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# A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

1           SECTION 1. The legislature finds that the present and  
2 future health, happiness, and well-being of Hawaii's people  
3 depends on the State's ability to address the high cost of  
4 living, particularly the high cost of housing, that is fueling  
5 the homelessness crisis and forcing local families to move out  
6 of the State. The sustainability of the State's unique and  
7 irreplaceable natural resources is critical to its residents'  
8 quality of life. To address these problems and secure a  
9 prosperous future for the State's children, greater investment  
10 into public resources from a sustainable revenue source is  
11 needed to reduce the cost of housing for residents, preserve the  
12 State's natural resources, and provide solutions for community  
13 members experiencing houselessness.

14           The legislature also finds that the conveyance tax, a one-  
15 time tax at the time of real property sales, is an appropriate  
16 revenue source for affordable housing, land conservation, and  
17 homeless services. Although housing prices in the State have



1 risen dramatically over the past thirteen years, the State's  
2 conveyance tax rates have not been updated since Act 59, Session  
3 Laws of Hawaii 2009. Presently, the State's conveyance tax is  
4 significantly lower than the rates of other high-cost areas in  
5 the country.

6 Cities across the country are increasing their conveyance  
7 tax rates to fund affordable housing. San Francisco increased  
8 the tax rate to 5.5 per cent on homes valued over \$10,000,000 in  
9 2020, and two years ago Los Angeles increased the real property  
10 transfer tax to 4.5 per cent on any residential or commercial  
11 property over \$5,000,000 in value and six per cent on property  
12 sales over \$10,000,000 in value. Smaller cities with high  
13 housing costs are also increasing the taxes on real estate sales  
14 to mitigate the impacts of housing costs. Crested Butte and  
15 Telluride in Colorado, which attract wealthy buyers due to  
16 access to world class ski opportunities, have a tax of three per  
17 cent on home sales regardless of price. Aspen, Colorado, which  
18 has the most well-developed workforce housing program in the  
19 country where almost forty per cent of the housing total housing  
20 stock is reserved as permanently affordable housing for full-  
21 time residents, has largely funded their workforce housing



1 program through a 1.5 per cent tax on property sales that has  
2 been in place since 1989.

3 Presently, it is common practice to tax property sales as a  
4 means to mitigate the impacts of high home costs and the loss of  
5 land due to housing development. Furthermore, a conveyance tax  
6 of 0.5 per cent on homes valued at less than \$5,000,000, a rate  
7 of four per cent on homes valued between \$5,000,000 and  
8 \$10,000,000, and six per cent on homes valued at over  
9 \$10,000,000 conforms to tax rates that other cities are  
10 assessing to fund their various housing programs.

11 The legislature additionally finds that increases in tax  
12 rates on homes over \$5,000,000 is unlikely to have any negative  
13 impact on local full-time residents as the vast majority of  
14 buyers who purchase these homes do so as an investment and not  
15 as their full-time residence. The monthly mortgage costs of a  
16 \$5,000,000 home are approximately \$32,600 a month, which would  
17 be considered affordable for an individual or a couple earning  
18 \$81,500 per month, or roughly \$978,000 a year. Very few  
19 families in Hawaii would fall within these income categories,  
20 and those that do most likely already own a home and are not  
21 impacted by rising rents or the lack of affordable housing.



1 Accordingly, it is appropriate for out-of-state investors of  
2 real estate to assist in mitigating the impacts for residents  
3 who are not benefiting from the current market dynamics.  
4 Renters, houseless residents, and the local workforce are  
5 struggling with the rising cost of housing, thus a tax on real  
6 estate at the time of sale to help mitigate those costs is  
7 appropriate and fair.

8       The legislature recognizes that the increases in housing  
9 prices, residential rent, and the homeless population over the  
10 past several years has accelerated the urgent need to  
11 sustainably fund affordable housing and homeless services in  
12 Hawaii. The 2023 point in time count estimates that there are  
13 currently 6,223 individuals living unsheltered in the State, not  
14 including the greater number of "hidden homeless" individuals  
15 temporarily living with friends or relatives because they cannot  
16 afford to live on their own. Investing in affordable housing  
17 and homeless services, including supportive housing, is key to  
18 addressing homelessness and ensuring that everyone in the State  
19 has an affordable place to live.

20       Accordingly, the purpose of this Act is to:

21       (1) Establish the homeless services special fund;



1 (2) Allow counties to apply for matching funds from the  
2 affordable homeownership revolving fund for housing  
3 projects that are subject to a perpetual affordability  
4 requirement;

5 (3) Amend conveyance tax rates based on property values;

6 (4) Repeal conveyance tax rates set separately for  
7 conveyances for which the purchasers are ineligible  
8 for a county homeowner's exemption on property tax;

9 (5) Exempt from conveyance taxes conveyances of real  
10 property to organizations with certain affordability  
11 requirements and to certain nonprofit organizations;  
12 and

13 (6) Allocate collected conveyance taxes to the affordable  
14 homeownership revolving fund and homeless services  
15 special fund, and amend allocations to the land  
16 conservation fund and rental housing revolving fund.

17 SECTION 2. Chapter 356D, Hawaii Revised Statutes, is  
18 amended by adding a new section to be appropriately designated  
19 and to read as follows:

20 "§356D- Homeless services special fund. (a) There is  
21 established within the state treasury a homeless services



1 special fund, to be administered and managed by the authority  
2 and into which shall be deposited:

3 (1) Ten per cent of the conveyance tax collected and  
4 allocated to the homeless services fund pursuant to  
5 section 247-7;

6 (2) Appropriations made by the legislature; and

7 (3) Interest earned upon any moneys in the fund.

8 (b) Moneys from any other private or public source may be  
9 deposited in or credited to the fund; provided that any  
10 mandates, regulations, or conditions on these funds do not  
11 conflict with the use of the fund under this section. Moneys  
12 received as a deposit or private contribution shall be  
13 deposited, used, and accounted for in accordance with the  
14 conditions established by the agency or person making the  
15 contribution.

16 (c) Moneys in the homeless services special fund shall be  
17 used by the authority for homeless services and supportive  
18 housing, including homeless facilities programs for the homeless  
19 authorized by the authority.

20 (d) The authority shall submit a report to the legislature  
21 providing an accounting of the fund no later than twenty days



1 prior to the convening of each regular session. The report  
2 shall include, at minimum:

- 3 (1) A detailed account of all funds received; and
- 4 (2) All moneys expended from the homeless services special
- 5 fund."

6 SECTION 3. Section 201H-206, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "[+]§201H-206[+] **Affordable homeownership revolving fund.**

9 (a) There is established an affordable homeownership revolving  
10 fund to be administered by the corporation for the purpose of  
11 providing, in whole or in part, loans to nonprofit community  
12 development financial institutions and nonprofit housing  
13 development organizations for the development of affordable  
14 homeownership housing projects.

15 (b) Loans shall be awarded in the following descending  
16 order of priority:

- 17 (1) Projects or units in projects that are funded by
- 18 programs of the United States Department of Housing
- 19 and Urban Development, United States Department of
- 20 Agriculture Rural Development, and United States



1 Department of the Treasury Community Development  
2 Financial Institutions Fund, wherein:

3 (A) At least fifty per cent of the available units  
4 are reserved for persons and families having  
5 incomes at or below eighty per cent of the median  
6 family income and of which at least five per cent  
7 of the available units are for persons and  
8 families having incomes at or below fifty per  
9 cent of the median family income; and

10 (B) The remaining units are reserved for persons and  
11 families having incomes at or below one hundred  
12 twenty per cent of the median family income; and

13 (2) Mixed-income affordable for-sale housing projects or  
14 units in a mixed-income affordable for-sale housing  
15 project wherein all of the available units are  
16 reserved for persons and families having incomes at or  
17 below one hundred per cent of the median family  
18 income.

19 (c) Moneys in the fund shall be used to provide loans for  
20 the development, pre-development, construction, acquisition,  
21 preservation, and substantial rehabilitation of affordable for-



1 sale housing units. Uses of moneys in the fund may include but  
 2 are not limited to planning, design, and land acquisition,  
 3 including the costs of options, agreements of sale, and down  
 4 payments; equity financing as matching funds for nonprofit  
 5 community development financial institutions; or other housing  
 6 development services or activities as provided in rules adopted  
 7 by the corporation pursuant to chapter 91. The rules may  
 8 provide that money from the fund shall be leveraged with other  
 9 financial resources to the extent possible.

- 10 (d) The fund may include [~~sums~~]:
- 11 (1) Sums appropriated by the legislature [~~, private~~];
- 12 (2) Private contributions [~~, proceeds~~];
- 13 (3) Proceeds from repayment of loans [~~, interest,~~];
- 14 (4) Interests and other returns [~~,~~];
- 15 (5) Conveyance taxes collected under chapter 247 and  
 16 allocated to the affordable homeownership revolving  
 17 fund pursuant to the percentage identified in section  
 18 247-7; and [~~moneys~~]
- 19 (6) Moneys from other sources.
- 20 (e) An amount from the fund, to be set by the corporation  
 21 and authorized by the legislature, may be used for



1 administrative expenses incurred by the corporation in  
2 administering the fund; provided that moneys in the fund shall  
3 not be used to finance day-to-day administrative expenses of the  
4 projects allotted moneys from the fund.

5 (f) The corporation may provide loans under this section  
6 as provided in rules adopted by the corporation pursuant to  
7 chapter 91.

8 (g) The corporation may contract with nonprofit community  
9 development financial institutions to fund loans under this  
10 section. The corporation may contract for the service and  
11 custody of its loans.

12 (h) The corporation may establish, revise, charge, and  
13 collect a reasonable service fee, as necessary, in connection  
14 with its loans, services, and approvals under this part. The  
15 fees shall be deposited into the affordable homeownership  
16 revolving fund.

17 (i) Counties may be eligible to apply for matching funds  
18 from the fund; provided that prior to applying for any matching  
19 funds, the counties shall have an approved comprehensive  
20 affordable housing plan that:



- 1       (1) Consulted with at least one per cent of their full-  
2       time resident population;
- 3       (2) Identifies available lands for affordable housing;
- 4       (3) Identifies infrastructure needs and availability; and
- 5       (4) Requires housing projects developed using moneys from  
6       the fund to be subject to an affordability clause that  
7       keeps the property affordable in perpetuity, also  
8       known as a "deed-restricted property";
- 9       provided further that costs for the development of or an update  
10      to an existing county comprehensive affordable housing plan may,  
11      upon application, be paid out of these funds;

12       [~~(i)~~] (j) The corporation shall submit a report to the  
13 legislature no later than twenty days prior to the convening of  
14 each regular session describing the projects funded using moneys  
15 from the affordable homeownership revolving fund."

16       SECTION 4. Section 247-2, Hawaii Revised Statutes, is  
17 amended to read as follows:

18       "**§247-2 Basis and rate of tax.** The tax imposed by section  
19 247-1 shall be based on the actual and full consideration  
20 (whether cash or otherwise, including any promise, act,  
21 forbearance, property interest, value, gain, advantage, benefit,



1 or profit), paid or to be paid for all transfers or conveyance  
2 of realty or any interest therein, that shall include any liens  
3 or encumbrances thereon at the time of sale, lease, sublease,  
4 assignment, transfer, or conveyance, and shall be at the  
5 following rates:

6 ~~[(1) Except as provided in paragraph (2):~~

7 ~~(A) Ten cents per \$100 for properties with a value of~~  
8 ~~less than \$600,000;~~

9 ~~(B) Twenty cents per \$100 for properties with a value~~  
10 ~~of at least \$600,000, but less than \$1,000,000;~~

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

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

15 ~~(E) Seventy cents per \$100 for properties with a~~  
16 ~~value of at least \$4,000,000, but less than~~  
17 ~~\$6,000,000;~~

18 ~~(F) Ninety cents per \$100 for properties with a value~~  
19 ~~of at least \$6,000,000, but less than~~  
20 ~~\$10,000,000; and~~



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



1           ~~(C) One dollar and twenty-five cents per \$100 for~~  
2                           ~~properties with a value of \$10,000,000 or~~  
3                           ~~greater,]~~

4           (1) \$0.50 per \$100 for properties with a value of less  
5                           than \$5,000,000;

6           (2) \$4.00 per \$100 for properties with a value of at least  
7                           \$5,000,000, but less than \$10,000,000; and

8           (3) \$6.00 per \$100 for properties with a value of  
9                           \$10,000,000 or greater,

10 of [~~such~~] the actual and full consideration; provided that in  
11 the case of a lease or sublease, this chapter shall apply only  
12 to a lease or sublease whose full unexpired term is for a period  
13 of five years or more~~[, and in those cases, including (where~~  
14 ~~appropriate) those cases where the];~~ provided further that if a  
15 lease has been extended or amended, the tax in this chapter  
16 shall be based on the cash value of the lease rentals discounted  
17 to present day value and capitalized at the rate of six per  
18 cent, plus the actual and full consideration paid or to be paid  
19 for any and all improvements, if any, that shall include on-site  
20 as well as off-site improvements, applicable to the leased



1 premises; and provided further that the tax imposed for each  
2 transaction shall be not less than \$1."

3 SECTION 5. Section 247-3, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "**§247-3 Exemptions.** The tax imposed by section 247-1  
6 shall not apply to:

- 7 (1) Any document or instrument that is executed prior to  
8 January 1, 1967;
- 9 (2) Any document or instrument that is given to secure a  
10 debt or obligation;
- 11 (3) Any document or instrument that only confirms or  
12 corrects a deed, lease, sublease, assignment,  
13 transfer, or conveyance previously recorded or filed;
- 14 (4) Any document or instrument between husband and wife,  
15 reciprocal beneficiaries, or parent and child, in  
16 which only a nominal consideration is paid;
- 17 (5) Any document or instrument in which there is a  
18 consideration of \$100 or less paid or to be paid;
- 19 (6) Any document or instrument conveying real property  
20 that is executed pursuant to an agreement of sale, and  
21 where applicable, any assignment of the agreement of



- 1 sale, or assignments thereof; provided that the taxes  
2 under this chapter have been fully paid upon the  
3 agreement of sale, and where applicable, upon such  
4 assignment or assignments of agreements of sale;
- 5 (7) Any deed, lease, sublease, assignment of lease,  
6 agreement of sale, assignment of agreement of sale,  
7 instrument or writing in which the United States or  
8 any agency or instrumentality thereof or the State or  
9 any agency, instrumentality, or governmental or  
10 political subdivision thereof are the only parties  
11 thereto;
- 12 (8) Any document or instrument executed pursuant to a tax  
13 sale conducted by the United States or any agency or  
14 instrumentality thereof or the State or any agency,  
15 instrumentality, or governmental or political  
16 subdivision thereof for delinquent taxes or  
17 assessments;
- 18 (9) Any document or instrument conveying real property to  
19 the United States or any agency or instrumentality  
20 thereof or the State or any agency, instrumentality,  
21 or governmental or political subdivision thereof



- 1           pursuant to the threat of the exercise or the exercise  
2           of the power of eminent domain;
- 3           (10) Any document or instrument that solely conveys or  
4           grants an easement or easements;
- 5           (11) Any document or instrument whereby owners partition  
6           their property, whether by mutual agreement or  
7           judicial action; provided that the value of each  
8           owner's interest in the property after partition is  
9           equal in value to that owner's interest before  
10          partition;
- 11          (12) Any document or instrument between marital partners or  
12          reciprocal beneficiaries who are parties to a divorce  
13          action or termination of reciprocal beneficiary  
14          relationship that is executed pursuant to an order of  
15          the court in the divorce action or termination of  
16          reciprocal beneficiary relationship;
- 17          (13) Any document or instrument conveying real property  
18          from a testamentary trust to a beneficiary under the  
19          trust;
- 20          (14) Any document or instrument conveying real property  
21          from a grantor to the grantor's revocable living



1 trust, or from a grantor's revocable living trust to  
2 the grantor as beneficiary of the trust;

3 (15) Any document or instrument conveying real property, or  
4 any interest therein, from an entity that is a party  
5 to a merger or consolidation under chapter 414, 414D,  
6 415A, 421, 421C, 425, 425E, or 428 to the surviving or  
7 new entity;

8 (16) Any document or instrument conveying real property, or  
9 any interest therein, from a dissolving limited  
10 partnership to its corporate general partner that  
11 owns, directly or indirectly, at least a ninety per  
12 cent interest in the partnership, determined by  
13 applying section 318 (with respect to constructive  
14 ownership of stock) of the federal Internal Revenue  
15 Code of 1986, as amended, to the constructive  
16 ownership of interests in the partnership; [~~and~~]

17 [~~+~~] (17) [~~+~~] Any document or instrument that conforms to the  
18 transfer on death deed as authorized under chapter  
19 527 [~~-~~];

20 (18) Any document or instrument conveying real property to  
21 an organization that has a minimum of thirty years



1           remaining of a price-restricted affordability period,  
2           or places a deed restriction on the property to  
3           maintain permanent affordability; and  
4       (19) Any document or instrument conveying real property to  
5           a nonprofit organization that:  
6           (A) Is exempt from federal income tax by the Internal  
7                 Revenue Services; and  
8           (B) Will hold the property in an undeveloped state  
9                 and for conservation purposes in perpetuity  
10                 through a deed restriction on the property."

11           SECTION 6. 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 credit  
15 of the general fund of the State, to be used and expended for  
16 the purposes for which the general fund was created and exists  
17 by law; provided that of the taxes collected each fiscal year:

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



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

4           (3) Ten per cent shall be paid into the affordable  
5           homeownership revolving fund established pursuant to  
6           section 201H-206; and

7           (4) Ten per cent shall be paid into the homeless services  
8           fund established pursuant to section 356D- ."

9           SECTION 7. Statutory material to be repealed is bracketed  
10          and stricken. New statutory material is underscored.

11          SECTION 8. This Act shall take effect on July 1, 3000.



**Report Title:**

Hawaii Public Housing Authority; Conveyance Tax; Rates; Exemption; Allocation; Homeless Services Fund; Affordable Homeownership Revolving Fund; Land Conservation Fund; Rental Housing Revolving Fund; Affordable Housing; Development; Affordability Requirements

**Description:**

Establishes the Homeless Services Special Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund for housing projects that are subject to a perpetual affordability requirement. Amends the conveyance tax rates based on property values. Repeals the conveyance tax rates set separately for conveyances for which the purchasers are ineligible for a county homeowner's exemption on property tax. Exempts from conveyance taxes, conveyances of real property to organizations with certain affordability requirements and to certain nonprofit organizations. Allocates collected conveyance taxes to be allocated to the Affordable Homeownership Revolving Fund and Homeless Services Fund and amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund. Effective 7/1/3000. (HD1)

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