

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



DEAN MINAKAMI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
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Statement of **DEAN MINAKAMI**

Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Monday, March 18, 2024 at 2:05 p.m.
State Capitol, Room 329

In consideration of
S.B. 2044 SD2 HD1
RELATING TO THE CONTROLLING INTEREST TRANSFER TAX.

Chair Nakashima, Vice Chair Sayama, and members of the Committee.

HHFDC **supports** SB 2044 SD2 HD1, which establishes that the transfer of a controlling interest in an entity that owns real property in the state shall be subject to the conveyance tax, with an unspecified percentage or dollar amount collected to be deposited into HHFDC's Dwelling Unit Revolving Fund (DURF).

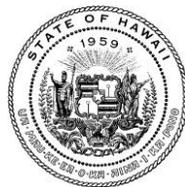
This bill closes a loophole that enables parties (usually large investors) to avoid paying conveyance tax by transferring real property through entity-level transactions. That is, rather than conveying the real property, one party acquires the entity that owns the real property from another party.

HHFDC supports depositing the conveyance tax collected on the transfer of the controlling interests into DURF, which is primarily used to carry out the purposes of our housing development programs and regional state infrastructure programs. We suggest an **amendment** to allow the deposits to be made for funding regional infrastructure programs in general, not only in transit-oriented development areas.

Thank you for the opportunity to testify on this bill.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
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STATE OF HAWAII
DEPARTMENT OF TAXATION

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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2044, S.D. 2, H.D. 1, Relating to the Controlling Interest Transfer Tax.

BEFORE THE:

House Committee on Consumer Protection and Commerce

DATE: Monday, March 18, 2024

TIME: 2:05 p.m.

LOCATION: State Capitol, Room 329

Chair Nakashima, Vice-Chair Sayama, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 2044, S.D. 2, H.D. 1 for your consideration.

Summary of Bill Provisions

S.B. 2044, S.D. 2, H.D. 1 makes several changes to chapter 247, Hawaii Revised Statutes (HRS), which governs the conveyance tax. The bill has a defective effective date of January 1, 3000.

The bill adds a new section to chapter 247, designating the transfer of a controlling interest in an entity as a taxable transaction for purposes of the conveyance tax, provided that:

- (1) The transfer or acquisition of the controlling interest occurs within any thirty-six-month period;

- (2) The controlling interest was transferred in a single transaction or a series of transactions by a single person or acquired by a single person or a group of persons acting in concert;
- (3) The entity has an interest in real property located in this State;
- (4) The transfer is not otherwise exempt under section 247-3; and
- (5) The transfer was made for valuable consideration.

A “controlling interest” is defined, for a for profit corporation, as “either fifty per cent or more of the total combined voting power of all classes of stock of the profit corporation entitled to vote, or fifty per cent of the capital, profits, or beneficial interest in the voting stock of the profit corporation” and for any other corporation or partnership, association, trust, or entity as “fifty per cent or more of the capital, profits, or beneficial interest in the corporation, partnership, association, trust, or other entity.”

This new section also specifies that “all acquisitions of persons acting in concert shall be aggregated for purposes of determining whether a transfer or acquisition of a controlling interest has taken place” and requires the Department to adopt administrative rules to make such a determination. The new section also gives the Department the option to enforce certain obligations of the seller, directs all taxes collected pursuant to the new subsection to be “deposited into the dwelling unit revolving fund established by section 201H-191.”

S.B. 2044, S.D.2, H.D. 1 expands the definition of “transfers or conveyances” in HRS section 247-1 to include “the transfer or acquisition within any thirty-six-month period of a controlling interest in any entity with an interest in real property located in this State for valuable consideration.” The bill also removes the conveyance tax exemption in HRS section 247-3 for conveyances from an entity that is party to a merger or consolidation to the surviving or new entity.

S.B. 2044, S.D.2, H.D. 1 specifies the basis of conveyance tax on transfers of controlling interest is the “fair market value of the real property owned by the entity at the time the controlling interest is transferred or acquired.” Section 247-2, as amended, would define fair market value for purposes of transfers of acquisitions of a controlling interest in property as “the value of real property, as stated on the most recent real property assessment issued by the county in which the real property is located.”

Department Comments

If a functional effective date is inserted, the Department requests that the bill take effect no sooner than January 1, 2025 to provide the Department sufficient time to make the necessary form changes.

The Department notes that it will be difficult for the Department to identify and verify when transfers of controlling interests occur. Real estate sales are publicly reported and available in the Bureau of Conveyances, which accepts conveyance tax forms and remittances. However, records from entity transfers are not publicly available or reported to the Bureau of Conveyances. Additionally, the Business Registration Division of the Department of Commerce and Consumer Affairs, the primary agency monitoring business ownership, does not publish information on entity interest transfers.

While some entity ownership information is reported on income tax returns to the Department, these returns do not indicate whether the entity holds real estate. Effective enforcement of the conveyance tax on controlling interest transfers may require an amendment to Title 14 of HRS imposing annual reporting requirements on entities for their Hawaii real estate holdings, though implementation of a new reporting requirement would likely be costly.

This absence of information also makes it difficult to perform an effective cost-benefit analysis on the bill. With no information on the number of real property transactions for sales of controlling interests, the Department lacks the data to produce a credible estimate of revenue impacts.

The Department defers to the Bureau of Conveyances, who accepts conveyance tax forms and remittances, regarding the revenue allocation provisions in sections 2 and 6 of the bill.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA**

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DAWN N.S. CHANG
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DEPUTY DIRECTOR - WATER

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COMMISSION ON WATER RESOURCE
MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES
ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**Testimony of
DAWN N. S. CHANG
Chairperson**

**Before the House Committee on
Consumer Protection & Commerce**

**Monday, March 18, 2024
2:05 PM**

State Capitol, Conference Room 329 and Via Videoconference

**In consideration of
SENATE BILL 2044, SENATE DRAFT 2, HOUSE DRAFT 1
RELATING TO THE CONTROLLING INTEREST TRANSFER TAX**

Senate Bill 2044, Senate Draft 2, House Draft 1 proposes to establish that the transfer of a controlling interest in an entity that owns real property in Hawai'i shall be subject to conveyance tax and that the conveyance tax collected from such transfer will be distributed through the existing framework of Section 247-7, Hawaii Revised Statutes. The Department of Land and Natural Resources (Department) supports using this bill to close an existing loophole to avoid payment of conveyance tax on specific transactions. It offers an amendment, with comments, that would further strengthen the State's ability to help protect resources and preserve lands for conservation purposes by providing for an immediate cash infusion into the Land Conservation Fund, as well as for the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund.

The Department of Taxation reports that FY 2023 conveyance tax revenue totaled \$92.1 million (down from \$188.4 million in FY 2022). Using the most recent growth rate projection published by the Council on Revenues (March 11, 2024), FY 2024 conveyance tax revenue would total over \$98 million. If the Land Conservation Fund (LCF) could receive a straight ten percent allocation of this revenue (over \$9.8 million in FY 2024)—as initially prescribed by Act 156, Session Laws of Hawai'i 2005—then the cash balance of the LCF would receive an immediate boost of over \$4.7 million.

This additional funding would drive a faster recovery from COVID-driven downturns in LCF revenue for the Legacy Land Conservation Program, which continues to suffer from a \$15 million transfer to the general fund (the most significant amount transferred from a special fund at that time) and an ongoing, annual \$1.7 million reduction created by tightening down the dollar amount revenue cap. Otherwise, without an increased revenue stream, we estimate that (1) available LCF cash at the end of FY 2025 would be only \$2.1 million, and (2) available LCF cash for the FY 2026-2027 biennium would total \$12.3 million, leaving just \$8 million of that available for two cycles of competitive grant awards that enable land acquisition and land management for resource protection purposes. The Department also notes that—unlike the Rental Housing Revolving Fund and the Dwelling Unit Revolving Fund, which collectively received about \$950 million in general fund appropriations and bond-funded cash to date—the LCF does not receive general fund appropriations or bond-funded cash and relies solely on conveyance tax revenue for nearly all of its operating budget.

Therefore, the Department requests that the Committee consider amending Section 9 of this measure to read as follows:

SECTION 9. This Act, upon its approval, shall take effect retroactively on July 1, 2023~~[3000]~~.

Thank you for the opportunity to testify in support of this measure.



LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT

JOSH GREEN, M.D.
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LATE

Statement of
MARY ALICE EVANS, Interim Director

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

Monday, March 18, 2024

2:05 PM

State Capitol, Conference Room 329

in consideration of
BILL NO SB2044, HD1
RELATING TO THE CONTROLLING INTEREST TRANSFER TAX.

Chair Nakashima, Vice Chair Sayama, and Members of the House Committee on Consumer Protection and Housing:

The Office of Planning and Sustainable Development (OPSD) **supports** SB2044, HD1, which establishes that the transfer or acquisition of a controlling interest in an entity that owns real property in the State shall be subject to the conveyance tax, eliminates the dollar cap amounts of conveyance tax collections paid into the Land Conservation Fund and Rental Housing Revolving Fund, and deposits ten per cent of conveyance tax collections into the Dwelling Unit Revolving Fund for purposes of funding infrastructure programs for transit-oriented development.

This bill closes a loophole that enables parties (typically large investors and corporate entities) to avoid paying conveyance tax by transferring real property through entity-level transactions. Instead of conveying the real property directly (subject to the conveyance tax), one party acquires the entity that owns the real property from another party (and thus avoiding the conveyance tax).

Per the Legislature's direction and funding in Act 88, SLH 2021, Sec. 39, OPSD recently completed the *TOD Infrastructure Finance and Delivery Strategy*, which identified possible revenue sources, including the conveyance tax, to fund infrastructure for housing development (see https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf). The study identified the need for regular, predictable revenue sources to help finance regional public infrastructure to facilitate transit-oriented development on state, county, and private lands. OPSD supports depositing the conveyance tax collected on the transfer of the controlling interests into DURF, increasing a regular source of additional funding for infrastructure and housing development.

Thank you for the opportunity to testify on this measure.



March 15, 2024

Representative Mark M. Nakashima, Chair
Representative Jackson D. Sayama, Vice Chair
House Committee on Consumer Protection & Commerce

Comments and Concerns in Opposition to SB 2044, S.D. 2, H.D. 1 Relating to the Controlling Interest Transfer Tax (Establishes that the transfer or acquisition of a controlling interest in an entity that owns real property in the State shall be subject to the conveyance tax. Eliminates the dollar cap amounts of conveyance tax collections paid into the Land Conservation Fund and Rental Housing Revolving Fund. Deposits ten per cent of conveyance tax collections into the Dwelling Unit Revolving Fund [DURF] for the purposes of funding infrastructure programs for transit-oriented [TOD] development.)

Monday, March 18, 2024, 02:05 p.m.; State Capitol, Conference Room 329 Via Videoconference.

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. LURF's mission is to advocate for reasonable, rational, and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

SB 2044, S.D. 2, H.D. 1. This bill proposes amendments to Chapter 247, HRS to establish that the transfer of a controlling interest in an entity that owns real property in Hawaii shall constitute a transaction subject to the State conveyance tax, and that such tax revenues collected shall be deposited into the DURF. In short, the measure attempts to expand the application of the conveyance tax from conveyances of real estate to conveyances of controlling interests in entities owning real estate in this State.

Background. The purpose and intent of this measure which proposes to expand the application of the State conveyance tax to conveyances of controlling interests in entities owning real estate, is **reportedly to facilitate the collection of conveyance-related taxes**, however, it is understood that the bill is actually intended to close the existing loophole for Hawaii entities holding Hawaii real property to avoid payment of conveyance taxes, and also as a method to increase the State's general fund to raise

more revenue for various programs now funded and sought to be funded by the State conveyance tax.

Based on the following reasons and considerations, LURF **opposes SB 2044, S.D. 2, H.D. 1**, and must request that this bill **be held** in this Committee.

LURF's Position.

1. Transfers of “Controlling Interests” are not “Conveyances” of Real Property, and Rightfully Should Not be Made Subject to the Conveyance Tax Law.

SB 2044, S.D. 2, H.D. 1 would inappropriately subject sales of controlling interests in an entity to the conveyance tax regardless of whether real estate may be the primary or largest asset owned by the entity. Given that transfers of controlling interests are not conveyances of real property, and given the clear intent underlying HRS Chapter 247, the method sought to be used to impose a conveyance tax on transfers of stock (i.e., amendment or expansion of the existing conveyance tax laws) is improper.

Furthermore, as far as LURF is aware, proponents of this measure have not justified the existence of or the need to close any loophole used by Hawaii landholding entities to avoid the payment of conveyance taxes; and have not presented any information, credible and material facts or circumstances required to prove that this proposed legislation is in fact necessary, or that the State's economy will significantly improve as a result of taking the action proposed.

If a revenue generating tax is what is actually intended by the proponents of this bill, then that should be made clear and the true purpose of this measure, as well as the terms and provisions relating to all aspects of such an expansion of the conveyance tax, including administration, imposition, compliance, and enforcement, should be fully vetted by the public.

2. Proper, Efficient, and Effective Implementation of the Conveyance Tax Proposed by this Bill, would Require Administration and Enforcement by Personnel and Agencies with the Expertise to Render Complex, Time-Consuming, and Subjective Determinations.

In the effort to establish that transfers of controlling interests in entities owning real property are taxed identically to conveyances of actual real property, SB 2044, S.D. 2, H.D. 1 in effect creates a broad, complex, revenue generating tax, which, as discussed above, is far from what was intended when the conveyance tax was initially enacted by the Hawaii Legislature.

The bill itself is fraught with terms, requirements and exemptions relating to the imposition of, and compliance with the proposed expanded conveyance tax, which would assumedly continue to be administered by the Hawaii Bureau of Conveyances (Bureau). LURF questions the ability of the Bureau, as well as the costs which may need to be incurred, especially given the current non-tax expertise of its staff, to administer

and enforce the requirements prescribed by the bill, as well as collect the conveyance tax, particularly in complex transactions. By way of example, in computing the amounts of conveyance taxes to be imposed by this bill, LURF questions whether the Bureau would be able to identify and determine technical tax issues such as the amounts which should be excepted or deducted from the amounts of consideration being transferred as prescribed by federal laws.

And despite the inclusion of certain definitions of terms to be construed in HRS Chapter 247 and additional factors that have been delineated in this bill, as a practical matter, in order that SB 2044, S.D. 2, H.D. 1 be properly and effectively implemented, determinations as identified in the measure must still be made pursuant to rules directed to be adopted by the DoTax pursuant to Chapter 91, yet administered and enforced by the Bureau. These determinations including, for example, whether or not a controlling interest is even being transferred or acquired, and whether or not an individual or group of persons are acting in concert for the purpose of effectuating a transfer or acquisition, involve assessments of subjective issues which entail significant time, expense, knowledge, and expertise of individuals in specialized subject matter areas (both conveyancing and taxation) who may not presently exist or who may not currently be qualified to conduct such specific reviews.

3. The Hawaii Conveyance Tax was Never Intended to be and Should not Operate as a Revenue-Generating Tax.

LURF's position is that the Hawaii Conveyance Tax was never intended as a revenue-generating tax. Hawaii Revised Statutes ("HRS"), Chapter 247 (Conveyance Tax), was purposefully enacted in 1966 to provide the DoTax with informational data for the determination of market value of properties transferred, and to assist the DoTax in establishing real property assessed values. In short, the sole intent of the conveyance tax was originally to cover the administrative costs of collecting and assessing said informational data, which necessarily entails the recording of real estate transactions, as performed by the Bureau of Conveyances. As such, the conveyance tax should not be utilized as a vehicle to generate revenue, especially for non-conveyance tax-related funds and programs.

Since the enactment of HRS Chapter 247, however, the State Legislature has proposed, and has successfully implemented changes to the law 1) to allow application of conveyance tax revenue to a number of non-conveyance type uses (e.g., land conservation fund; rental housing trust fund; and natural area reserve fund) to the point where there is no longer any clear nexus between the benefits sought by the original Act and the charges now proposed to be levied upon property-holding entities transferring ownership; and 2) also to impose conveyance taxes to the point said revenues now appear to far exceed the initially stated purposes or needs identified in the Act. Moreover, supplemental funding for some of those expanded uses for which conveyance tax revenues were subsequently authorized has since been determined to be unnecessary, and certain funds have been recommended to be discontinued, creating an even stronger basis for legal objection and challenge.

Such expansions and deviations, including the allocation of conveyance tax to the Land Conservation Fund, the Rental Housing Revolving Fund, and the DURF (as to the DURF, specifically for the purpose of funding infrastructure programs in TOD areas) as proposed by the current measure, go beyond the scope of the original intent of the conveyance tax law, and are concerning to LURF since the proposed bill, particularly if unlawfully targeting specific types of transactions, could be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.

4. SB 2044, S.D. 2, H.D. 1 is arguably illegal and in violation of Sections 37-52.3 and 37-52.4, HRS, because it attempts to use conveyance tax revenues to subsidize a special/revolving fund which does not have a clear link between the program and the sources of revenue.

Special funds are subject to HRS Sections 37-52.3 and 37-52.4. Criteria for the establishment and continuance of special and revolving funds was enacted by the 2002 Legislature through Act 178, SLH 2002, Sections 37-52.3 and 37-52.4, HRS. To be approved for continuance, a special fund must:

- a. serve the purpose for which it was originally established;
- b. reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program *or a clear link between the program and the sources of revenue*, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;
- c. provide an appropriate means of financing for the program or activity; and
- d. demonstrate the capacity to be financially self-sustaining.

The first and second criteria are nearly identical to those in Act 240, SLH 1990, codified in Section 23-11, HRS, requiring the Auditor to review all legislative bills in each session to establish new special or revolving funds. It appears that the intent of SB 2044, S.D. 2, H.D. 1 is partly to find an additional source of funding for infrastructure programs in TOD areas by expanding the application of the conveyance tax from conveyances of real estate to conveyances of controlling interests in entities owning real estate in this State. However, the State Auditor has in the past concluded that such an arrangement where there is no *clear link* with the funding source (individuals and companies involved in particular types of real estate transactions) should be repealed.

5. Other legal and voluntary alternatives may be available to increase funding or incentivize support for infrastructure programs in TOD areas.

In lieu of improperly expanding the application of the conveyance tax to include conveyances of controlling interests in entities owning real estate in Hawaii to increase the State's general fund, or to subsidize or increase revenue for unrelated special and revolving funds with no clear link to the conveyance tax purposes or beneficiaries, proponents of those special funds or programs are urged to look to other possible legitimate means to do so, including funding support through other "related" or "linked"

state and county charges, federal funding - particularly for transit-related purposes, fees, or taxes.

Specifically created programs and special funds deserve funding through broad taxes imposed on the general public and the State General Fund, rather than through the conveyance tax, which targets few. Moreover, because the conveyance tax is dependent upon activity in the fluctuating real estate market, it is considered an undependable source and should not be relied upon to fund important programs.

Given the “*clear nexus*” requirement for special and revolving funds, and also given that general funding and alternative methods to secure revenues for these funds exist, expansions and deviations of HRS Chapter 247 which go beyond the scope of the original intent of the conveyance tax law are again concerning since this proposed bill, particularly if it unlawfully targets transactions involving the sale of interests by a particular group of individuals or entities which own real property in the State, **could be characterized as imposing an improper penalty, hidden tax, or surcharge, which may be subject to legal challenge.**

6. Attempts to utilize the State conveyance tax as a revenue generating tax without meeting the “*clear nexus*” requirement and without rightful justification based on necessary fact-finding, research, and expert consultation will likely cause serious unintended negative consequences.

As far as LURF has been able to ascertain, proponents of this bill have never consulted with housing, commercial, and agricultural developers (e.g., NAIOP, Land Use Foundation of Hawaii), or experts in the real estate industry (e.g., Hawaii Association of Realtors), as to the impact of this bill. Neither have proponents likely consulted with or addressed the comments and concerns of tax and economic experts (e.g., DoTax, the Tax Foundation, the University of Hawaii, and other independent experts) relating to the underlying intent and legal purpose of the conveyance tax and what legal and economic effects and consequences may result from the proposed improper and inappropriate use of conveyance tax revenues.

As a result, it appears that proponents of this bill have not offered any information or provided any factual data regarding the number and types of entities and transactions which would be impacted by, as well as the expected dollar amounts which will actually be generated by this measure, which is necessary to support this bill. Also unknown at this time is whether said amounts would even be close to sufficient for those funds, including DURF, for the purposes specified, and whether those amounts would weigh against and warrant the consequences which may be suffered by business and property owners, and other stakeholders.

LURF notes that previous measures introduced in past years attempting to use conveyance tax revenues for government assisted affordable housing were not passed, yet attempt is nevertheless being made by this bill to secure proposed allocations to those funds including the DURF, and this time, with respect to the DURF, specifically for the purpose of funding infrastructure programs in TOD areas - although again, no

details describing how or to what extent the proposed allocation to DURF would actually result in adequately funding such programs have been presented in support of this measure.

It is also interesting that the allocation of conveyance tax revenues to DURF was anticipated to be discussed and justified by a report entitled “*The TOD Infrastructure Finance and Delivery Strategy*”¹ which was rolled out in December 2023. Said report unreservedly recommends expansion of use of the State conveyance tax for TOD funding despite the fact it is void of any discussion relating to the questionable impropriety and illegality of the use of conveyance tax revenues for such purpose. The report also fails to include any factual data detailing how and to what extent an allocation of conveyance tax revenues to DURF will actually lend to the specified infrastructure programs, which is required to support any such proposed use/allocation of conveyance taxes. Any justification proffered by proponents of this bill for the expansion and use of conveyance tax revenues for DURF or other unrelated special/revolving funds proposed by this bill would therefore appear to be speculative at best.

7. The proposed measure may create a significant disincentive for business in Hawaii.

At a time when the Hawaii economy is still stumbling from the impact of the Covid pandemic and the Maui fires, and is attempting to encourage business expansion in, and attract business operations to Hawaii, SB 2044, S.D. 2, H.D. 1, **particularly by its elimination of the exemption for conveyances of real property by an entity pursuant to merger or consolidation**, would actually create a disincentive, and will have a substantial negative impact on persuading new and existing land-holding businesses to open/re-open, restructure, or expand in Hawaii, or to relocate their operations to this State. The proposed added cost of doing business in Hawaii as a result of this bill would certainly appear to negatively outweigh any positive revenue impact resulting from the imposition of conveyance taxes pursuant to this measure.

8. The imposition of conveyance tax as proposed by this bill may drive up the cost of lands for agricultural production, affordable and market homes, and commercial development.

The proposed imposition of the conveyance tax on transfers of controlling interests which affect **agricultural lands** will be passed on to farmers and other agricultural operators, making it even harder for agriculture to survive in Hawaii; the proposed

¹ *TOD Infrastructure Finance and Delivery Strategy*, December 2023;
https://files.hawaii.gov/dbedt/op/lud/Reports/TOD_InfraFin_Strategy_20231221.pdf

imposition of the tax on transfers which affect **land intended for housing developments** will be passed on to home buyers and will thus increase the price of homes and exacerbate the affordable housing problem in Hawaii; and the proposed imposition of the conveyance tax onto transfers which affect **commercial properties** will also be passed on to small businesses, creating yet another substantial financial burden on them.

For the reasons stated above, LURF opposes this measure and respectfully recommends that **SB 2044, S.D. 2, H.D. 1 be held in this Committee.**

Thank you for the opportunity to provide comments and concerns regarding this proposed measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE TAX, Extend Tax to Controlling Interest Transfers

BILL NUMBER: SB 2044 SD 2 HD 1

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: Establishes that the transfer or acquisition of a controlling interest in an entity that owns real property in the State shall be subject to the conveyance tax. Eliminates the dollar cap amounts of conveyance tax collections paid into the Land Conservation Fund and Rental Housing Revolving Fund. Deposits ten per cent of conveyance tax collections into the Dwelling Unit Revolving Fund for purposes of funding infrastructure programs for transit-oriented development.

SYNOPSIS: Adds new sections 247-A and 247-B, HRS, supplying definitions and providing that the transfer of a controlling interest in an entity as a taxable transaction of the entity's real property if (1) The transfer or acquisition of the controlling interest occurs within any thirty-six-month period; (2) The controlling interest was transferred in a single transaction or a series of transactions by a single person or acquired by a single person or a group of persons acting in concert; (3) The entity has an interest in real property located in this State; (4) The transfer is not otherwise exempt under section 247-3; and (5) The transfer was made for valuable consideration.

Defines "Controlling Interest" as (1) For a profit corporation, either fifty per cent or more of the total combined voting power of all classes of stock of the profit corporation entitled to vote, or fifty per cent of the capital, profits, or beneficial interest in the voting stock of the profit corporation; and (2) For any other corporation or a partnership, association, trust, or entity, fifty per cent or more of the capital, profits, or beneficial interest in the corporation, partnership, association, trust, or other entity. Provides that for the sole purpose of determining whether a transfer or acquisition pursuant to the exercise of an option occurred within the thirty-six-month taxable transfer period, the date that the option agreement was executed shall be the date on which the transfer or acquisition of the controlling interest is deemed to occur. For all other purposes under this section, the date the option is exercised shall be the date of the transfer or acquisition of the controlling interest.

Provides that for purposes of this subsection, all acquisitions of persons acting in concert shall be aggregated for purposes of determining whether a transfer or acquisition of a controlling interest has taken place. The department of taxation shall adopt rules to determine when persons are acting in concert, which shall consider the following: (1) Persons shall be treated as acting in concert when they have a relationship with each other such that one person influences or controls the actions of another through common ownership; and (2) When persons are not commonly owned or controlled, they shall be treated as acting in concert only when the unity with which the purchasers have negotiated and will consummate the transfer of ownership interests supports a

finding that they are acting as a single entity; provided that, if the acquisitions are completely independent and each purchaser buys without regard to the identity of the other purchasers, the acquisitions shall be considered separate acquisitions.

Provides that the Department of Taxation may, at the director's option, enforce the obligation of the seller (to pay tax) against others. (1) In the transfer or acquisition of a controlling interest of a profit corporation, the director may enforce the obligation against: (A) The corporation in which a controlling interest is transferred or acquired; (B) The person or persons who acquired the controlling interest in the corporation; or (C) When the corporation is not a publicly traded company, against the person or persons who transferred the controlling interest in the corporation; and (2) In the transfer or acquisition of a controlling interest of any other corporation, partnership, association, trust, or other entity, the director may enforce the obligation against either: (A) The entity in which a controlling interest is transferred or acquired; or (B) The person or persons who transferred or acquired the controlling interest in the entity.

Amends section 247-2(a), HRS, to impose the tax in the case of a transfer or acquisition of a controlling interest pursuant to section 247-B on the fair market value of the real property owned by the entity at the time the controlling interest is transferred or acquired. Adds section 247-2(b) to define "fair market value" for purposes of transfers or acquisitions of a controlling interest pursuant to section 247-B, as the value of real property, as stated on the most recent real property assessment issued by the county in which the real property is located.

Amends section 247-3, HRS, to repeal the exemption for conveyances by entities that are parties to a merger or consolidation.

Amends section 247-7, HRS to remove dollar caps for disposition of conveyance taxes to the land conservation fund and rental housing revolving fund.

Amends section 247-7, HRS, to add a third earmark of 10 % to be paid to the Dwelling Unit Revolving Fund (HRS section 201H-91) for the purpose of funding infrastructure programs in transit-oriented development areas.

Makes other conforming amendments.

EFFECTIVE DATE: January 1, 3000.

STAFF COMMENTS: The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per \$100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the

general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per \$100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. Because of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of value transferred.

The proposed measure attempts to make the conveyance tax into a comprehensive revenue generating tax by imposing the conveyance tax rates on “complex transactions” resulting in the indirect transfer of real property. Just as the federal tax code imposes withholding tax on transfers of “U.S. real property holding corporations” as well as U.S. real property, this bill is trying to ensure that transfers of entities holding Hawaii real property are taxed under the conveyance tax just like the transfers of the real property itself.

We see two major policy concerns with this measure.

First, this additional taxable transaction increases the cost of restructuring ownership of entities by eliminating the exemption for conveyances of real property by an entity upon merger or consolidation. Upon a transfer of a controlling interest of an entity, the entity generally continues operations with either additional capital and/or new management, without specific values or consideration attributed to the entity’s underlying real estate or other properties.

This tax increase will have a negative impact on entities looking for ways of staying in business. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cutting back on costs. This measure will increase the cost for the alternative of raising capital through restructuring.

Second, the agency set up to capture the tax is the Hawaii bureau of conveyances. It records deeds and other conveyance instruments that are presented to it. There is no problem having the bureau review documents for certain exemptions based on the tenor of the document or having the department of taxation brought in to review more complex exemptions or documents. But with this bill, someone will need to look out for transactions (purchases and sales of interests in entities) that aren’t normally required to be reported to anyone. Certainly, the bureau is not institutionally equipped to do that, it would be a stretch for the department of taxation which has had only limited involvement with this tax before, and the bill itself doesn’t appear to give taxpayers or the agencies guidance as to how taxpayers are supposed to be reporting, or how agencies are supposed to be collecting the tax on the more complex transactions. Suppose, for example, company B buys 51% of the outstanding common stock of company A holding real property. At present, the transaction is evidenced by the companies’ own stock ledgers, and nothing is required to be reported to anyone. If the intent is now to require something to be filed at the bureau which would make the transaction subject to the conveyance tax, it is not delineated in the measure.

The House Committee on Housing stated in its report that “existing conveyance tax laws inadvertently enable parties, who are typically large investors and corporate entities, to avoid paying conveyance tax by transferring real property through entity-level transactions.” It concludes that it is appropriate to close the loophole thus presented. We take issue with this

characterization. The conveyance tax, some of the history of which we recounted in this testimony, is basically a documentary stamp tax. It was never designed to be a comprehensive tax on the transfer of property, real or otherwise. If the latter is what is now intended, serious thought should be given to repealing the conveyance tax as it now exists and enacting a comprehensive tax on the direct or indirect transfer of interests in real property, with attendant reporting obligations and with enforcement responsibility given to an agency designed to enforce the tax.

The House Committee on Housing in its report noted concerns by the Department of Taxation on the difficulty of identifying and verifying when transfers of controlling interest occur as records from entity transfers are not publicly available or reported to the Bureau of Conveyances. We concur with this concern. As noted above, it arises from the historical design of the conveyance tax. Further, corporate law as it now exists does not impose a requirement to report any transactions that may be considered pieces of controlling interest transactions that are potentially taxable under this bill. We question how the Department of Taxation, or anyone else, would be apprised of the necessary information to enforce the law. And if the only way that the information would come to the Department is by voluntary compliance, it would seem that a large advantage could be gained by bad actors or even taxpayers ignorant of the law's requirements over the law-abiding chumps who know about the law and comply.

Should this bill move forward, more serious thought should be given to reporting and compliance issues, as well as delineating responsibilities for its enforcement.

Digested: 3/16/2024

March 18, 2024

The Honorable Mark Nakashima, Chair

House Committee on Consumer Protection & Commerce
State Capitol, Conference Room 329 & Videoconference

RE: Senate Bill 2044, SD2, HD1, Relating to the Controlling Interest Transfer Tax

HEARING: Monday, March 18, 2024, at 2:05 p.m.

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 11,000 members. HAR **opposes** Senate Bill 2044, SD2, HD1, which establishes that the transfer or acquisition of a controlling interest in an entity that owns real property in the State shall be subject to the conveyance tax. Eliminates the dollar cap amounts of conveyance tax collections paid into the Land Conservation Fund and Rental Housing Revolving Fund. Deposits ten per cent of conveyance tax collections into the Dwelling Unit Revolving Fund for purposes of funding infrastructure programs for transit-oriented development. Effective 1/1/3000.

Unlike real property transactions, controlling interest transfers are not required to be filed with the Bureau of Conveyances. Charging conveyance taxes does not seem to be appropriate considering that these transfers are not true real property transactions and often include more assets and liabilities than just real property. This would also make it difficult for businesses to calculate how much tax is owed and potentially lead to unintended consequences of stifling a wide range of business activity. We also echo the points raised by other stakeholders on the difficulties that would surround collection and enforcement.

HAR believes that creating a more business-friendly environment is needed to diversify our economy, create jobs, and attract investment to our State to increase tax revenues. Based on the Department of Business, Economic Development, and Tourism 2024 Statistical and Economic Report, "Hawaii is one of three states in the nation that have not fully recovered from the 2020 recession caused by the COVID-19 pandemic."¹ Additionally, the report notes that the Maui wildfires has also slowed Hawaii's economic recovery and the impact will last for years. We should be encouraging businesses to thrive in order to help our economy to rebound. Imposing a conveyance tax on controlling interest transfers might dissuade businesses from providing much needed investment within our State and is ultimately counterproductive to creating a more business-friendly environment in Hawaii.

Mahalo for the opportunity to testify on this measure.

¹ Department of Business, Economic Development, and Tourism. (March 6, 2024). New Forecast Continues to Show Low Economic Growth in Hawaii in 2024. <https://dbedt.hawaii.gov/blog/24-14/>
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March 18, 2024, 2:05 p.m.
Hawaii State Capitol
Conference Room 329 and Videoconference

To: House Committee on Consumer Protection & Commerce
Rep. Mark. M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING SB2044 SD2 HD1 — RELATING TO THE CONTROLLING INTEREST TRANSFER TAX

Aloha Chair Nakashima, Vice-Chair Sayama and other Committee members,

The Grassroot Institute of Hawaii would like to offer its **comments opposing** [SB2044 SD2 HD1](#), which would extend the state conveyance tax to include the transfer of a controlling interest of an entity with real property located in the state.

Put simply, this is a complex bill that seeks to expand the scope of the conveyance tax to include business transactions, presumably in the hopes of generating sizable tax revenues.

Assuming that the headaches associated with administration and collection of this tax are not enough to give the Committee pause, there is reason to be concerned about the effect it could have on Hawaii business and real estate.

Even when applied directly, transfer taxes can have a negative impact on the economy. A report by the Sage Policy Group noted that high transfer taxes can “lead to decreases in population, real incomes, real estate transactions, investment in structures, and quality of the built environment.”¹

¹ [“The Unintended Consequences of Excessive Transfer Taxes,”](#) Sage Policy Group, Inc. on behalf of the Community Coalition for Jobs and Housing, June 2022, p. 3.

The same report added that transfer taxes are not a reliable source of tax revenues, and are particularly volatile in areas with especially high tax rates.²

In the case of this bill, those negative features of the conveyance tax are compounded by the fact that it would create complications and disincentives for the transfer or restructuring of local businesses. Thus, it would act as yet another burden on Hawaii businesses, discourage investment and hinder economic growth.

Looking at the broader picture, one must consider that tax increases in general are not a good idea for Hawaii's economy — especially not now when it already has one of the highest tax burdens in the nation.³ Consider these points:

>> Hawaii's population has been declining for the past six years,⁴ with tens of thousands of Hawaii residents moving to the mainland — and mainly to states without income taxes, such as Washington, Nevada, Texas and Florida.⁵ Their departure from the islands is not only emotionally distressing, but economically depressing as well.

>> Fewer people remaining in Hawaii means fewer people to work at our private businesses, or even staff our government agencies. It also means fewer people to pay for Hawaii's ever-increasing tax burden.

>> Higher taxes for those who remain is more fuel for the exodus of our friends, neighbors and family to places that are more affordable. It's a downward spiral fostered by the relentless upward spiral of more and more taxes.

>> Hawaii taxes high-income earners at 11%, second only to California at 13.3%.⁶ Hawaii's top 1.5% of taxpayers already pay 34.9% of all income taxes in the state.⁷

>> Hawaii is suffering from a stagnant economy, and both the Economic Research Organization at the University of Hawai'i⁸ and the state Department of Business, Economic Development and Tourism⁹ have predicted continued slow economic growth in 2024. Tax hikes could exacerbate this slowdown, since

² [“The Unintended Consequences of Excessive Transfer Taxes,”](#) p. 2.

³ Jared Walczak and Erica York, [“State and Local Tax Burdens, Calendar Year 2022,”](#) Tax Foundation, April 7, 2022.

⁴ Maria Wood, [“Where People from Hawaii Are Moving to the Most,”](#) 24/7 Wall Street, Jan. 23, 2022.

⁵ Katherine Loughhead, [“How Do Taxes Affect Interstate Migration?”](#) Tax Foundation, Oct. 11, 2022.

⁶ Timothy Vermeer, [“State Individual Income Tax Rates and Brackets for 2023,”](#) Tax Foundation, Feb. 21, 2023.

⁷ [“Hawaii Individual Income Tax Statistics,”](#) Hawaii Department of Taxation report for Tax Year 2021, August 2023, Table 12A.

⁸ Carl Bonham, Byron Gagnes, Steven Bond-Smith, et al., [“State Facing Headwinds as Maui Recovery Begins,”](#) Economic Research Organization at the University of Hawai'i, Dec. 15, 2023.

⁹ Hawaii Department of Business, Economic Development, and Tourism, [“Hawaii Economic Growth Remains Low for 2024 as Recovery Continues,”](#) Dec. 11, 2023.

entrepreneurs will be less likely to want to invest their capital — or “wealth assets,” as the case may be¹⁰ — in Hawaii’s economy.

In short, Hawaii’s residents and businesses need a break from new taxes, tax increase, fees and surcharges. This is not the time to make Hawaii a more expensive place to live and do business.

Hence our opposition to this proposal to extend the state conveyance tax to include the transfer of a controlling interest of an entity with real property located in the state.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

¹⁰ Aaron Hedlund, “[How Do Taxes Affect Entrepreneurship, Innovation, and Productivity?](#)” Center for Growth and Opportunity at Utah State University, Dec. 23, 2019; Ergete Ferede, “[The Effects on Entrepreneurship of Increasing Provincial Top Personal Income Tax Rates in Canada,](#)” Fraser Institute, July 10, 2018; Robert Carroll, Douglas Holtz-Eakin, Mark Rider and Harvey S. Rosen, “[Personal Income Taxes and the Growth of Small Firms,](#)” National Bureau of Economic Research, October 2000.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for SB2044 SD2 HD1 - Related to the Controlling Interest Transfer Tax
House Committee on Consumer Protection & Commerce
Monday, March 18, 2024, at 2:05PM, Conf. Rm. 329 and via Videoconference

Dear Chair Nakashima, Vice Chair Sayama, and fellow committee members:

Thank you for the opportunity to express our support for **SUPPORT for SB2044 SD2 HD1**, which will close the controlled interest loophole as it concerns significant property transfers. We commend the efforts to ensure fair taxation practices and promote responsible real estate transactions within Hawai'i and request an amendment.

Controlling interests typically refers to a significant ownership stake or level of control that an individual or entity holds in a property-owning corporation. As written currently, Hawai'i has no way of capturing benefits of large land transfers by powerful entities.

The most famous example of this loss was in 2012 when Larry Ellison purchased 90% of Lana'i in Maui County by purchasing a controlling interest in Castle & Cooke Inc. from then CEO David Murdock and effectively evaded Hawaii's transfer tax. **Ellison spent \$300,000,000 to purchase Lana'i and paid \$0 in conveyance tax, if the controlled interest loophole had been closed Hawai'i would have collected \$3,750,000 in conveyance tax revenue from that one transfer.**

Currently 17 states; Connecticut, Maine, Washington, the District of Columbia, Maryland, Michigan, New Hampshire, Delaware, California, New Jersey, New York, Florida, Minnesota, Illinois, Pennsylvania, Rhode Island, and Vermont have implemented a controlled interest tax to address transfers of property via acquisition of controlled interest.

We appreciate the opportunity to testify on this measure and urge the committee to pass SB2004 SD2 through with suggested amendments.

PARTNERS IN CARE

Oahu's Continuum of Care

Our mission is to eliminate homelessness through open and inclusive participation and the coordination of integrated responses.

LATE

TESTIMONY IN SUPPORT OF SB 2044 SD2,HD1: RELATING TO THE CONTROLLING INTEREST TRANSFER TAX

TO: House Committee on Consumer Protection & Commerce
FROM: Partners In Care (PIC)
Hearing: **Monday, 3/18/24; 2:05 am; CR 329 or via videoconference**

Chair Nakashima and Members of the House Committee on Consumer Protection & Commerce:

Thank you for the opportunity to provide testimony **in support of SB 2044 SD2 HD1** which establishes that the transfer of a controlling interest in an entity that owns real property in the State shall be subject to the conveyance tax. Requires that an unspecified percentage or amount (whichever is less) of the tax revenues collected to be deposited into the Dwelling Unit Revolving Fund (DURF). Partners In Care (PIC) is a coalition of more than 60 non-profit homelessness providers and concerned organizations.

We urge your continued prioritization of funding needed to create affordable rental housing. Infrastructure costs are a large component of the cost to develop housing. This bill would support the creation of affordable housing which is needed to prevent homelessness and give hope to the people of Hawai'i.

This bill would close a loophole in the law which has been used to avoid paying the conveyance tax upon "selling" some properties. If a homeowner sells a house, they pay the conveyance tax. However, the conveyance tax law currently allows entities to transfer the controlling interest in a company, without paying any tax. The State needs to close this loophole and use the tax revenues generated to build more critically needed affordable housing. However, you cannot build housing if the infrastructure is inadequate.

Infrastructure is needed across the Hawaiian Islands to remove barriers to creating affordable housing. Dedicating these new tax revenues to the Dwelling Unit Revolving Fund (DURF) would expand the State's ability to overcome this huge barrier. DURF could not only promote housing development but also address overall infrastructure through regional state infrastructure programs. This would help to reduce the per unit cost to construct units.

With the tough budget decisions now and in the future, the State would benefit from any additional revenue to build infrastructure. The key to ending homelessness is building affordable rentals. This will create resiliency for the future, as well as bringing hope to Hawaii's families. Partners In Care urges your support to close this loophole in the law.



LATE

March 18, 2024

Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair
Members of the House Consumer
Protection & Commerce Committee

RE: **SB 2044 SD2 HD1– RELATING TO CONTROLLING INTEREST
TRANSFER TAX**
Hearing date – March 18, 2024 at 2:05 PM

Aloha Chair Nakashima, Vice Chair Sayama, and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to SB 2044 SD2 HD1– RELATING TO CONTROLLING INTEREST TRANSFER TAX**. NAIOP Hawaii is the Hawaii chapter of the nation’s leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

SB2044 SD2 HD1 establishes a conveyance tax for the transfer of a controlling interest in an entity that owns real property in the State. Hawaii already has one of the worst conveyance taxes in the country. Additionally, the measure seeks to deposit funding into the Dwelling Unit Revolving Fund (DURF).

NAIOP Hawaii opposes this measure which proposes to consider the transfer of a controlling interest in an entity as a taxable transaction for real property purposes. We are concerned that this approach may lead to an increase in taxes for businesses engaging in legitimate transactions such as mergers, acquisitions, or changes in ownership structure. Passage of this bill will discourage investment, hinder economic growth, and burden business owners when attempting to restructure entity holdings.

Furthermore, this measure creates ambiguity for large corporate entities conducting business in Hawaii. Specifically, the definition of "controlling interest" and the conditions triggering taxation, introduces complexity and ambiguity as to when the new tax will apply. Additionally, small businesses will face challenges in the navigation of new tax obligations and compliance requirements introduced by this bill. The

Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair
Members of the House Consumer
Protection & Commerce Committee
March 18, 2024
Page 2

additional financial and administrative burden will result in disproportionate, negative effect on small businesses. SB 2044 SD2 HD1 is anticipated to result in legal disputes, administrative challenges, and increased compliance costs for all affected entities.

Moreover, imposing a conveyance on the transfer of a controlling interest in a Special Purpose Entity (SPE) poses an issue for landowners who are simply looking to finance smaller holdings. Typically, in financing a single asset, lenders prefer a new SPE to provide additional financial certainty for a particular project.

Ultimately, this measure may result in: 1) fewer transactions triggering payment of conveyance tax; and 2) a meaningful reduction in economic activity due to additional costs in setting up a required SPE. NAIOP Hawaii is concerned that this increase in conveyance taxes may reduce the private sectors investment into long term projects which stimulate economic activity. Hawaii is already rated as one of the least business friendly States in the nation and increasing this tax rate will further discourage much needed investment here locally. Rather, additional efforts to encourage investment in Hawaii and incentivize the creation of new projects and businesses in Hawaii would stimulate our economy by creating jobs and tax revenue.

Accordingly, NAIOP Hawaii respectfully recommends that SB 2044 SD2 HD1 be deferred.

Mahalo for your consideration,

A handwritten signature in black ink, appearing to read 'Reyn Tanaka', with a long horizontal stroke extending to the right.

Reyn Tanaka, President
NAIOP Hawaii

SB-2044-HD-1

Submitted on: 3/16/2024 3:17:44 PM

Testimony for CPC on 3/18/2024 2:05:00 PM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|--------------|--------------------|------------------------|
| Ellen Godbey Carson | Individual | Support | Written Testimony Only |

Comments:

I **support** SB 2044, which would require that the transfer of a controlling interest in an entity that owns real property in the State will be subject to the conveyance tax established in chapter 247, HRS.

Hawai‘i’s rising and high cost of housing is fueling the State's homelessness crisis and forcing local families to move out of the State. The conveyance tax, a one-time tax at the time of real property sales, is an appropriate revenue source to help with affordable housing and homeless services. Although housing prices in Hawai‘i have risen dramatically over the past thirteen years, the State's conveyance tax has not been updated since 2009. Presently, revenue from Hawai‘i's conveyance tax is significantly lower than the rates of other high-cost areas in the country.

Please pass this bill so we can capture the conveyance tax on transferring controlling interest in an entity to support needed affordable housing in our state.

Thank you for your consideration of my testimony.

Ellen Godbey Carson, Honolulu, Hawai‘i