

Honolulu, Hawaii

FEB 12 2025

RE: S.B. No. 1033  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 1033 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish an excise tax on certain taxpayers who own excess single-family residences for failure to sell those residences; and
- (2) Establish and allocate excise tax revenues to the Housing Downpayment Trust Fund.

Your Committee received comments on this measure from the Department of Budget and Finance, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that the state must ensure local individuals and families have the opportunity to remain in Hawaii and support the next generation of residents. Recently, certain entities, including hedge funds, corporations, partnerships, and trusts, have purchased a large share of single-family residences across the United States, limiting the available supply of housing for local individuals and families. Establishment of taxes and penalties on entities that hold excess single-family properties



may alleviate some challenges for the State's limited housing supply. Accordingly, this measure establishes a new source of revenue generation for the State while encouraging the sale of single-family residences to individuals and families intending to remain in the State.

Your Committee notes the concerns raised by the Department of Taxation (DOTAX) regarding the implementation of the excise tax established by this measure. As existing income and conveyance tax filings do not require taxpayers to disclose whether they manage funds pooled from investors or are one of the specified "asset classes" established in the measure, identifying applicable taxpayers with available existing data and filings is not feasible. DOTAX would need to impose new information reporting requirements and make extensive changes to its systems to administer the proposed excise tax. Additionally, reporting requirements proposed by this measure would require DOTAX to track sales and ownership of single-family residences to specific taxpayers, which would deviate from DOTAX's existing data priorities that focus on reporting of income and gross receipts, rather than ownership of property. Finally, this measure would require DOTAX to track companies' net asset values throughout the year, as applicable taxpayers are those entities who have more than \$50,000,000 in net value or assets under management on any day during the year. As this measure requires extensive changes to DOTAX's existing data collection practices, additional time is needed to develop necessary systems, forms, and processes to ensure compliance.

Your Committee has amended this measure by:

- (1) Making it apply to taxable years beginning after December 31, 2026;
- (2) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B.



No. 1033, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1033, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.

Respectfully submitted on  
behalf of the members of the  
Committee on Housing,

  
STANLEY CHANG, Chair



