
A BILL FOR AN ACT

RELATING TO STATE FUNDS.

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

1 PART I

2 SECTION 1. Section 247-7, Hawaii Revised Statutes, is
3 amended to read as follows:

4 "§247-7 **Disposition of taxes.** (a) All taxes collected
5 under this chapter shall be paid into the state treasury to the
6 credit of the general fund of the State, to be used and expended
7 for the purposes for which the general fund was created and
8 exists by law; provided that of the taxes collected each fiscal
9 year:

10 (1) Ten per cent or \$5,100,000, whichever is less, shall
11 be paid into the land conservation fund established
12 pursuant to section 173A-5; and

13 (2) Fifty per cent or \$38,000,000, whichever is less,
14 shall be paid into the rental housing revolving fund
15 established by section 201H-202.

16 (b) Notwithstanding subsection (a), for the period
17 beginning July 1, 2021, through June 30, 2023, all taxes



1 collected under this chapter shall be deposited into the general
2 fund and expended for the purposes of paying the principal and
3 interest of general obligation bonds pursuant to section 39-12."

4 PART II

5 SECTION 2. The director of finance is authorized to issue
6 general obligation bonds in the sum of \$ or so much
7 thereof as may be necessary and the same sum or so much thereof
8 as may be necessary is appropriated for fiscal year 2021-2022 to
9 be deposited into the land conservation fund established
10 pursuant to section 173A-5, Hawaii Revised Statutes.

11 SECTION 3. The director of finance is authorized to issue
12 general obligation bonds in the sum of \$ or so much
13 thereof as may be necessary and the same sum or so much thereof
14 as may be necessary is appropriated for fiscal year 2022-2023 to
15 be deposited into the land conservation fund established
16 pursuant to section 173A-5, Hawaii Revised Statutes.

17 SECTION 4. There is appropriated out of the land
18 conservation fund established pursuant to section 173A-5, Hawaii
19 Revised Statutes, the sum of \$ or so much thereof as
20 may be necessary for fiscal year 2021-2022 and the same sum or
21 so much thereof as may be necessary for fiscal year 2022-2023



1 for the purposes for which the land conservation fund is
2 established.

3 The sums appropriated shall be expended by the department
4 of land and natural resources for the purposes of this part.

5 PART III

6 SECTION 5. The director of finance is authorized to issue
7 general obligation bonds in the sum of \$ or so much
8 thereof as may be necessary and the same sum or so much thereof
9 as may be necessary is appropriated for fiscal year 2021-2022 to
10 be deposited into the rental housing revolving fund established
11 pursuant to section 201H-202, Hawaii Revised Statutes.

12 SECTION 6. The director of finance is authorized to issue
13 general obligation bonds in the sum of \$ or so much
14 thereof as may be necessary and the same sum or so much thereof
15 as may be necessary is appropriated for fiscal year 2022-2023 to
16 be deposited into the rental housing revolving fund established
17 pursuant to section 201H-202, Hawaii Revised Statutes.

18 SECTION 7. There is appropriated out of the rental housing
19 revolving fund established pursuant to section 201H-202, Hawaii
20 Revised Statutes, the sum of \$ or so much thereof as
21 may be necessary for fiscal year 2021-2022 and the same sum or



1 so much thereof as may be necessary for fiscal year 2022-2023
2 for the purposes for which the rental housing revolving fund is
3 established.

4 The sums appropriated shall be expended by the Hawaii
5 housing finance and development corporation for the purposes of
6 this part.

7 PART IV

8 SECTION 8. Section 236E-6, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) An exclusion from a Hawaii taxable estate shall be
11 allowed to the estate of every decedent against the tax imposed
12 by section 236E-8. For the purpose of this section, the
13 applicable exclusion amount is ~~[equal to:~~

- 14 ~~(1) The federal applicable exclusion amount;~~
- 15 ~~(2) The exemption equivalent of the unified credit reduced~~
16 ~~by the amount of taxable gifts made by the decedent~~
17 ~~that reduces the amount of the federal applicable~~
18 ~~exclusion amount; or~~
- 19 ~~(3) The exemption equivalent of the unified credit on the~~
20 ~~decedent's federal estate tax return;~~



1 ~~as set forth for the decedent in chapter 11 of the Internal~~
2 ~~Revenue Code as amended as of December 21, 2017, as if the~~
3 ~~decedent died on December 31, 2017,]~~ \$3,500,000, and as further
4 adjusted pursuant to subsection (b)."

5 PART V

6 SECTION 9. Chapter 237, Hawaii Revised Statutes, is
7 amended by adding two new sections to be appropriately
8 designated and to read as follows:

9 "§237- Temporary suspension of exemption of certain
10 amounts; levy of tax. (a) Notwithstanding any other law to the
11 contrary, the exemption of the following amounts from taxation
12 under this chapter shall be suspended from July 1, 2021, through
13 June 30, 2023:

14 (1) Reimbursements received by federal cost-plus
15 contractors for the costs of purchased materials,
16 plant, and equipment as described under section
17 237-13(3)(C);

18 (2) Gross receipts of home service providers acting as
19 service carriers providing mobile telecommunications
20 services to other home service providers as described
21 under section 237-13(6)(D);



- 1 (3) Amounts deducted from the gross income of real
- 2 property lessees because of receipt from sublessees as
- 3 described under section 237-16.5;
- 4 (4) Amounts received by sugarcane producers as described
- 5 under section 237-24(14);
- 6 (5) Amounts received by exchanges and exchange members as
- 7 described under section 237-24.5;
- 8 (6) Amounts received as high technology research and
- 9 development grants under section 206M-15 as described
- 10 under section 237-24.7(10);
- 11 (7) Gross proceeds from the sale of the following:
- 12 (A) Intoxicating liquor, as described under section
- 13 237-25(a)(1), to the United States (including any
- 14 agency or instrumentality of the United States
- 15 that is wholly owned or otherwise so constituted
- 16 as to be immune from the levy of a tax under
- 17 chapter 238 or 244D, but not including national
- 18 banks) or any organization to which the sale is
- 19 permitted by the proviso of "Class 3" of section
- 20 281-31 that is located on any Army, Navy, or Air
- 21 Force reservation;



1 (B) Tobacco products and cigarettes, as described
2 under section 237-25(a)(2), to the United States
3 (including any agency or instrumentality thereof
4 that is wholly owned or otherwise so constituted
5 as to be immune from the levy of tax under
6 chapter 238 or 245, but not including national
7 banks); and

8 (C) Other tangible personal property, as described
9 under section 237-25(a)(3), to the United States
10 (including any agency, instrumentality, or
11 federal credit union thereof, but not including
12 national banks) and any state-chartered credit
13 union;

14 (8) Amounts received by petroleum product refiners from
15 other refiners for further refining of petroleum
16 products as described under section 237-27;

17 (9) Gross proceeds received from the construction,
18 reconstruction, erection, operation, use, maintenance,
19 or furnishing of air pollution control facilities, as
20 described under section 237-27.5, that do not have
21 valid certificates of exemption on July 1, 2021;



1 (10) Gross proceeds received from shipbuilding and ship
2 repairs as described under section 237-28.1; and
3 (11) Amounts received by telecommunications common carriers
4 from call center operators for interstate or foreign
5 telecommunications services as described under section
6 237-29.8.
7 (b) Except as otherwise provided under subsection (e),
8 (f), or (g), there is levied, assessed, and collected annually
9 against a taxpayer receiving or deriving previously exempt gross
10 income or gross proceeds of sale from July 1, 2021, to June 30,
11 2023, a tax at the rate of four per cent on that previously
12 exempt gross income or gross proceeds of sale.
13 (c) The taxpayer against whom the tax is levied and
14 assessed under this section shall be responsible for payment of
15 the tax to the director of taxation.
16 (d) Notwithstanding section 237-8.6, no county surcharge
17 shall be levied, assessed, or collected on any previously exempt
18 gross income or gross proceeds of sale that is subject to
19 taxation under subsection (b).
20 (e) This section shall not apply to gross income or gross
21 proceeds from binding written contracts entered into prior to



1 July 1, 2021, that do not permit the passing on of increased
2 rates of taxes.

3 (f) This section shall not apply to gross income or gross
4 proceeds from stevedoring services and related services, as
5 defined in section 382-1, furnished to a company by its wholly
6 owned subsidiary.

7 (g) The tax imposed under subsection (b) shall not apply
8 to any gross income or gross proceeds of sale that cannot
9 legally be so taxed under the Constitution or laws of the United
10 States, but only so long as, and only to the extent, to which
11 the State is without power to impose the tax.

12 To the extent that any exemption, exclusion, or
13 apportionment is necessary to comply with the preceding
14 sentence, the director of taxation shall:

- 15 (1) Exempt or exclude the gross income or gross proceeds
16 of sale from the tax under subsection (b); or
17 (2) Apportion the gross income or gross proceeds of sale
18 derived within the State by persons engaged in
19 business both within and without the State to
20 determine the gross income or gross proceeds of sale



1 that is subject to taxation under this chapter for the
2 purposes of section 237-21.

3 (h) This chapter shall apply to the payment, collection,
4 enforcement, and appeal of the tax levied under this section.

5 (i) The director of taxation may establish additional
6 requirements, procedures, and forms pursuant to rules adopted
7 under chapter 91 to effectuate this section.

8 (j) As used in this section, "previously exempt gross
9 income or gross proceeds of sale" means the amount of the gross
10 income or gross proceeds of sale the exemption for which is
11 suspended under subsection (a).

12 **§237- Information reporting.** Beginning July 1, 2021,
13 the director of taxation shall require information reporting on
14 all exclusions or exemptions of all amounts, persons, or
15 transactions from this chapter, except for the following:

16 (1) Amounts received that are exempt under section
17 237-24(1) through (7); and
18 (2) Any other amounts, persons, or transactions as
19 determined by the director to be in the best interest
20 of tax administration and made by official
21 pronouncement."



1 SECTION 10. Chapter 238, Hawaii Revised Statutes, is
2 amended by adding two new sections to be appropriately
3 designated and to read as follows:

4 "§238- Temporary suspension of exemption of certain
5 amounts; levy of tax. (a) Notwithstanding any other law to the
6 contrary, the exemption of the following from taxation under
7 this chapter shall be suspended from July 1, 2021, through
8 June 30, 2023:

- 9 (1) The use or sale of intoxicating liquor and cigarettes
10 and tobacco products imported into the State and sold
11 to any person or common carrier in interstate
12 commerce, whether ocean-going or air, for consumption
13 out of State by the person, crew, or passengers on the
14 shipper's vessels or airplanes, as described under
15 section 238-3(g);
- 16 (2) The use of any vessel constructed under section 189-25
17 prior to July 1, 1969, as described under section
18 238-3(h); and
- 19 (3) The use of any air pollution control facility subject
20 to section 237-27.5 as described under section
21 238-3(k).



1 (b) Except as otherwise provided under subsection (e) or
2 (f), there is levied, assessed, and collected annually against a
3 taxpayer who imports or purchases previously exempt property,
4 services, or contracting for use in this State that becomes
5 subject to the State's taxing jurisdiction from July 1, 2021, to
6 June 30, 2023, a tax at the rate of four per cent on the value
7 of that previously exempt property, services, or contracting.

8 (c) The taxpayer against whom the tax is levied and
9 assessed under this section shall be responsible for payment of
10 the tax to the director of taxation.

11 (d) Notwithstanding section 238-2.6, no county surcharge
12 shall be levied, assessed, or collected on the value of any
13 previously exempt property, services, or contracting that is
14 subject to taxation under subsection (b).

15 (e) This section shall not apply to any property,
16 services, or contracting imported or purchased under binding
17 written contracts entered into prior to July 1, 2021, that do
18 not permit the passing on of increased rates of taxes.

19 (f) The tax imposed under subsection (b) shall not apply
20 to any property, services, or contracting or to any use of the
21 property, services, or contracting that cannot legally be so



1 taxed under the Constitution or laws of the United States, but
2 only so long as, and only to the extent to which, the State is
3 without power to impose the tax.

4 To the extent that any exemption, exclusion, or
5 apportionment is necessary to comply with the preceding
6 sentence, the director of taxation shall:

- 7 (1) Exempt or exclude the property, services, or
8 contracting or the use of the property, services, or
9 contracting, from the tax under subsection (b); or
10 (2) Apportion the gross value of services or contracting
11 sold to customers within the State by persons engaged
12 in business both within and without the State to
13 determine the value of that portion of the services or
14 contracting that is subject to taxation under chapter
15 237 for the purposes of section 237-21.

16 (g) This chapter shall apply to the payment, collection,
17 enforcement, and appeal of the tax levied under this section.

18 (h) The director of taxation may establish additional
19 requirements, procedures, and forms pursuant to rules adopted
20 under chapter 91 to effectuate this section.



1 (i) As used in this section, "previously exempt property,
2 services, or contracting" means property, services, or
3 contracting, the exemption for which is suspended under
4 subsection (a).

5 **§238- Information reporting.** Beginning July 1, 2021,
6 the director of taxation shall require information reporting on
7 all exclusions or exemptions of all amounts, persons, or
8 transactions from this chapter, except for any amounts, persons,
9 or transactions as determined by the director to be in the best
10 interest of tax administration and made by official
11 pronouncement."

12 SECTION 11. Section 247-2, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§247-2 Basis and rate of tax.** The tax imposed by section
15 247-1 shall be based on the actual and full consideration
16 (whether cash or otherwise, including any promise, act,
17 forbearance, property interest, value, gain, advantage, benefit,
18 or profit), paid or to be paid for all transfers or conveyance
19 of realty or any interest therein, that shall include any liens
20 or encumbrances thereon at the time of sale, lease, sublease,



1 assignment, transfer, or conveyance, and shall be at the
2 following rates:

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

4 (A) [~~Ten cents per \$100 for~~] For properties with a
5 value of less than \$600,000[+]: ten cents per
6 \$100;

7 (B) [~~Twenty cents per \$100 for~~] For properties with a
8 value of at least \$600,000, but less than
9 \$1,000,000[+]: twenty cents per \$100;

10 (C) [~~Thirty cents per \$100 for~~] For properties with a
11 value of at least \$1,000,000, but less than
12 \$2,000,000[+]: thirty cents per \$100;

13 (D) [~~Fifty cents per \$100 for~~] For properties with a
14 value of at least \$2,000,000, but less than
15 \$4,000,000[+]: fifty cents per \$100;

16 (E) [~~Seventy cents per \$100 for~~] For properties with
17 a value of at least \$4,000,000, but less than
18 \$6,000,000[+]: \$1.40 per \$100;

19 (F) [~~Ninety cents per \$100 for~~] For properties with a
20 value of at least \$6,000,000, but less than
21 \$10,000,000[+ ~~and~~]: \$2.70 per \$100; and



- 1 (G) ~~[One dollar per \$100 for]~~ For properties with a
2 value of \$10,000,000 or greater~~[+and]~~: \$4.00 per
3 \$100; and
- 4 (2) For the sale of a condominium or single family
5 residence for which the purchaser is ineligible for a
6 county homeowner's exemption on property tax:
- 7 (A) ~~[Fifteen cents per \$100 for]~~ For properties with
8 a value of less than \$600,000~~[+]~~: fifteen cents
9 per \$100;
- 10 (B) ~~[Twenty five cents per \$100 for]~~ For properties
11 with a value of at least \$600,000, but less than
12 \$1,000,000~~[+]~~: twenty-five cents per \$100;
- 13 (C) ~~[Forty cents per \$100 for]~~ For properties with a
14 value of at least \$1,000,000, but less than
15 \$2,000,000~~[+]~~: forty cents per \$100;
- 16 (D) ~~[Sixty cents per \$100 for]~~ For properties with a
17 value of at least \$2,000,000, but less than
18 \$4,000,000~~[+]~~: sixty cents per \$100;
- 19 (E) ~~[Eighty five cents per \$100 for]~~ For properties
20 with a value of at least \$4,000,000, but less
21 than \$6,000,000~~[+]~~: \$1.70 per \$100;



1 (F) ~~[One dollar and ten cents per \$100 for]~~ For
2 properties with a value of at least \$6,000,000,
3 but less than \$10,000,000~~[, and]~~: \$3.30 per \$100;
4 and
5 (G) ~~[One dollar and twenty five cents per \$100 for]~~
6 For properties with a value of \$10,000,000 or
7 greater~~[,]~~: \$5.00 per \$100,
8 of such actual and full consideration; provided that in the case
9 of a lease or sublease, this chapter shall apply only to a lease
10 or sublease whose full unexpired term is for a period of five
11 years or more, and in those cases, including ~~[where~~
12 ~~appropriate]~~, where appropriate, those cases where the lease
13 has been extended or amended, the tax in this chapter shall be
14 based on the cash value of the lease rentals discounted to
15 present day value and capitalized at the rate of six per cent,
16 plus the actual and full consideration paid or to be paid for
17 any and all improvements, if any, that shall include on-site as
18 well as off-site improvements, applicable to the leased
19 premises; and provided further that the tax imposed for each
20 transaction shall be ~~[not]~~ no less than \$1."



1 PART VI

2 SECTION 12. Statutory material to be repealed is bracketed
3 and stricken. New statutory material is underscored.

4 SECTION 13. This Act shall take effect on January 1, 2022;
5 provided that part IV shall be applicable to decedents dying or
6 taxable transfers occurring after June 30, 2021.



Report Title:

Conveyance Tax; Disposition; General Obligation Bonds; Land Conservation Fund; Rental Housing Revolving Fund

Description:

Temporarily reallocates conveyance tax revenues for purposes of paying the principal and interest of general obligation bonds. Authorizes the issuance of general obligation bonds to be appropriated into and out of the land conservation fund and rental housing revolving fund. Amends the exclusion amount of Hawaii's estate tax for decedents dying or taxable transfers occurring after 6/30/2021. From 7/1/2021 through 6/30/2023, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at \$4,000,000 or greater. Effective 1/1/2022. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

