
A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

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

3 "§247-2 Basis and rate of tax. The tax imposed by section
4 247-1 shall be based on the actual and full consideration
5 (whether cash or otherwise, including any promise, act,
6 forbearance, property interest, value, gain, advantage, benefit,
7 or profit), paid or to be paid for all transfers or conveyance
8 of realty or any interest therein, that shall include any liens
9 or encumbrances thereon at the time of sale, lease, sublease,
10 assignment, transfer, or conveyance, and shall be at the
11 following rates:

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

13 (A) [~~Ten cents per \$100 for~~] For properties with a
14 value of less than \$600,000 [~~+~~]: 10 cents per
15 \$100;

16 (B) [~~Twenty cents per \$100 for~~] For properties with a
17 value of at least \$600,000, but less than
18 \$1,000,000 [~~+~~]: 20 cents per \$100;

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- 1 (C) ~~[Thirty cents per \$100 for]~~ For properties with a
2 value of at least \$1,000,000, but less than
3 \$2,000,000 ~~[+]~~: 30 cents per \$100;
- 4 (D) ~~[Fifty cents per \$100 for]~~ For properties with a
5 value of at least \$2,000,000, but less than
6 \$4,000,000 ~~[+]~~: 50 cents per \$100;
- 7 (E) ~~[Seventy cents per \$100 for]~~ For properties with
8 a value of at least \$4,000,000, but less than
9 \$6,000,000 ~~[+]~~: 70 cents per \$100;
- 10 (F) ~~[Ninety cents per \$100 for]~~ For properties with a
11 value of at least \$6,000,000, but less than
12 \$10,000,000 ~~[+]~~: \$1.10 per \$100; [and]
- 13 (G) ~~[One dollar per \$100 for]~~ For properties with a
14 value of at least \$10,000,000 ~~[or greater+]~~, but
15 less than \$14,000,000: \$1.40 per \$100;
- 16 (H) For properties with a value of at least
17 \$14,000,000, but less than \$18,000,000: \$2.00
18 per \$100;
- 19 (I) For properties with a value of at least
20 \$18,000,000, but less than \$22,000,000: \$3.00
21 per \$100;

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- 1 (J) For properties with a value of at least
2 \$22,000,000, but less than \$26,000,000: \$4.00
3 per \$100; and
- 4 (K) For properties with a value of \$26,000,000 or
5 greater: \$6.00 per \$100.
- 6 (2) For the sale of a condominium or single family
7 residence for which the purchaser is ineligible for a
8 county homeowner's exemption on property tax:
- 9 (A) [~~Fifteen cents per \$100 for~~] For properties with
10 a value of less than \$600,000[+]: 15 cents per
11 \$100;
- 12 (B) [~~Twenty five cents per \$100 for~~] For properties
13 with a value of at least \$600,000, but less than
14 \$1,000,000[+]: 25 cents per \$100;
- 15 (C) [~~Forty cents per \$100 for~~] For properties with a
16 value of at least \$1,000,000, but less than
17 \$2,000,000[+]: 40 cents per \$100;
- 18 (D) [~~Sixty cents per \$100 for~~] For properties with a
19 value of at least \$2,000,000, but less than
20 \$4,000,000[+]: \$1.00 per \$100;

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- 1 (E) ~~[Eighty five cents per \$100 for]~~ For properties
2 with a value of at least \$4,000,000, but less
3 than \$6,000,000 ~~[+]~~: \$1.50 per \$100;
- 4 (F) ~~[One dollar and ten cents per \$100 for]~~ For
5 properties with a value of at least \$6,000,000,
6 but less than \$10,000,000 ~~[+]~~: \$2.00 per \$100;
7 [and]
- 8 (G) ~~[One dollar and twenty five cents per \$100 for]~~
9 For properties with a value of at least
10 \$10,000,000 ~~[or greater,]~~, but less than
11 \$14,000,000: \$3.00 per \$100;
- 12 (H) For properties with a value of at least
13 \$14,000,000, but less than \$18,000,000: \$4.00
14 per \$100;
- 15 (I) For properties with a value of at least
16 \$18,000,000, but less than \$22,000,000: \$5.00
17 per \$100;
- 18 (J) For properties with a value of at least
19 \$22,000,000, but less than \$26,000,000: \$6.00
20 per \$100; and
- 21 (K) For properties with a value of \$26,000,000 or
22 greater: \$7.00 per \$100,

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

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

16 "§247-3 **Exemptions.** The tax imposed by section 247-1
17 shall not apply to:

- 18 (1) Any document or instrument that is executed prior to
19 January 1, 1967;
- 20 (2) Any document or instrument that is given to secure a
21 debt or obligation;

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- 1 (3) Any document or instrument that only confirms or
2 corrects a deed, lease, sublease, assignment,
3 transfer, or conveyance previously recorded or filed;
4 (4) Any document or instrument between husband and wife,
5 reciprocal beneficiaries, or parent and child, in
6 which only a nominal consideration is paid;
7 (5) Any document or instrument in which there is a
8 consideration of \$100 or less paid or to be paid;
9 (6) Any document or instrument conveying real property
10 that is executed pursuant to an agreement of sale, and
11 where applicable, any assignment of the agreement of
12 sale, or assignments thereof; provided that the taxes
13 under this chapter have been fully paid upon the
14 agreement of sale, and where applicable, upon [~~such~~]
15 the assignment or assignments of agreements of sale;
16 (7) Any deed, lease, sublease, assignment of lease,
17 agreement of sale, assignment of agreement of sale,
18 instrument or writing in which the United States or
19 any agency or instrumentality thereof or the State or
20 any agency, instrumentality, or governmental or
21 political subdivision thereof are the only parties
22 thereto;

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- 1 (8) Any document or instrument executed pursuant to a tax
2 sale conducted by the United States or any agency or
3 instrumentality thereof or the State or any agency,
4 instrumentality, or governmental or political
5 subdivision thereof for delinquent taxes or
6 assessments;
- 7 (9) Any document or instrument conveying real property to
8 the United States or any agency or instrumentality
9 thereof or the State or any agency, instrumentality,
10 or governmental or political subdivision thereof
11 pursuant to the threat of the exercise or the exercise
12 of the power of eminent domain;
- 13 (10) Any document or instrument that solely conveys or
14 grants an easement or easements;
- 15 (11) Any document or instrument whereby owners partition
16 their property, whether by mutual agreement or
17 judicial action; provided that the value of each
18 owner's interest in the property after partition is
19 equal in value to that owner's interest before
20 partition;
- 21 (12) Any document or instrument between marital partners or
22 reciprocal beneficiaries who are parties to a divorce

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- 1 action or termination of reciprocal beneficiary
2 relationship that is executed pursuant to an order of
3 the court in the divorce action or termination of
4 reciprocal beneficiary relationship;
- 5 (13) Any document or instrument conveying real property
6 from a testamentary trust to a beneficiary under the
7 trust;
- 8 (14) Any document or instrument conveying real property
9 from a grantor to the grantor's revocable living
10 trust, or from a grantor's revocable living trust to
11 the grantor as beneficiary of the trust;
- 12 (15) Any document or instrument conveying real property, or
13 any interest therein, from an entity that is a party
14 to a merger or consolidation under chapter 414, 414D,
15 415A, 421, 421C, 425, 425E, or 428 to the surviving or
16 new entity;
- 17 (16) Any document or instrument conveying real property, or
18 any interest therein, from a dissolving limited
19 partnership to its corporate general partner that
20 owns, directly or indirectly, at least a ninety per
21 cent interest in the partnership, determined by
22 applying section 318 (with respect to constructive

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1 ownership of stock) of the federal Internal Revenue
2 Code of 1986, as amended, to the constructive
3 ownership of interests in the partnership; [and
4 ~~+] (17) [+]~~ Any document or instrument that conforms to the
5 transfer on death deed as authorized under chapter
6 527 ~~[+]~~; and
7 (18) Any document or instrument conveying real property to
8 an individual who is an owner-occupant or renter-
9 occupant of the property; provided the individual does
10 not have a direct or indirect ownership interest in
11 any other real property, including through ownership
12 interest in a trust, partnership, corporation, limited
13 liability company, or other entity."

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

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

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

4 (2) Fifty per cent or \$38,000,000, whichever is less,
5 shall be paid into the rental housing revolving fund
6 established by section 201H-202 [-]; and

7 (3) Ten per cent shall be paid into the dwelling unit
8 revolving fund established pursuant to section 201H-
9 191 for the purposes of funding infrastructure
10 programs in transit-oriented development areas."

11 SECTION 4. This Act does not affect rights and duties that
12 matured, penalties that were incurred, and proceedings that were
13 began before its effective date.

14 SECTION 5. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 6. This Act, upon its approval, shall take effect
17 on July 1, 2024.

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INTRODUCED BY: 

20

BY REQUEST
JAN 22 2024

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Report Title:

Conveyance Tax Rates and Exemptions; Land Conservation Fund; Rental Housing Revolving Fund; Dwelling Unit Revolving Fund; Allocations

Description:

Increases the conveyance tax rate for certain properties. Exempts conveyances of certain real property from the conveyance tax. Eliminates the cap on the amount of conveyance tax collections allocated to the land conservation fund and rental housing revolving fund. Allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund for the purpose of funding infrastructure programs in transit-oriented development areas.

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

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE CONVEYANCE TAX.

PURPOSE: Increases the conveyance tax rates for certain properties. Allocates ten percent of conveyance tax collections to the Dwelling Unit Revolving Fund (DURF) for infrastructure improvements in transit-oriented development areas.

MEANS: Amend section 247-2, 247-3, and 247-7 Hawaii Revised Statutes (HRS).

JUSTIFICATION: The "Hawaii TOD Infrastructure Financing and Delivery Strategy for Pilot Areas," funded by the Legislature in 2021, will be, in its report to the Legislature in the 2024 regular session, recommending increases to the conveyance tax and allocation of a certain portion of the tax to an infrastructure fund for use in transit-oriented development areas.

Impact on the public: The bill will increase conveyance tax on those properties valued at or over \$6 million dollars, or for those purchasers who are ineligible for a county homeowner's exemption on those properties valued at or over \$2 million dollars. The increased tax revenue and the tax allocation to the DURF will help increase the state's inventory of affordable rental housing to provide more housing options. Clarifies that people with indirect interests in property shall not be exempted from paying the tax.

Impact on the department and other agencies: The bill would enable the funding of more infrastructure improvements via the Hawaii Housing Finance and Development Corporation. Infrastructure improvements could expedite the construction of housing and thus respond

to the housing crisis. Agencies with development interests, such as HPHA and HHFDC would benefit from this additional money.

GENERAL FUND: The proposed ten percent of the conveyance tax being allocated to DURF would result in lower deposits into the General Fund. However, the infrastructure investments funded by DURF should help expedite development, and thereby increase other contributions to the General Fund over time.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BED-144 PL.

OTHER AFFECTED
AGENCIES: Hawaii Housing Finance and Development Corporation, Hawaii Public Housing Authority, County of Kauai, City and County of Honolulu, County of Maui, County of Hawaii, and the Department of Budget and Finance, and the Department of Taxation.

EFFECTIVE DATE: July 1, 2024.