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

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



1 the State have risen dramatically over the past thirteen years,
2 the State's conveyance tax rates have not been updated since the
3 enactment of Act 59, Session Laws of Hawaii 2009. Presently,
4 the State's conveyance tax is significantly lower than the rates
5 of other high-cost areas in 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 at over \$10,000,000
9 in 2020, and two years ago Los Angeles increased the real
10 property transfer tax to 4.5 per cent on any residential or
11 commercial property over \$5,000,000 in value and six per cent on
12 property sales over \$10,000,000 in value. Smaller cities with
13 high housing costs are also increasing the taxes on real estate
14 sales to mitigate the impacts of housing costs. Crested Butte
15 and 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 total housing stock
20 is reserved as permanently affordable housing for full-time
21 residents, has largely funded their workforce housing program



1 through a 1.5 per cent tax on property sales that has been in
2 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 worth more than \$5,000,000 is unlikely to have
13 any negative impact on local full-time residents, as the vast
14 majority of buyers who purchase these homes do so as an
15 investment and not as their full-time residence. The monthly
16 mortgage costs of a \$5,000,000 home are approximately \$32,600
17 per month, which would be considered affordable for an
18 individual or a couple earning \$81,500 per month, or roughly
19 \$978,000 a year. Very few families in Hawaii would fall within
20 these income categories, and those that do most likely already



1 own a home and are not impacted by rising rents or the lack of
2 affordable housing.

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

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



- 1 Accordingly, the purpose of this Act is to:
- 2 (1) Establish the homeless services special fund;
- 3 (2) Allow counties to apply for matching funds from the
- 4 affordable homeownership revolving fund for housing
- 5 projects that are subject to a perpetual affordability
- 6 requirement;
- 7 (3) Increase the conveyance tax rates for certain
- 8 properties;
- 9 (4) Establish conveyance tax rates for multifamily
- 10 residential properties;
- 11 (5) Exempt from conveyance taxes the conveyances of real
- 12 property to:
- 13 (A) Organizations with certain affordability
- 14 requirements;
- 15 (B) Certain nonprofit organizations; and
- 16 (C) An owner-occupant or renter-occupant of the
- 17 property; and
- 18 (6) Allocate collected conveyance taxes to the affordable
- 19 homeownership revolving fund, homeless services
- 20 special fund, and dwelling unit revolving fund and



1 amend allocations to the land conservation fund and
2 rental housing revolving fund.

3 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
4 amended by adding a new section to part XVII to be appropriately
5 designated and to read as follows:

6 "§346- Homeless services special fund. (a) There is
7 established within the state treasury a homeless services
8 special fund, to be administered and managed by the department
9 and into which shall be deposited:

10 (1) Ten per cent of the conveyance tax collected and
11 allocated to the homeless services fund pursuant to
12 section 247-7;

13 (2) Appropriations made by the legislature; and

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

15 (b) Moneys from any other private or public source may be
16 deposited in or credited to the fund; provided that any
17 mandates, regulations, or conditions on these funds do not
18 conflict with the use of the fund under this section. Moneys
19 received as a deposit or private contribution shall be
20 deposited, used, and accounted for in accordance with the



1 conditions established by the agency or person making the
2 contribution.

3 (c) Moneys in the homeless services special fund shall be
4 used by the department for homeless services and supportive
5 housing, including facilities programs for the homeless
6 authorized by the department.

7 (d) The department shall submit a report to the
8 legislature providing an accounting of the fund no later than
9 twenty days prior to the convening of each regular session. The
10 report shall include, at minimum:

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

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

16 **"[+]§201H-206[+] Affordable homeownership revolving fund.**

17 (a) There is established an affordable homeownership revolving
18 fund to be administered by the corporation for the purpose of
19 providing, in whole or in part, loans to nonprofit community
20 development financial institutions and nonprofit housing



1 development organizations for the development of affordable
2 homeownership housing projects.

3 (b) Loans shall be awarded in the following descending
4 order of priority:

5 (1) Projects or units in projects that are funded by
6 programs of the United States Department of Housing
7 and Urban Development, United States Department of
8 Agriculture Rural Development, and United States
9 Department of the Treasury Community Development
10 Financial Institutions Fund, wherein:

11 (A) At least fifty per cent of the available units
12 are reserved for persons and families having
13 incomes at or below eighty per cent of the median
14 family income and of which at least five per cent
15 of the available units are for persons and
16 families having incomes at or below fifty per
17 cent of the median family income; and

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



1 (2) Mixed-income affordable for-sale housing projects or
2 units in a mixed-income affordable for-sale housing
3 project wherein all of the available units are
4 reserved for persons and families having incomes at or
5 below one hundred per cent of the median family
6 income.

7 (c) Moneys in the fund shall be used to provide loans for
8 the development, pre-development, construction, acquisition,
9 preservation, and substantial rehabilitation of affordable
10 for-sale housing units. Uses of moneys in the fund may include
11 but are not limited to planning, design, and land acquisition,
12 including the costs of options, agreements of sale, and down
13 payments; equity financing as matching funds for nonprofit
14 community development financial institutions; or other housing
15 development services or activities as provided in rules adopted
16 by the corporation pursuant to chapter 91. The rules may
17 provide that money from the fund shall be leveraged with other
18 financial resources to the extent possible.

19 (d) The fund may include [sums]:

20 (1) Sums appropriated by the legislature [~~, private~~];

21 (2) Private contributions [~~, proceeds~~];



1 (3) Proceeds from repayment of loans [~~7-interest~~];

2 (4) Interests and other returns [~~7~~];

3 (5) Conveyance taxes collected under chapter 247 and
4 allocated to the affordable homeownership revolving
5 fund pursuant to section 247-7; and [moneys]

6 (6) Moneys from other sources.

7 (e) An amount from the fund, to be set by the corporation
8 and authorized by the legislature, may be used for
9 administrative expenses incurred by the corporation in
10 administering the fund; provided that moneys in the fund shall
11 not be used to finance day-to-day administrative expenses of the
12 projects allotted moneys from the fund.

13 (f) The corporation may provide loans under this section
14 as provided in rules adopted by the corporation pursuant to
15 chapter 91.

16 (g) The corporation may contract with nonprofit community
17 development financial institutions to fund loans under this
18 section. The corporation may contract for the service and
19 custody of its loans.

20 (h) The corporation may establish, revise, charge, and
21 collect a reasonable service fee, as necessary, in connection



1 with its loans, services, and approvals under this part. The
2 fees shall be deposited into the affordable homeownership
3 revolving fund.

4 (i) Counties may apply for matching funds from the fund;
5 provided that prior to applying for any matching funds, the
6 counties shall have an approved comprehensive affordable housing
7 plan that:

8 (1) Identifies available lands for affordable housing;

9 (2) Identifies infrastructure needs and availability; and

10 (3) Requires housing projects developed using moneys from
11 the fund to be subject to an affordability clause that
12 keeps the property affordable in perpetuity, also
13 known as a "deed-restricted property";

14 provided further that costs for the development of or an update
15 to an existing county comprehensive affordable housing plan may,
16 upon application, be paid out of these funds.

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



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

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

12 (1) Except as provided in [~~paragraph (2)~~] paragraphs (2)
13 and (3):

14 (A) [~~Ten cents per \$100 for~~] For properties with a
15 value of less than \$600,000[~~+~~]: 10 cents per
16 \$100;

17 (B) [~~Twenty cents per \$100 for~~] For properties with a
18 value of at least \$600,000, but less than
19 \$1,000,000[~~+~~]: 20 cents per \$100;



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



- 1 (J) For properties with a value of at least
- 2 \$22,000,000, but less than \$26,000,000: \$4.00
- 3 per \$100; and
- 4 (K) For properties with a value of \$26,000,000 or
- 5 greater: \$6.00 per \$100;
- 6 (2) For the sale of a multifamily residential property:
- 7 (A) For properties with a value of less than
- 8 \$600,000: 10 cents per \$100;
- 9 (B) For properties with a value of at least \$600,000,
- 10 but less than \$1,000,000: 20 cents per \$100;
- 11 (C) For properties with a value of at least
- 12 \$1,000,000, but less than \$2,000,000: 30 cents
- 13 per \$100;
- 14 (D) For properties with a value of at least
- 15 \$2,000,000, but less than \$4,000,000: 50 cents
- 16 per \$100;
- 17 (E) For properties with a value of at least
- 18 \$4,000,000, but less than \$6,000,000: 70 cents
- 19 per \$100;



- 1 (F) For properties with a value of at least
- 2 \$6,000,000, but less than \$10,000,000: 90 cents
- 3 per \$100;
- 4 (G) For properties with a value of at least
- 5 \$10,000,000, but less than \$20,000,000: \$1 per
- 6 \$100;
- 7 (H) For properties with a value of at least
- 8 \$20,000,000, but less than \$50,000,000: \$1.25
- 9 per \$100;
- 10 (I) For properties with a value of at least
- 11 \$50,000,000, but less than \$100,000,000: \$1.50
- 12 per \$100; and
- 13 (J) For properties with a value of \$100,000,000 or
- 14 greater: \$2.00 per \$100; and
- 15 ~~[-2-]~~ (3) For the sale of a condominium or single family
- 16 residence for which the purchaser is ineligible for a
- 17 county homeowner's exemption on property tax:
- 18 (A) [~~Fifteen cents per \$100 for~~] For properties with
- 19 a value of less than \$600,000~~[+]~~: 15 cents per
- 20 \$100;



- 1 (B) [~~Twenty five cents per \$100 for~~] For properties
2 with a value of at least \$600,000, but less than
3 \$1,000,000[~~+~~]: 25 cents per \$100;
- 4 (C) [~~Forty cents per \$100 for~~] For properties with a
5 value of at least \$1,000,000, but less than
6 \$2,000,000[~~+~~]: 40 cents per \$100;
- 7 (D) [~~Sixty cents per \$100 for~~] For properties with a
8 value of at least \$2,000,000, but less than
9 \$4,000,000[~~+~~]: \$1.00 per \$100;
- 10 (E) [~~Eighty five cents per \$100 for~~] For properties
11 with a value of at least \$4,000,000, but less
12 than \$6,000,000[~~+~~]: \$1.50 per \$100;
- 13 (F) [~~One dollar and ten cents per \$100 for~~] For
14 properties with a value of at least \$6,000,000,
15 but less than \$10,000,000[~~+~~and]: \$2.00 per
16 \$100;
- 17 (G) [~~One dollar and twenty five cents per \$100 for~~]
18 For properties with a value of at least
19 \$10,000,000 [or greater], but less than
20 \$14,000,000: \$3.00 per \$100;



1 (H) For properties with a value of at least
2 \$14,000,000, but less than \$18,000,000: \$4.00
3 per \$100;

4 (I) For properties with a value of at least
5 \$18,000,000, but less than \$22,000,000: \$5.00
6 per \$100;

7 (J) For properties with a value of at least
8 \$22,000,000, but less than \$26,000,000: \$6.00
9 per \$100; and

10 (K) For properties with a value of \$26,000,000 or
11 greater: \$7.00 per \$100,

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



1 as well as off-site improvements, applicable to the leased
2 premises; and provided further that the tax imposed for each
3 transaction shall be not less than \$1.

4 For purposes of this section, "multifamily residential
5 property" means a structure that is located within the state
6 urban land use district and divided into five or more dwelling
7 units."

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

10 "**§247-3 Exemptions.** The tax imposed by section 247-1
11 shall not apply to:

- 12 (1) Any document or instrument that is executed prior to
13 January 1, 1967;
- 14 (2) Any document or instrument that is given to secure a
15 debt or obligation;
- 16 (3) Any document or instrument that only confirms or
17 corrects a deed, lease, sublease, assignment,
18 transfer, or conveyance previously recorded or filed;
- 19 (4) Any document or instrument between husband and wife,
20 reciprocal beneficiaries, or parent and child, in
21 which only a nominal consideration is paid;



- 1 (5) Any document or instrument in which there is a
2 consideration of \$100 or less paid or to be paid;
- 3 (6) Any document or instrument conveying real property
4 that is executed pursuant to an agreement of sale, and
5 where applicable, any assignment of the agreement of
6 sale, or assignments thereof; provided that the taxes
7 under this chapter have been fully paid upon the
8 agreement of sale, and where applicable, upon such
9 assignment or assignments of agreements of sale;
- 10 (7) Any deed, lease, sublease, assignment of lease,
11 agreement of sale, assignment of agreement of sale,
12 instrument or writing in which the United States or
13 any agency or instrumentality thereof or the State or
14 any agency, instrumentality, or governmental or
15 political subdivision thereof are the only parties
16 thereto;
- 17 (8) Any document or instrument executed pursuant to a tax
18 sale conducted by the United States or any agency or
19 instrumentality thereof or the State or any agency,
20 instrumentality, or governmental or political



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



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



1 Code of 1986, as amended, to the constructive
2 ownership of interests in the partnership; [~~and~~]
3 ~~[(+) (17) (+)]~~ Any document or instrument that conforms to the
4 transfer on death deed as authorized under
5 chapter 527~~[-]~~;

6 (18) Any document or instrument conveying real property to
7 an organization that:

8 (A) Has a minimum of thirty years remaining of a
9 price-restricted affordability period; or

10 (B) Places a deed restriction on the property to
11 maintain permanent affordability.

12 For purposes of this paragraph:

13 "Permanent affordability" means a requirement
14 that a residential real property remain affordable to
15 households with incomes at or below one hundred twenty
16 per cent of the area median income as determined by
17 the United States Department of Housing and Urban
18 Development for the life of the property.

19 "Price-restricted affordability period" means the
20 period for which a residential real property is
21 restricted to renter households with incomes at or



1 below one hundred twenty per cent of the area median
2 income as determined by the United States Department
3 of Housing and Urban Development applicable to the
4 location of the real property for the applicable
5 federal fiscal year;

6 (19) Any document or instrument conveying real property to
7 a nonprofit organization that:

8 (A) Is exempt from federal income tax by the Internal
9 Revenue Service; and

10 (B) Will hold the property in an undeveloped state
11 and for conservation purposes in perpetuity
12 through a deed restriction on the property; and

13 (20) Any document or instrument conveying real property to
14 an individual who is an owner-occupant or
15 renter-occupant of the property; provided the
16 individual does not have a direct or indirect
17 ownership interest in any other real property,
18 including through ownership interest in a trust,
19 partnership, corporation, limited liability company,
20 or other entity."



1 SECTION 6. Section 247-7, Hawaii Revised Statutes, is
2 amended to read as follows:

3 **"§247-7 Disposition of taxes.** All taxes collected under
4 this chapter shall be paid into the state treasury to the credit
5 of the general fund of the State, to be used and expended for
6 the purposes for which the general fund was created and exists
7 by law; provided that of the taxes collected each fiscal year:

- 8 (1) [~~Ten~~] Eight per cent [~~or \$5,100,000, whichever is~~
9 ~~less,~~] shall be paid into the land conservation fund
10 established pursuant to section 173A-5; [and]
11 (2) [~~Fifty per cent or \$38,000,000, whichever is less,~~]
12 Thirty-eight per cent shall be paid into the rental
13 housing revolving fund established by
14 section 201H-202[~~+~~];
15 (3) Eight per cent shall be paid into the affordable
16 homeownership revolving fund established pursuant to
17 section 201H-206;
18 (4) Eight per cent shall be paid into the homeless
19 services special fund established pursuant to
20 section 346- ; and



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1 (5) Eight per cent shall be paid into the dwelling unit
2 revolving fund established pursuant to section
3 201H-191 for the purposes of funding infrastructure
4 programs in transit-oriented development areas."

5 SECTION 7. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 8. This Act shall take effect on July 1, 2025.

8

INTRODUCED BY: *Nashir K. Mahum*
By Request

JAN 16 2025



H.B. NO. 377

Report Title:

Hawaii State Association of Counties Package; DHS; Affordable Housing; Conveyance Tax; Rates; Exemption; Homeless Services Fund; Affordable Homeownership Revolving Fund; Land Conservation Fund; Rental Housing Revolving Fund; Dwelling Unit Revolving Fund

Description:

Establishes the Homeless Services Special Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund for certain housing projects. Increases the conveyance tax rates for certain properties. Establishes conveyance tax rates for multifamily residential properties. Establishes new exemptions to the conveyance tax. Allocates collected conveyance taxes to the Affordable Homeownership Revolving Fund, Homeless Services Special Fund and, and Dwelling Unit Revolving Fund. Amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund.

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