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# A BILL FOR AN ACT

RELATING TO TAXATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Land is one of the State's most valuable  
2 resources. The record number of visitors to Hawaii has had a  
3 major impact on the community's beaches, parks, trails, and  
4 wilderness areas. Such a high volume of traffic and use cannot  
5 be sustained indefinitely without causing long-term damage to  
6 the land. An increased steady stream of funding is needed to  
7 support the State's land conservation efforts and to address the  
8 constant stress placed upon the natural environment.

9           Another one of Hawaii's most valuable resources is its  
10 workforce, which is facing a housing crisis as the cost of  
11 rental units climbs while incomes remain constant. Some  
12 residents face possible homelessness because they are unable to  
13 secure or maintain affordable housing. An increased steady  
14 stream of funding is needed to allow the State to encourage  
15 private and non-profit developers to develop rental housing for  
16 low-income, very low-income, and extremely low-income  
17 households.



1           The legislature finds that a strengthened land conservation  
2 fund will allow the State to better protect and support Hawaii's  
3 long-term environmental sustainability. The legislature further  
4 finds that a strengthened rental housing revolving fund will  
5 allow the State to support rental housing development and,  
6 specifically, the development of projects that allocate all or a  
7 portion of the project's units to low-income, very low-income,  
8 and extremely low-income households.

9           The purpose of this Act is to amend the conveyance tax  
10 statute by amending the basis and rate of the tax, adding an  
11 exemption for certain conveyances of real property, and amending  
12 the allocation of conveyance taxes to the land conservation fund  
13 and the rental housing revolving fund.

14           SECTION 2. Section 247-2, Hawaii Revised Statutes, is  
15 amended to read as follows:

16           "**§247-2 Basis and rate of tax.** The tax imposed by section  
17 247-1 shall be based on the actual and full consideration  
18 (whether cash or otherwise, including any promise, act,  
19 forbearance, property interest, value, gain, advantage, benefit,  
20 or profit), paid or to be paid for all transfers or conveyance  
21 of realty or any interest therein, that shall include any liens



1 or encumbrances thereon at the time of sale, lease, sublease,  
2 assignment, transfer, or conveyance, and shall be at the  
3 following rates:

- 4 (1) Except as provided in paragraph (2):
- 5 (A) [~~Ten cents~~] \_\_\_\_\_ per \$100 for properties with  
6 a value of less than \$600,000;
- 7 (B) [~~Twenty cents~~] \_\_\_\_\_ per \$100 for properties  
8 with a value of at least \$600,000, but less than  
9 \$1,000,000;
- 10 (C) [~~Thirty cents~~] \_\_\_\_\_ per \$100 for properties  
11 with a value of at least \$1,000,000, but less  
12 than \$2,000,000;
- 13 (D) [~~Fifty cents~~] \_\_\_\_\_ per \$100 for properties  
14 with a value of at least \$2,000,000, but less  
15 than \$4,000,000;
- 16 (E) [~~Seventy cents~~] \_\_\_\_\_ per \$100 for properties  
17 with a value of at least \$4,000,000, but less  
18 than \$6,000,000;
- 19 (F) [~~Ninety cents~~] \_\_\_\_\_ per \$100 for properties  
20 with a value of at least \$6,000,000, but less  
21 than \$10,000,000; and



- 1 (G) [~~One-dollar~~] \_\_\_\_\_ per \$100 for properties  
2 with a value of \$10,000,000 or greater; and
- 3 (2) For the sale of a condominium or single family  
4 residence for which the purchaser is ineligible for a  
5 county homeowner's exemption on property tax:
- 6 (A) [~~Fifteen-cents~~] \_\_\_\_\_ per \$100 for properties  
7 with a value of less than \$600,000;
- 8 (B) [~~Twenty-five-cents~~] \_\_\_\_\_ per \$100 for  
9 properties with a value of at least \$600,000, but  
10 less than \$1,000,000;
- 11 (C) [~~Forty-cents~~] \_\_\_\_\_ per \$100 for properties  
12 with a value of at least \$1,000,000, but less  
13 than \$2,000,000;
- 14 (D) [~~Sixty-cents~~] \_\_\_\_\_ per \$100 for properties  
15 with a value of at least \$2,000,000, but less  
16 than \$4,000,000;
- 17 (E) [~~Eighty-five-cents~~] \_\_\_\_\_ per \$100 for  
18 properties with a value of at least \$4,000,000,  
19 but less than \$6,000,000;



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

4 (G) [~~One dollar and twenty five cents~~] \_\_\_\_\_ per  
5 \$100 for properties with a value of \$10,000,000  
6 or greater,

7 of [~~such~~] the actual and full consideration; provided that in  
8 the case of a lease or sublease, this chapter shall apply only  
9 to a lease or sublease whose full unexpired term is for a period  
10 of five years or more, and in those cases, including (where  
11 appropriate) those cases where the lease has been extended or  
12 amended, the tax in this chapter shall be based on the cash  
13 value of the lease rentals discounted to present day value and  
14 capitalized at the rate of six per cent, plus the actual and  
15 full consideration paid or to be paid for any and all  
16 improvements, if any, that shall include on-site as well as off-  
17 site improvements, applicable to the leased premises; and  
18 provided further that the tax imposed for each transaction shall  
19 be not less than \$1."

20 SECTION 3. Section 247-3, Hawaii Revised Statutes, is  
21 amended to read as follows:



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

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

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

7           (3) Any document or instrument that only confirms or  
8           corrects a deed, lease, sublease, assignment,  
9           transfer, or conveyance previously recorded or filed;

10          (4) Any document or instrument between husband and wife,  
11          reciprocal beneficiaries, or parent and child, in  
12          which only a nominal consideration is paid;

13          (5) Any document or instrument in which there is a  
14          consideration of \$100 or less paid or to be paid;

15          (6) Any document or instrument conveying real property  
16          that is executed pursuant to an agreement of sale, and  
17          where applicable, any assignment of the agreement of  
18          sale, or assignments thereof; provided that the taxes  
19          under this chapter have been fully paid upon the  
20          agreement of sale, and where applicable, upon such  
21          assignment or assignments of agreements of sale;



- 1 (7) Any deed, lease, sublease, assignment of lease,  
2 agreement of sale, assignment of agreement of sale,  
3 instrument or writing in which the United States or  
4 any agency or instrumentality thereof or the State or  
5 any agency, instrumentality, or governmental or  
6 political subdivision thereof are the only parties  
7 thereto;
- 8 (8) Any document or instrument executed pursuant to a tax  
9 sale conducted by the United States or any agency or  
10 instrumentality thereof or the State or any agency,  
11 instrumentality, or governmental or political  
12 subdivision thereof for delinquent taxes or  
13 assessments;
- 14 (9) Any document or instrument conveying real property to  
15 the United States or any agency or instrumentality  
16 thereof or the State or any agency, instrumentality,  
17 or governmental or political subdivision thereof  
18 pursuant to the threat of the exercise or the exercise  
19 of the power of eminent domain;
- 20 (10) Any document or instrument that solely conveys or  
21 grants an easement or easements;



- 1 (11) Any document or instrument whereby owners partition  
2 their property, whether by mutual agreement or  
3 judicial action; provided that the value of each  
4 owner's interest in the property after partition is  
5 equal in value to that owner's interest before  
6 partition;
- 7 (12) Any document or instrument between marital partners or  
8 reciprocal beneficiaries who are parties to a divorce  
9 action or termination of reciprocal beneficiary  
10 relationship that is executed pursuant to an order of  
11 the court in the divorce action or termination of  
12 reciprocal beneficiary relationship;
- 13 (13) Any document or instrument conveying real property  
14 from a testamentary trust to a beneficiary under the  
15 trust;
- 16 (14) Any document or instrument conveying real property  
17 from a grantor to the grantor's revocable living  
18 trust, or from a grantor's revocable living trust to  
19 the grantor as beneficiary of the trust;
- 20 (15) Any document or instrument conveying real property, or  
21 any interest therein, from an entity that is a party



1 to a merger or consolidation under chapter 414, 414D,  
2 415A, 421, 421C, 425, 425E, or 428 to the surviving or  
3 new entity;

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

13 [~~+~~] (17) [~~+~~] Any document or instrument that conforms to the  
14 transfer on death deed as authorized under chapter  
15 527 [~~-~~]; and

16 (18) Any document or instrument conveying real property  
17 subject to a government assistance program qualified  
18 by the Hawaii housing finance and development  
19 corporation and administered or operated by the State,  
20 the corporation, the United States, or any of their  
21 political subdivisions, agencies, or



1           instrumentalities, corporate or otherwise, which may  
 2           be used to effectuate housing development and  
 3           acquisition for the provision of affordable housing  
 4           for qualified persons in the State."

5           SECTION 4. Section 247-7, Hawaii Revised Statutes, is  
 6 amended to read as follows:

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

12           (1) [~~Ten~~] Fifteen per cent or [~~\$6,800,000,~~] \$10,500,000,  
 13           whichever is less, shall be paid into the land  
 14           conservation fund established pursuant to section  
 15           173A-5; and

16           (2) [~~Fifty~~] Eighty per cent or [~~\$38,000,000,~~] \$60,000,000,  
 17           whichever is less, shall be paid into the rental  
 18           housing revolving fund established by section 201H-  
 19           202."

20           SECTION 5. Statutory material to be repealed is bracketed  
 21 and stricken. New statutory material is underscored.



1 SECTION 6. This Act shall take effect on January 1, 2019.



**Report Title:**

Conveyance Tax; Land Conservation Fund; Rental Housing Revolving Fund

**Description:**

Amends the basis and rate for the conveyance tax, adds an exemption to the conveyance tax for qualified affordable housing, and increases allocations of the conveyance tax to the Land Conservation Fund and the Rental Housing Revolving Fund.  
(HB2750 HD1)

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