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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1       SECTION 1. The Hawaii Revised Statutes is amended by  
2 adding a new chapter to title 14 to be appropriately designated  
3 and to read as follows:

4                               **"CHAPTER**

5                   **EXCISE TAX ON CERTAIN TAXPAYERS FAILING TO SELL EXCESS**

6                               **SINGLE-FAMILY RESIDENCES**

7       **§ -1 Definitions.** As used in this chapter:

8       "Applicable date" means:

9       (1) The last day of the first full taxable year ending on  
10           or after the effective date of Act       , Session Laws  
11           of Hawaii 2025; or

12       (2) In the case of any taxpayer that changes its status  
13           during a taxable year, the last day of the taxable  
14           year immediately preceding the taxable year in which  
15           the taxpayer changed its status.



1 "Applicable single-family residence" means any  
2 single-family residence that was acquired on or before the  
3 applicable date.

4 "Applicable taxpayer" means a taxpayer, including a  
5 partnership, corporation, trust or other legal entity, that:

6 (1) Manages funds pooled from investors and is a fiduciary  
7 with respect to those investors;

8 (2) Is an asset manager in any of the following asset  
9 classes:

10 (A) Public equity or fixed-income securities;

11 (B) A hedge fund;

12 (C) A fund of hedge funds;

13 (D) Private equity (including venture capital);

14 (E) A fund of private equity funds;

15 (F) A real estate investment fund;

16 (G) A fund of real estate funds; or

17 (H) Any other asset class for which an applicable  
18 fiduciary-controlled entity engages external  
19 asset managers; and

20 (3) That has \$50,000,000 or more in net value or assets  
21 under management on any day during the taxable year.



1 "Applicable taxpayer" shall not include:

2 (1) An organization that is described in section 501(c)(3)  
3 and exempt from tax under section 501(a) of the  
4 Internal Revenue Code; or

5 (2) An organization primarily engaged in the construction  
6 or rehabilitation of single-family residences.

7 "Disqualified sale" means any sale or transfer of a  
8 single-family residence to:

9 (1) A corporation or other entity engaged in a trade or  
10 business; or

11 (2) An individual who owns any other single-family  
12 residence at the time of the sale or transfer.

13 "Newly acquired single-family residence" means any  
14 single-family residence that was acquired by the taxpayer in any  
15 taxable year beginning after the effective date of Act ,  
16 Session Laws of Hawaii 2025.

17 "Single-family residence" means a residential property  
18 consisting of one to four dwelling units; provided that the term  
19 shall not include:

20 (1) Any unoccupied single-family residence acquired  
21 through foreclosure;



(2) Any single-family residence that is:

(A) Not rented or leased, and

(B) Used as the principal residence of any person who has an ownership interest in the applicable taxpayer; or

(3) Any single-family residence constructed, acquired, or operated with federal appropriated funding sources.

"Trade or business" shall include any activity treated as a trade or business under section 469(c)(5) or (6) of the Internal Revenue Code (determined without regard to the phrase "To the extent provided in regulations" in section 469(c)(6)).

**§ -2 Imposition of tax.** (a) In the case of an applicable taxpayer, there is hereby imposed a tax on the acquisition of any newly acquired single-family residence equal to fifty per cent of the fair market value of the residence.

(b) In the case of an applicable taxpayer who fails to meet the requirements of subsection (c), there is hereby imposed a tax equal to the product of:

(1) \$50,000; and

(2) The excess of the number of applicable single-family residences owned by the taxpayer as of the last day of



1           the taxable year, over the maximum permissible units  
2           for the taxable year.

3           (c) An applicable taxpayer meets the requirement of this  
4 subsection for any taxable year if the number of applicable  
5 single-family residences owned by the taxpayer as of the last  
6 day of the taxable year is equal to or less than the maximum  
7 permissible units determined with respect to the taxpayer for  
8 the taxable year. For the purposes of this subsection, a  
9 single-family residence that is sold or transferred in a  
10 disqualified sale during the taxable year shall be treated as a  
11 single-family residence that is owned by the applicable taxpayer  
12 as of the last day of the taxable year.

13           §   -3 **Maximum permissible units.** The maximum permissible  
14 units with respect to any applicable taxpayer for any taxable  
15 year shall be determined as follows:

16	In the case of:	The maximum permissible units
17		for an applicable taxpayer is:
18	The first full taxable	Ninety per cent of the number of
19	year beginning after	applicable single-family
20	the applicable date	residences owned by the taxpayer
21		on the applicable date



1       The second full taxable   Eighty per cent of the number of  
2       year beginning after       applicable single-family  
3       the applicable date       residences owned by the taxpayer  
4       on the applicable date  
5       The third full taxable   Seventy per cent of the number of  
6       year beginning after       applicable single-family  
7       the applicable date       residences owned by the taxpayer  
8       on the applicable date  
9       The fourth full taxable   Sixty per cent of the number of  
10      year beginning after       applicable single-family  
11      the applicable date       residences owned by the taxpayer  
12      on the applicable date  
13      The fifth full taxable   Fifty per cent of the number of  
14      year beginning after       applicable single-family  
15      the applicable date       residences owned by the taxpayer  
16      on the applicable date  
17      The sixth full taxable   Forty per cent of the number of  
18      year beginning after       applicable single-family  
19      the applicable date       residences owned by the taxpayer  
20      on the applicable date  
21      The seventh full taxable   Thirty per cent of the number of



1        year beginning after        applicable single-family  
2        the applicable date        residences owned by the taxpayer  
3        on the applicable date

4        The eighth full taxable    Twenty per cent of the number of  
5        year beginning after        applicable single-family  
6        the applicable date        residences owned by the taxpayer  
7        on the applicable date

8        The ninth full taxable    Ten per cent of the number of  
9        year beginning after        applicable single-family  
10       the applicable date        residences owned by the taxpayer  
11       on the applicable date

12       Any taxable year        Zero  
13       beginning more than  
14       nine years after  
15       the applicable date

16       **§    -4 Construction.** (a) For purposes of this chapter,  
17       an applicable taxpayer shall be treated:

18       (1) As acquiring a single-family residence if the  
19       applicable taxpayer acquires a majority ownership  
20       interest in the single-family residence, regardless of  
21       the percentage of that ownership interest; and



(2) As owning a single-family residence if the applicable taxpayer owns a majority ownership interest in the single-family residence, regardless of the percentage of that ownership interest.

(b) For the purposes of this chapter, all persons or entities that are treated as a single employer under section 52(a) and (b) of the Internal Revenue Code shall be treated as a single person or entity.

**§ -5 Reporting.** (a) The director shall require any reporting as the director determines necessary or appropriate to carry out the purposes of this chapter, including reporting with respect to:

(1) The dates on which single-family residences owned by an applicable taxpayer were acquired by the taxpayer; and

(2) Whether any person acquiring a single-family residence from an applicable taxpayer owns any other single-family residences at the time of the acquisition.

(b) Any person who fails to report information required under subsection (a) or who fails to include correct information





1 in a report shall pay a penalty of \$20,000; provided that no  
2 penalty shall be imposed with respect to any failure if it is  
3 shown that the failure is due to reasonable cause and not to  
4 wilful neglect. The penalty under this subsection shall be paid  
5 upon notice and demand by the director.

6 § -6 **Tax form.** Not later than one hundred eighty days  
7 after the effective date of Act , Session Laws of Hawaii 2025,  
8 the department shall publish a form to be used for calculating  
9 the amount of tax owed under this chapter.

10 § -7 **Certification.** (a) The reporting required under  
11 section -5(a)(2), shall include a certification from each  
12 individual to whom a single-family residence is sold or  
13 transferred from an applicable taxpayer.

14 (b) The certification required under this section shall be  
15 signed by the purchaser or transferee and state the following:

- 16 (1) The name and address of the purchaser or transferee;  
17 (2) That the sale is not a disqualified sale; and  
18 (3) That the purchaser or transferee will be subject to  
19 the penalty imposed under section -5(b) for any  
20 false certification.



1       §    -8   **Disposition of tax revenues.** All revenues from  
2 taxes collected under this chapter shall be deposited into the  
3 housing downpayment trust fund established under section  
4 201H-    ."

5       SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
6 amended by adding a new section to part III, subpart A, to be  
7 appropriately designated and to read as follows:

8       "§201H-    Housing downpayment trust fund. (a) There is  
9 established in the state treasury a fund to be known as the  
10 housing downpayment trust fund, which shall be administered by  
11 the corporation. The fund shall be held separate and apart from  
12 all other moneys, funds, and accounts in the state treasury.

13       (b) There shall be deposited into the fund the following:

14       (1) Excise tax revenues allocated to the housing  
15 downpayment trust fund pursuant to section    -8;

16       (2) Gifts, bequests, appropriations, or other  
17 contributions of money received by the corporation for  
18 the purpose of providing downpayment assistance; and

19       (3) All interest earned or accrued on moneys in the fund.

20       (c) All moneys in the fund shall be expended by the  
21 corporation to establish new or supplement existing programs



1 that provide downpayment assistance to families purchasing homes  
2 within the State. The corporation shall give priority to  
3 families seeking assistance to purchase any single-family  
4 residence that is sold or transferred by an applicable taxpayer,  
5 as defined in section -1.

6 (d) The corporation shall submit a report to the  
7 legislature, no later than twenty days prior to the convening of  
8 each regular session, providing an accounting of the receipts  
9 and expenditures of the fund."

10 SECTION 3. New statutory material is underscored.

11 SECTION 4. This Act shall take effect on July 1, 2050 and  
12 shall apply to taxable years beginning after December 31, 2026.



**Report Title:**

Excise Tax; Failure to Sell Excess Single-Family Residences;  
Housing Downpayment Trust Fund; Reports

**Description:**

Establishes an excise tax on certain taxpayers who own excess single-family residences for failure to sell those residences. Establishes and allocates excise tax revenues to the Housing Downpayment Trust Fund. Requires annual reports to the Legislature. Applies to taxable years beginning after 12/31/2026. Effective 7/1/2050. (SD1)

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

