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Opposition to HB 1921, HD1 Relating to a Controlling Interest Transfer Tax
(Tax on transfers of controlling interest in entities owning property)

Honorable Representative Marcus R. Oshiro, Chair and Marilyn B. Lee, Vice Chair
and Members of the House Committee on Finance,

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. 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 understands the intent of this bill; however we must **strongly oppose HB 1921, HD1**, as it will create a new transfer tax that will substantially increase the costs of land by imposing a new tax imposed on the rate set under the conveyance tax, on any transfer of interest of more than 50% in an entity holding real property in the State. Our opposition is based on, among other things, the following:

- **This new tax will drive up the costs of lands for agricultural production, affordable and market homes, and commercial development;**
- **Costs of the transfer tax on agricultural lands will be passed on to farmers and other agricultural operators, making it even harder for agriculture to survive in Hawaii;**
- **Costs of the transfer tax on lands intended for housing developments will be passed on to home buyers, will increase the price of homes, and will exacerbate the affordable housing problem in Hawaii;**

- Costs of the transfer tax on **commercial properties** will also be passed on to small businesses, creating yet another substantial financial burden on them;
- It will also cause financial problems for island families who own large properties and may want to transfer property within the family or to causes benefiting the environment or agricultural programs; and
- It will also have major negative consequences for many of Hawaii's large *Kama`aina* landowners who may be transferring controlling interests in large properties for agricultural operations, housing developments, environmental programs, or other developments which would serve the community; and
- The proposed transfer tax funding mechanism is a very unreliable and counter-productive source of revenue for the State. Instead of encouraging the sale and development of properties, this new tax will result in entities ceasing transfers more than 50% of their interest in real property, and the expected tax income to the State resulting from the development of properties will be lost.

For the reasons stated above, LURF respectfully recommends that **HB 1921, HD1 be held in this Committee.**

Thank you for the opportunity to express our **opposition to HB 1921, HD1.**