
A BILL FOR AN ACT

RELATING TO THE DISPOSITION OF TAXES.

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

1 SECTION 1. The economic impact of the COVID-19 pandemic on
2 the revenues of the State has been devastating with an estimated
3 decline of \$2.3 billion for fiscal biennium 2019-2021 and
4 necessitates action to preserve the solvency of the state
5 general fund and ensure the continuation of critical government
6 operations.

7 Therefore, the purpose of this Act is to temporarily
8 suspend the requirement for disposition of the conveyance tax to
9 the land conservation fund and the rental housing revolving fund
10 for fiscal year 2021-2022 and fiscal year 2022-2023.

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

13 "**§247-7 Disposition of taxes.** All taxes collected under
14 this chapter shall be paid into the state treasury to the
15 credit of the general fund of the State, to be used and
16 expended for the purposes for which the general fund was
17 created and exists by law[~~, provided that of the taxes~~
18 ~~collected each fiscal year.~~

H.B. NO. 938

1 **Report Title:**

2 Conveyance Tax; Disposition of Taxes; Land Conservation Fund;
3 Rental Housing Revolving Fund

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5 **Description:**

6 Suspends the requirement for disposition of the conveyance tax
7 to the Land Conservation Fund and the Rental Housing Revolving
8 Fund for fiscal year 2021-2022 and fiscal year 2022-2023.

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JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE DISPOSITION OF TAXES.

PURPOSE: To suspend the requirement for the disposition of the conveyance tax to the Land Conservation Fund (LCF) and the Rental Housing Revolving Fund (RHRF) for fiscal year 2021-2022 and fiscal year 2022-2023.

MEANS: Amend section 247-7, Hawaii Revised Statutes (HRS).

JUSTIFICATION: The economic impact of the COVID-19 pandemic on the revenues of the State has been devastating with an estimated decline of \$2.3 billion for fiscal biennium 2019-2021 and necessitates action to preserve the solvency of the state general fund and ensure the continuation of critical government operations.

To help address the general fund shortfall, this measure proposes to suspend the required disposition of the conveyance tax to the LCF and RHRF. The suspension is estimated to save a minimum of \$43,100,000, in tax distribution per fiscal year.

Given the continued increase in the number of active COVID-19 cases in Hawaii and the delay in reopening large sectors of Hawaii's economy, it is likely that the State's revenue collections will take longer to recover than previously projected.

Suspension of the disposition of the conveyance tax to the LCF and RHRF for fiscal year 2021-2022 and fiscal year 2022-2023 will save the State an estimated \$86,200,000 over the next two fiscal years and will also help to provide budgetary

relief for other general funded State operations.

Impact on the public: None.

Impact on the department and other agencies:

This measure will suspend the ten percent disposition or \$5,100,000, whichever is less, to the Department of Land and Natural Resources' LCF; and the fifty percent disposition or \$38,000,000, whichever is less, to the Hawaii Housing Finance and Development Corporation's RHRF pursuant to section 247-7, HRS.

Alternative means of financing have been identified in the executive budget for fiscal biennium 2021-2023 to supplant revenue lost by suspension of the disposition of the conveyance tax to these agencies.

GENERAL FUND: Estimated reduction in expenditures of \$86,200,000 over the course of the two-year suspension.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: LNR 101, Land Division; and BED 160, Hawaii Housing Finance and Development Corporation.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: July 1, 2021.