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1 Revised Statutes, or any person required to collect and remit
2 tax to the State under title 14, Hawaii Revised Statutes.

3 "Transient accommodations" means the same as is defined in
4 section 237D-1, Hawaii Revised Statutes.

5 "Waiver period" means all taxable periods beginning after
6 December 31, 2014, and ending before January 1, 2024.

7 SECTION 2. (a) The director shall develop and administer
8 a one-time tax amnesty program as provided for in this Act. The
9 director shall begin accepting applications for the amnesty
10 program on January 1, 2025, and shall continue accepting
11 applications until December 31, 2025.

12 (b) Upon satisfaction of the requirements set forth in
13 subsection (c), the State shall waive criminal prosecution and
14 all fines, penalties, and interest that may be assessed for the
15 waiver period for taxes imposed under chapters 237 and 237D,
16 Hawaii Revised Statutes, for gross income, gross rental, or
17 gross rental proceeds received for the furnishing of an eligible
18 property as a transient accommodation; provided that the waiver
19 shall apply only to the eligible property for which the
20 application for tax amnesty is granted.

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1 (c) The waiver authorized by subsection (a) shall be
2 granted to a taxpayer who files an application for amnesty in
3 the form prescribed by the director and who:

4 (1) After June 30, 2024, but prior to December 31, 2025,
5 converts a transient accommodation to a long-term
6 rental by entering into a written residential lease
7 agreement for a term of at least twenty-four months
8 for the eligible property with an individual who is
9 not an immediate family member of the taxpayer or who
10 does not have a direct or indirect ownership interest
11 in the eligible property;

12 (2) Files or amends all returns as may be required by the
13 director for the waiver period;

14 (3) Pays in full the principal amount of outstanding taxes
15 imposed under chapters 237 and 237D, Hawaii Revised
16 Statutes, for gross income, gross rental, or gross
17 rental proceeds received for the furnishing of the
18 eligible property as a transient accommodation during
19 the waiver period; provided that the taxpayer may
20 enter into an installment payment agreement with the
21 department in cases of hardship, as determined by and
22 upon the terms set forth by the director; and

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1 (4) Has not received notice, written or otherwise, that
2 the taxpayer is the subject of a criminal
3 investigation or criminal prosecution for nonpayment,
4 delinquency, evasion, or fraud in relation to any
5 federal or state taxes.

6 (d) Notwithstanding any provision to the contrary, any
7 waiver granted pursuant to subsection (b) shall be canceled if:

8 (1) The taxpayer fails to provide sufficient evidence, as
9 determined by the director, within thirty days of the
10 department's written demand, that the eligible
11 property was leased, let, or rented as a long-term
12 rental for at least twenty-four months between the
13 time period beginning on July 1, 2024, and ending on
14 December 31, 2027;

15 (2) The taxpayer provided false information in the
16 application for amnesty or in the returns required to
17 be filed or amended under subsection (c) (2); or

18 (3) The taxpayer fails to make all installment payments as
19 required by any installment payment agreement entered
20 into pursuant to subsection (c) (3).

21 (e) No refund or credit shall be allowed for:

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1 (1) Any interest or penalty relating to the eligible
2 property that was imposed for the waiver period and
3 paid prior to the time the taxpayer applies for
4 amnesty under this Act; or

5 (2) Any taxes paid pursuant to subsection (c)(3).

6 (f) The director shall:

7 (1) Provide any forms or instructions necessary for the
8 filing of amnesty applications and returns; and

9 (2) Take all actions necessary to implement this Act.

10 PART II

11 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
12 amended by adding a new section to part I to be appropriately
13 designated and to read as follows:

14 "§235- Capital gains from the sale of certain short-
15 term rental properties; excluded from taxation. (a)

16 Notwithstanding any law to the contrary, all capital gains
17 realized from the sale of a qualified short-term rental property
18 to a qualified buyer shall be excluded from taxation under this
19 chapter.

20 (b) To qualify for the exclusion in this section:

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- 1 (1) The qualified short-term rental property shall be sold
2 to a qualified buyer for a sales price of not more
3 than \$2,000,000;
- 4 (2) The sale of the qualified short-term rental property
5 shall close after June 30, 2024, and before January 1,
6 2026;
- 7 (3) The taxpayer shall obtain from the qualified buyer a
8 declaration, signed under penalty of perjury, stating
9 that the qualified buyer intends to immediately occupy
10 the qualified short-term rental property as the
11 qualified buyer's primary residence for a period of
12 not less than two years;
- 13 (4) All outstanding taxes imposed under chapters 235, 237,
14 and 237D for gross income, gross rental, or gross
15 rental proceeds received for the furnishing of the
16 qualified short-term rental property as a transient
17 accommodation shall be paid prior to the close of the
18 sale; and
- 19 (5) The taxpayer shall electronically file all forms and
20 returns as required by the director.
- 21 (c) For purposes of this section:
22 "Qualified buyer" means an individual who:

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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 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
8 during the period from June 30, 2024, to December 31,
9 2025, with a value of not more than \$2,000,000 to an
10 individual who:
11 (A) Is not an immediate family member of any owner of
12 the property;
13 (B) Does not have a direct or indirect ownership
14 interest in the property;
15 (C) Does not have a direct or indirect ownership
16 interest in any other real property; and
17 (D) Intends to immediately occupy the property as the
18 individual's primary residence for a period of
19 not less than two years;
20 provided that the property was furnished as a
21 transient accommodation, as defined in section 237D-1,
22 during the period from January 1, 2023, to June 30,

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1 2024; and provided further that all outstanding taxes
2 imposed under chapters 235, 237, and 237D for gross
3 income, gross rental, or gross rental proceeds
4 received for the furnishing of the property as a
5 transient accommodation has been paid."

6 SECTION 5. Section 247-6, Hawaii Revised Statutes, is
7 amended by amending subsection (b) to read as follows:

8 "(b) No certificate is required to be filed for any
9 document or instrument made exempt by section 247-3, except that
10 in the following situations, a certificate shall be filed in the
11 manner and place that the director shall prescribe, within
12 ninety days after the transaction or prior to the recordation or
13 filing of the document or instrument with the registrar of
14 conveyances or the assistant registrar of the land court or
15 after the ninety-day period, recordation, or filing as the
16 director shall prescribe:

17 (1) For any document or instrument described under section
18 247-3(3), any party to the document or instrument
19 shall file a certificate declaring that the document
20 or instrument merely confirms or corrects a deed,
21 lease, sublease, assignment, transfer, or conveyance
22 previously recorded or filed.

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- 1 (2) For any document or instrument described under section
2 247-3(4), any party to the document or instrument
3 shall file a certificate declaring the amount of the
4 nominal consideration paid and marital or parental
5 relationship of the parties.
- 6 (3) For any document or instrument described under section
7 247-3(5), any party to the document or instrument
8 shall file a certificate declaring the reasons why the
9 consideration is \$100 or less.
- 10 (4) For any document or instrument described in section
11 247-3(6), any party to the document or instrument
12 shall file a certificate declaring that the document
13 or instrument is made pursuant to an agreement of
14 sale, and where applicable, an assignment or
15 assignments of agreements of sale.
- 16 (5) For any document or instrument described under section
17 247-3(8), any person made a party to the document or
18 instrument as grantee, assignee, or transferee shall
19 file a certificate declaring the full and actual
20 consideration of the property transferred.

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- 1 (6) For any document or instrument described under section
2 247-3(11), any party to the document or instrument
3 shall file a certificate declaring each owner's:
4 (A) Undivided interest in the real property and the
5 value of that interest before partition; and
6 (B) Proportionate interest and the value of that
7 interest after partition.
- 8 (7) For any document or instrument described under section
9 247-3(12), any party to the document or instrument
10 shall file a certificate declaring that the document
11 or instrument is made pursuant to an order of the
12 court and containing the court case number.
- 13 (8) For any document or instrument described under section
14 247-3(13), any party to the document or instrument
15 shall file a certificate declaring that the document
16 or instrument conveys real property from a
17 testamentary trust to a trust beneficiary.
- 18 (9) For any document or instrument described under section
19 247-3(14), any party to the document or instrument
20 shall file a certificate declaring that the document
21 or instrument conveys real property from the grantor

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1 to a grantor's revocable living trust or from a
2 grantor's revocable living trust to the grantor.

3 (10) For any document or instrument described under section
4 247-3(18), any party to the document or instrument
5 shall file:

6 (A) A declaration signed under penalty of perjury by
7 the transferee, declaring their intent to
8 immediately occupy the property as their primary
9 residence for a period of not less than two
10 years; and

11 (B) Certificates from the appropriate parties
12 declaring that all requirements in section 247-
13 3(18) have been met."

14 PART IV

15 SECTION 6. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 7. This Act, upon its approval, shall take effect
18 on January 1, 2024; provided that:

19 (1) Part II shall apply to taxable years beginning after
20 December 31, 2023, and shall be repealed on January 1,
21 2026; and

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Report Title:

Housing; Tax Amnesty Program; Transient Accommodation; Long-Term Rental Conversions; Rentals; Tax Waivers and Exemptions; Department of Taxation

Description:

Requires the Director of Taxation to develop and administer a one-time tax amnesty program that would waive criminal prosecution, fines, penalties, and interest related to general excise tax and transient accommodations tax for qualified owners who convert an eligible property to a long-term rental through a two-year written resident lease agreement, subject to certain conditions. Provides a conveyance tax exemption for certain real property furnished as a transient accommodation during the period from January 1, 2023, to July 1, 2024. Provides an income tax exemption for capital gains from the sale of certain short-term rental properties furnished as transient accommodation and closing after June 30, 2024, and before January 1, 2026, subject to certain conditions.

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

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JUSTIFICATION SHEET

DEPARTMENT: Governor

TITLE: A BILL FOR AN ACT RELATING TO TAXATION.

PURPOSE: To require the Director of Taxation to develop and administer a one-time tax amnesty program that would waive criminal prosecution, fines, penalties, and interest related to general excise tax and transient accommodations tax for a certain period for qualified owners who convert an eligible property to a long-term rental through a two-year written resident lease agreement, subject to certain conditions; provide a conveyance tax exemption for certain real property furnished as a transient accommodation during the period from January 1, 2023, to June 30, 2024; and provide an income tax exemption for capital gains from the sale of certain short-term rental properties furnished as transient accommodation and closing after June 30, 2024, and before January 1, 2026, subject to certain conditions.

MEANS: Add a new section to chapter 235, Hawaii Revised Statutes (HRS); amend sections 247-3 and 247-6(b), HRS; and establish new provisions in Session Laws of Hawaii.

JUSTIFICATION: Hawaii's housing crisis represents one of the largest economic challenges facing families and individuals in our State. A June 28, 2023, report by the Economic Research Organization at the University of Hawai'i states that Hawaii residents face the highest housing costs in the nation. Housing is also the single biggest household expense in our State, making up 38 percent of household spending. The cost-burden of housing and lack of affordable housing in the State are compounded by Hawaii having the highest cost of living in the nation. Hawaii's housing crisis is detrimental to the health and well-being of individuals and

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families in our State and erodes our communities.

This bill is part of a comprehensive housing strategy to address the affordable housing needs of our State. The tax exemptions in this bill are intended to free up affordable housing units for families and individuals. Increasing the number of long-term rentals and the conversion of short-term rentals for sale to owner-occupants through tax benefits would provide residents with greater access to housing.

Impact on the public: The tax relief provisions in this bill would increase the number of affordable housing rental units available to individuals and families in our State. Increased access to affordable housing is fundamental to the security, health, well-being, and prosperity of communities statewide.

Impact on the department and other agencies:
None.

GENERAL FUND:

None.

OTHER FUNDS:

None.

PPBS PROGRAM
DESIGNATION:

None.

OTHER AFFECTED
AGENCIES:

Department of Taxation and Department of Budget and Finance.

EFFECTIVE DATE:

January 1, 2024; provided that: (1) part II shall apply to taxable years beginning after December 31, 2023, and shall be repealed on January 1, 2026; and (2) part III shall take effect on July 1, 2024, and shall be repealed on January 1, 2026.