STAND. COM. REP. NO. 2.33

Honolulu, Hawaii

## FEB 1 5 2022

RE: S.B. No. 2237 S.D. 1

Honorable Ronald D. Kouchi President of the Senate Thirty-First State Legislature Regular Session of 2022 State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 2237 entitled:

"A BILL FOR AN ACT RELATING TO THE CONVEYANCE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- Increase the rate of conveyance tax for condominiums and single-family residences with a value of at least \$2,000,000 that are ineligible for a county homeowner's exemption;
- (2) Exempt from the conveyance tax documents and instruments that convey real property subject to a government assistance program approved and certified by the Hawaii Housing Finance and Development Corporation and used for the provision of affordable housing for qualified persons; and
- (3) Remove the maximum dollar amount of conveyance tax revenues that are to be paid into the Rental Housing Revolving Fund each fiscal year.

Your Committee received testimony in support of this measure from Americans for Democratic Action Hawai'i, Hawai'i Children's Action Network Speaks!, EAH Housing, and one individual. Your



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Committee received testimony in opposition to this measure from the Hawai'i Association of REALTORS. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the conveyance tax is an important source of income for the State and supports Hawaii's affordable housing initiatives. An increase in conveyance tax rates for high-value residences would further benefit the State. This measure increases the conveyance tax rate for high-value homes and exempts conveyances of real property subject to a government assistance program from the conveyance tax. However, your Committee further finds that, according to testimony submitted by the Tax Foundation of Hawaii, discontinuities at break points in the tax brackets may incentivize undesirable behavior among taxpayers.

Accordingly, your Committee has amended this measure by:

- Adjusting the tax rate for each tax bracket to lessen the degree of discontinuities while still achieving an increased revenue collection to support the State's housing initiatives;
- (2) Replacing the effective date with January 1, 2023; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2237, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2237, S.D. 1, and be referred to your Committee on Ways and Means.



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Respectfully submitted on behalf of the members of the Committee on Housing,

STANLEY CHANG, Chair



## The Senate Thirty-First Legislature State of Hawaiʻi

## Record of Votes Committee on Housing HOU

Bill / Resolution No.:*	Committee Referral:			Date:	
SB2237	HOU	I, WAM		2/8/	22
The Committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (WR)	Nay	Excused
CHANG, Stanley (C)					
KANUHA, Dru Mamo (VC)		$\overline{V}$			
MORIWAKI, Sharon Y.					
RHOADS, Karl					
FEVELLA, Kurt					
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TOTAL		6	<u> </u>		
Recommendation:		-1	l		
Adopted			Not Adopted		
Chair's or Designee's Signature					
Distribution: Original File with Committee Re	Yellow Report Clerk's Office I		Pink Drafting Agency		

\*Only <u>one</u> measure per Record of Votes