveyance tax rates have not been updated since 2005.

Our state's conveyance tax rates are only 0.50 to 1.25 percent on multi-million dollar properties. In contrast, high-cost cities—such as Seattle and San Francisco—have been updating their transfer

(conveyance) taxes to rates between 2 to 7 percent for luxury homes. If Hawai'i's conveyance tax were raised merely to 2 to 6 percent on properties worth \$2 million and higher, the state would generate an additional \$300–400 million in revenue every year.

That said, we urge your committee to amend this bill by lifting the current caps on the amount of conveyance taxes that are paid into the Rental Housing Revolving Fund and the Legacy Land Use Conservation Fund, and by creating a new fund for homeless services as was proposed in Senate Bill 678. SB 678 would have resulted in the following funding increases:

- **Affordable Housing:** Between \$38–\$150 million more in annual funding;
- **Land Conservation:** Between \$5–30 million more in annual funding;
- **Homeless Services:** Between \$0–30 million more in annual funding; and
- **General Fund:** Between \$60–90 million more in annual funding.

We need new revenue to address Hawai'i's affordable housing and homelessness crises. According to the 2019 Hawai'i Housing Planning Study, our state needs approximately 11,857 additional housing units each year to meet the needs of its residents by the year 2025, with 30 percent of that need being concentrated for people earning at or below people earning 30 percent of Area Median Income (AMI), which equates to \$25,000 per year for a single person.

Additionally, the 2022 Point In Time Count estimated that there are around 5,973 individuals living unsheltered in Hawai'i. This figure does not account for the “hidden homeless”—people relying on public assistance, relatives, or friends for shelter because they cannot afford to live on their own. Finally, eliminating the caps on the amount of conveyance tax revenue deposited into the Land Conservation Fund and Rental Housing Revolving Fund, as proposed in SB 678, would increase their deposits to \$18.8 and \$94 million respectively, far above their current allocations.

**Kris Coffield · Chairperson, DPH Education Caucus · (808) 679-7454 · [kriscoffield@gmail.com](mailto:kriscoffield@gmail.com)**



## HB 1211, RELATING TO THE CONVEYANCE TAX

FEBRUARY 14, 2023 · HOUSE WATER AND LAND  
COMMITTEE · CHAIR REP. LINDA ICHIYAMA

**POSITION:** Support with amendments.

**RATIONALE:** Imua Alliance supports and suggests amendments for HB 1211, relating to the conveyance tax, which increases the conveyance tax rate for certain properties.

The revenue from the conveyance tax is, in part, used to fund the development of affordable housing, as well as to protect conservation land and natural resources. As noted by the Hawai'i Appleseed Center for Law and Economic Justice, these are two places in our social structure where the impact of an out-of-control real estate market has serious, adverse impacts.

Since the onset of the pandemic, Hawai'i's luxury real estate market has been booming. Yet, conveyance taxes have not risen concurrently, so that the sellers of high-end properties are not currently paying their fair tax share to support our state's public interest. In fact, while the cost of housing and the value of real estate have continued to skyrocket, our islands' conveyance tax rates have not been updated since 2005.

Our state's conveyance tax rates are only 0.50 to 1.25 percent on multi-million dollar properties. In contrast, high-cost cities—such as Seattle and San Francisco—have been updating their transfer (conveyance) taxes to rates between 2 to 7 percent for luxury homes. If Hawai'i's conveyance tax were raised merely to 2 to 6 percent on properties worth \$2 million and higher, the state would generate an additional \$300–400 million in revenue every year.

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Additionally, the 2022 Point In Time Count estimated that there are around 5,973 individuals living unsheltered in Hawai'i. This figure does not account for the “hidden homeless”—people relying on public assistance, relatives, or friends for shelter because they cannot afford to live on their own. Finally, eliminating the caps on the amount of conveyance tax revenue deposited into the Land Conservation Fund and Rental Housing Revolving Fund, as proposed in SB 678, would increase their deposits to \$18.8 and \$94 million respectively, far above their current allocations.

**Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · [kris@imuaalliance.org](mailto:kris@imuaalliance.org)**

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

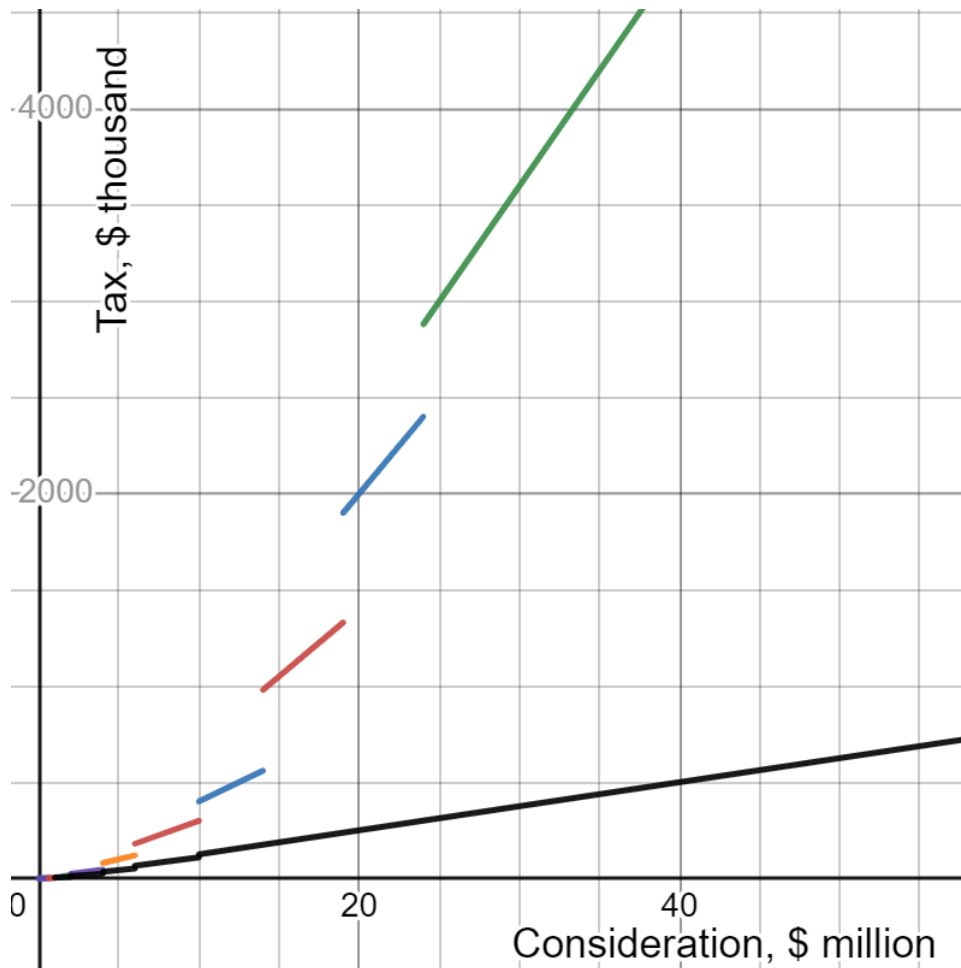
SUBJECT: CONVEYANCE; Conveyance Tax Rates

BILL NUMBER: HB 1211

INTRODUCED BY: POEPOE, AMATO, BELATTI, GANADEN, HUSSEY-BURDICK, ICHIYAMA, KAPELA, KILA, KOBAYASHI, PERRUSO

EXECUTIVE SUMMARY: Increases the conveyance tax rate for certain properties.

SYNOPSIS: Amends section 247-2, HRS, to increase conveyance tax rates. The below graph compares the present rates and the proposed rates for a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption on property tax.



Black = existing rates. Other colors = proposed rates.

EFFECTIVE DATE: July 1, 2023.



STAFF COMMENTS: The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per \$100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per \$100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. Because of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of value transferred.

This bill proposes to raise conveyance tax rates yet again, and in dramatic fashion.

Lawmakers may wish to consider the following.

First, the proposed new brackets have discontinuities at the bracket break points, which means that if taxable income increases by \$1 at a break point, such as from \$9,999,900 to \$10,000,000, the increase in tax will be substantially more than \$100. In this example the tax would go from \$149,998.50 to \$300,000 in the bill as proposed. This is because in the conveyance tax as now drafted, when a break point is reached the new tax rate applies to not only dollars above the break point, but on all dollars below the break point as well. Substantial discontinuities such as these may motivate behavior for taxpayers near a break point. This behavior might not be desirable from an economic standpoint. Consideration should be given to making the conveyance tax brackets more like the existing income tax brackets which do not have this problem.

Second, it should be kept in mind that a large dollar value transaction doesn't necessarily mean that a filthy rich person ripe for the fleecing is on one or the other end. A multi-unit condominium housing development, for example, easily could sell for an eight-digit number.

Third, a tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Digested: 2/11/2023



February 14, 2023

8:30 a.m.

Conference Room 430 and Via Videoconference

**To: House Committee on Water and Land**

**Rep. Linda Ichiyama, Chair**

**Rep. Mahina Poepoe, Vice Chair**

**From: Grassroot Institute of Hawaii**

**Joe Kent, Executive Vice President**

RE: HB1211 — RELATING TO CONVEYANCE TAX

***Comments Only***

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [HB1211](#), which would significantly increase the conveyance tax rate.

Under this proposal, conveyance taxes on condos and single family homes valued over \$1.5 million would increase significantly, assuming the buyer is ineligible for a county homeowner property tax exemption. Rates would also increase on all properties — both commercial and residential — valued above \$4 million.

One premise of this bill is that the majority of homes sold for \$1.5 million or more are bought by non-residents as investment properties and that a tax increase on these buyers would not affect overall affordability of homes.

Yet, many homes in the \$1.5 million range are merely average homes across much of the state. Thus, the tax hike, if implemented, would certainly affect all home prices, including more affordable homes and homes sold to Hawaii residents who might be ineligible for a homeowner property tax exemption.

In addition, higher conveyance taxes can harm the economy. A report by the Sage Policy Group on transfer taxes noted that such laws can “lead to decreases in population, real incomes, real estate transactions, investment in structures, and quality of the built environment.”<sup>1</sup>

Further, this measure might discourage adaptive reuse — the conversion of old buildings to new purposes. Hawaii’s counties can leverage adaptive reuse to add to their housing stock, as they are doing now,<sup>2</sup> but higher conveyance taxes may chill the sale of old buildings.

“Many properties will need to be upgraded and/or adaptively reused to remain viable,” the Sage report stated. “Excessive transfer tax rates can frustrate the exchange of property that is often required to return to commercial viability.”<sup>3</sup>

In general, tax increases are not a good idea for Hawaii’s economy, especially not now when it already has one of the highest tax burdens in the nation.<sup>4</sup> Hawaii’s population has been suffering a net decline for each of the past six years, with the state’s high cost of living and lack of employment opportunities being among the most cited reasons.<sup>5</sup>

Other issues to consider as you deliberate on this measure include the fact that:

>> Hawaii is predicted to enter an economic slowdown later this year.<sup>6</sup> Tax hikes might only exacerbate this slowdown, since entrepreneurs will be less likely to want to invest their capital — or “wealth assets,” as the case may be.<sup>7</sup>

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<sup>1</sup> [“The Unintended Consequences of Excessive Transfer Taxes,”](#) Sage Policy Group, Inc. on behalf of the Community Coalition for Jobs and Housing, June 2022, p. 3.

<sup>2</sup> Lana Teramae, [“Local Architects Talk About Repurposing Existing Buildings in Post-Pandemic Hawaii,”](#) Hawaii Business Magazine, Sept. 6, 2021.

<sup>3</sup> [“The Unintended Consequences of Excessive Transfer Taxes,”](#) p. 3.

<sup>4</sup> Jared Walczak and Erica York, [“State and Local Tax Burdens, Calendar Year 2022,”](#) Tax Foundation, April 7, 2022.

<sup>5</sup> Maria Wood, [“Where People from Hawaii Are Moving to the Most,”](#) 24/7 Wall Street, Jan. 23, 2022.

<sup>6</sup> Annalisa Burgos, [“Experts: Hawaii’s economy poised to slow down ‘significantly,’ but stop short of recession,”](#) Hawaii News Now, Jan. 22, 2023.

<sup>7</sup> Aaron Hedlund, [“How Do Taxes Affect Entrepreneurship, Innovation, and Productivity?”](#) Center for Growth and Opportunity at Utah State University, Dec. 23, 2019; Ergete Ferede, [“The Effects on Entrepreneurship of Increasing Provincial Top Personal Income Tax Rates in Canada,”](#) Fraser Institute, July 10, 2018; Robert Carroll, Douglas Holtz-Eakin, Mark Rider and Harvey S. Rosen, [“Personal Income Taxes and the Growth of Small Firms,”](#) National Bureau of Economic Research, October 2000.

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.<sup>8</sup> Hawaii's top 1% of taxpayers already pay 24.9% of all income taxes in the state.<sup>9</sup>

>> Hawaii's continuing population decline leaves remaining residents with a higher tax burden. Many residents leaving Hawaii move to states without income taxes. Washington, Nevada, Texas and Florida — four of the top five destinations for Hawaii residents moving to the mainland — do not have income taxes.<sup>10</sup>

>> State lawmakers increased taxes and fees substantially following the Great Recession of 2007-2008,<sup>11</sup> despite a windfall in revenues from an economic boom over the previous decade. Taxes and fees ballooned on motor vehicles, transient accommodations, estates, fuel, food, wealthy incomes, property, parking and businesses.

Hawaii's residents and businesses need a break from new taxes, fees, surcharges and tax hikes. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent  
Executive Vice President,  
Grassroot Institute of Hawaii

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<sup>8</sup> Timothy Vermeer and Katherine Loughead, "[State Individual Income Tax Rates and Brackets for 2022](#)," Tax Foundation, Feb. 15, 2022.

<sup>9</sup> "[Hawaii Individual Income Tax Statistics](#)," Hawaii Department of Taxation report for Tax Year 2020, Sept. 29, 2022, Table 13A.

<sup>10</sup> Katherine Loughead, "[How Do Taxes Affect Interstate Migration?](#)" Tax Foundation, Oct. 11, 2022.

<sup>11</sup> "[Tax Acts \(by Year\)](#)," Tax Foundation of Hawaii, accessed Jan. 30, 2023.



February 13, 2023

Representative Linda Ichiyama, Chair  
Representative Mahina Poepoe, Vice Chair  
Members of the House Committee on Water  
& Land

RE: **HB 1211– RELATING TO CONVEYANCE TAX**  
**Hearing date – February 14, 2023 at 8:30 am**

Aloha Chair Ichiyama and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to HB 1211 – RELATING TO CONVEYANCE TAX**. NAIOP Hawaii is the Hawaii chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

HB 1211 substantially increases conveyance tax rates for properties valued at \$1 million or more. Hawaii already has one of the worst conveyance taxes in the country. The increases conveyance taxes would disincentivize property owners to sell since their transaction costs would be much higher. In turn, many will instead opt to maintain their current ownership of the property ultimately resulting in less property transactions.

A reduction in transactions will result in: 1) fewer transactions triggering payment of conveyance tax; and 2) a meaningful reduction in economic activity as the acquisition of large properties typically comes with additional investment to redevelop and increase value of the asset; 3) decreased GET revenues and jobs. Consequently, property values would decline proportionately to account for the increased transaction costs leading to lower real property tax receipts for the counties.

Moreover, the acquisition of new commercial property comes with additional investment to redevelop and increase value of the asset. An increase conveyance tax would result in less capital to invest into the property, and thus, would make the transaction economically infeasible. This would lead to less property transactions and reduce the amount of times conveyance tax is collected. As a result, property values would significantly decline in order to account for the increased costs.

NAIOP Hawaii is concerned that this increase in conveyance taxes which reduces the private sectors investment into long term projects which stimulate economic activity. Hawaii is already rated as one of the least business friendly States in the nation

Representative Linda Ichiyama, Chair  
Representative Mahina Poepoe, Vice Chair  
Members of the House Committee on Water & Land  
February 13, 2023  
Page 2

and increasing this tax rate will further discourage much needed investment here locally. Rather, additional efforts to encourage investment in Hawaii and incentivize the creation of new projects and businesses in Hawaii would stimulate our economy by creating jobs and tax revenue.

Accordingly, NAIOP Hawaii respectfully recommends that HB 1211 be deferred.

Mahalo for your consideration,

Jennifer Camp, President  
NAIOP Hawaii



## TESTIMONY IN SUPPORT OF HB 1211: RELATING TO CONVEYANCE TAX

TO: Committee Chair, Vice-Chair and Members  
FROM: Brandee Menino, CEO, Hope Services Hawai'i, Inc.  
Hearing: WAL on Tuesday, 02-14-23 8:30 AM

Aloha,

My name is Brandee Menino and I am the CEO of Hope Services Hawai'i, which is Hawai'i Island's largest nonprofit homeless services provider. We use evidence-based practices to help our neighbors avoid and overcome homelessness, and achieve above-average results in helping people get housed and stay housed. However, two of the major barriers that stand in the way of ending homelessness are:

- 1) The displacement of residents by real estate investors who outbid local buyers. According to the Hawai'i Budget and Policy Center, 42% of homes sold on Hawai'i Island between 2017 and 2020 were purchased by non-Hawai'i residents. Although this bill does not specifically target out-of-state buyers, it is important to note that the status quo prioritizes out-of-state investors (who often reside in states with higher conveyance taxes) over local residents.
- 2) The lack of consistent and adequate government funding to expand programs to sufficient levels to meet the need for homeless services.

We appreciate the opportunity to testify in **strong support of HB 1211**, which would raise the conveyance tax on certain properties. We also respectfully **request amendments** that add the language found in SB678 to allocate 10% of the conveyance tax revenue to homeless services and supportive housing. We also request an amendment to clarify that a Homeless Services Fund would be created, to be administered and managed by the Department of Human Services. These amendments would help create a permanent stream of funding for homeless services and supportive housing. **Our specific language suggestions may be found at the end of this letter.**

Please note that SB678 was deleted from the agenda at its first scheduled hearing. It was truly a shame, especially because [seventeen people experiencing homelessness on Kauai'i had met and prepared to deliver remote testimony](#) about the necessity of permanent funding for homeless services. Although they were unable to testify on Bill 678, I encourage you to watch their response video, and answer their call for permanent funding for homeless services. The video may be found here: <https://youtu.be/XNfzb3HbI4>

## **SUGGESTED AMENDMENTS (see page 2)**



**1. Insert the following language from SB 678, Section 2:**

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

**"§346- Homeless services fund.** (a) There is established within the state treasury a homeless services fund, into which shall be deposited:

(1) Ten per cent of the conveyance tax collected and allocated to the homeless services fund as provided by section 247-7; and

(2) Appropriations made by the legislature to the fund.

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

(c) The homeless services fund shall be administered and managed by the department of human services. Moneys in the homeless services fund shall be expended for homeless services and supportive housing, including homeless facilities programs for the homeless authorized by the department.

(d) The department shall submit an annual report to the legislature no later than twenty days prior to the convening of each regular session. The report shall include at a minimum detailing all funds received and all moneys disbursed out of the homeless services fund."

**2. Insert the following language from SB 678, Section 5:**

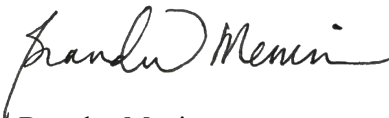
SECTION 5. Section 247-7, Hawaii Revised Statutes, is amended to read as follows:

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

(3) Ten per cent shall be paid into the homeless services fund established pursuant to section 346- ."

**3. Clarify that the Homeless Services Fund would be administered and managed by the Department of Human Services.**

Let's make this happen.



Brandee Menino,  
Chief Executive Officer



**HB-1211**

Submitted on: 2/11/2023 10:13:11 AM

Testimony for WAL on 2/14/2023 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Andrew Crossland	Individual	Oppose	Written Testimony Only

Comments:

I oppose this Bill.

**HB-1211**

Submitted on: 2/12/2023 9:24:37 AM

Testimony for WAL on 2/14/2023 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jim Ogann	Individual	Comments	Written Testimony Only

Comments:

We recently moved a HI Condo from private ownership to an LLC that is owned completely by us, the same people that owned the condo privately. We were charged the full conveyance fee as though it was a sale to another owner. We disputed the charge but the Conveyance office refused to delete or modify it. This is a disgrace. We should be refunded most or all of this charge! The legislature needs to make it clear that long-time owners simply changing the name of the entity that owns the property when no money has changed hands and the owners of both entities are the same people should not be charged this exprobatent fee. If you can work this into one of the bills on the Conveyances you are working on and arrange for a refund, it would be appreciated.

Thanks, Jim Ogann    jao46@icloud.com

**HB-1211**

Submitted on: 2/12/2023 7:19:47 PM

Testimony for WAL on 2/14/2023 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support HB1211.

**HB-1211**

Submitted on: 2/13/2023 8:00:28 AM

Testimony for WAL on 2/14/2023 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
David Shizuma	Individual	Support	Written Testimony Only

Comments:

I am writing in support of HB1211.

I believe this bill will help allow the state to collect more money from the selling of extremely expensive houses and that this is the right way to go. I agree with the approach and the increasing of taxes just on those homes of \$1.5m and above. We have a limited amount of land in Hawaii and we need to promote smaller homes that are more affordable, rather than these monster homes that are worth \$2m and above. I believe taxing these higher end home sales is one way to discourage the creation of these homes.

Thank you for your consideration.

**HB-1211**

Submitted on: 2/13/2023 9:27:50 AM

Testimony for WAL on 2/14/2023 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
bill black-hogins	Individual	Comments	Remotely Via Zoom

Comments:

With respect to HB1211, HB84 and any other HB that relates to Short Term Rental Conveyance Taxes and/or impact that future legislation may have with respect to reducing, limiting/restricting, or removing Short Term Rental Property zoning, this is a REQUEST that Hawaii State, County and Local Short Term Rental Conveyance Taxes, for a rolling past 3-years, and broken down by county, to be made part of the related HB testimony record and also be published and EASILY findable / available to any person visiting an appropriate place on the Hawaii.gov website.

Reason for this request is to reveal to ALL stakeholders, the actual Short Term Rental Conveyance Taxes collected amounts and in doing so, enable Well-Informed Decision Making, via making transparent and to evaluate, any fiscal impact of potentially reducing, limiting/restricting, or removing certain Short Term Rental Property zoning.

**HB-1211**

Submitted on: 2/13/2023 12:12:00 PM

Testimony for WAL on 2/14/2023 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Carm Akim	Individual	Oppose	Written Testimony Only

Comments:

Aloha Representatives,

This bill has excellent intentions. However, the tax hike will affect ALL home prices, including more affordable homes and houses built for local families. The average cost for a house right now is around 1 million dollars. It will not make it easier all around. Please reconsider.

In partnership,

Carm Akim