

JAN 23 2026

A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. The legislature finds that the Hawaii transit-
2 oriented development strategic plan highlights a lack of
3 infrastructure necessary to support affordable housing and
4 mixed-use development near transit. Furthermore, the transit-
5 oriented development infrastructure and finance delivery
6 strategy (2023), developed by the office of planning and
7 sustainable development, identifies the current fragmented
8 infrastructure funding process as a source of inequitable
9 outcomes. The first recommendation of the report is to increase
10 the conveyance tax on high-value, non-owner-occupied homes and
11 allocate a portion of the revenue to finance infrastructure in
12 transit-oriented development zones.

13 The legislature also finds that the conveyance tax, a one-
14 time tax levied at the time of property conveyances, is
15 identified as an appropriate revenue source for affordable
16 housing, infrastructure, land conservation, and homeless
17 services. Despite dramatic increases in housing prices over the



1 past thirteen years, the conveyance tax rates have not been
2 updated since Act 59, Session Laws of Hawaii 2009. In fact,
3 Hawaii's conveyance tax remains significantly lower than
4 comparable high-cost areas in the nation.

5 The legislature recognizes that without reform, the current
6 conveyance tax rate structure could disproportionately affect
7 affordable multifamily housing, as high total property values
8 for these complexes do not reflect the lower per-unit costs.
9 High conveyance taxes on these properties could be passed on to
10 renters. Moreover, the current rate structure may create market
11 inequities, where even small increases in property value could
12 result in disproportionate tax burdens. Because the property
13 values upon which the conveyance tax is imposed are not tied to
14 inflation, rising home prices will eventually push moderately
15 priced homes into higher tax brackets, compounding the issue.

16 The legislature further finds that the department of
17 Hawaiian home lands requires dedicated, predictable annual
18 funding to support multi-year planning, procurement, and
19 sequencing of infrastructure and housing so that homes can be
20 delivered to all beneficiaries. Consistent revenue is not only
21 operationally necessary, but also fiscally efficient because



1 department dollars leverage other public and private capital.
2 Deployments through Act 279, Session Laws of Hawaii 2022, have
3 unlocked billions in projected vertical development, and recent
4 low-income house tax credit transactions show more than five
5 times leverage on department investments. Establishing
6 dedicated conveyance tax funding for the department of Hawaiian
7 home lands, including a maximum of \$60,000,000 annually, is
8 therefore warranted and is a core recommendation of the Act 279
9 Working Group's interim report.

10 Accordingly, the purpose of this Act is to:

- 11 (1) Restructure the conveyance tax to a marginal rate
12 system for the sale of properties with residential
13 use, applying higher rates only to property values
14 exceeding specified thresholds;
- 15 (2) Adjust the conveyance tax for multifamily properties
16 to reflect value on a per-unit basis;
- 17 (3) Tie conveyance tax rates to a cost-of-living
18 adjustment to maintain equity over time;
- 19 (4) Allocate a portion of conveyance tax revenues to the
20 dwelling unit revolving fund to finance off-site and
21 regional infrastructure in county-designated transit-



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oriented areas that meet minimum standards of transit-supportive density; and

- (5) Establish a dedicated conveyance tax allocation to the department of Hawaiian home lands to provide predictable funding for multi-year planning and infrastructure and to leverage additional public and private capital for beneficiary housing.

SECTION 2. Section 201H-191, Hawaii Revised Statutes, is amended to read as follows:

"§201H-191 Dwelling unit revolving fund. (a) There is created a dwelling unit revolving fund. The funds appropriated for the purpose of the dwelling unit revolving fund, conveyance taxes received pursuant to section 247-7(4), and all moneys received or collected by the corporation for the purpose of the revolving fund shall be deposited in the revolving fund. The proceeds in the revolving fund shall be used:

- (1) To reimburse the general fund to pay the interest on general obligation bonds issued for the purposes of the revolving fund;
- (2) For necessary expenses in administering housing development programs, regional state infrastructure



1 programs, and the government employee housing program
2 pursuant to part V; ~~and~~

3 (3) To carry out the purposes of housing development
4 programs, regional state infrastructure programs, and
5 the government employee housing program pursuant to
6 part V, including but not limited to the expansion of
7 community facilities and regional state infrastructure
8 constructed in conjunction with housing and mixed-use
9 transit-oriented development projects, permanent
10 primary or secondary financing, and supplementing
11 building costs, federal guarantees required for
12 operational losses~~[, and all]~~;

13 (4) To fund infrastructure programs in areas that meet
14 transit-supportive density requirements; provided that
15 proceeds from the conveyance tax deposited pursuant to
16 section 247-7(4) shall only be used for the purposes
17 of this paragraph; and

18 (5) All things required by any federal agency in the
19 construction and receipt of federal funds or low-income
20 housing tax credits for housing projects.



(b) Subject to the requirements of subsection (a), proceeds in the revolving fund may be used to:

(1) Establish and operate regional state infrastructure subaccounts pursuant to section 201H-191.5; and

(2) Administer, implement, and finance the government employee housing program pursuant [+]to[+] part V.

(c) For purposes of this section, "transit-supportive density" has the same meaning as in section 206E-246."

SECTION 3. Section 247-2, Hawaii Revised Statutes, is amended to read as follows:

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

(1) ~~[Except as provided in paragraph (2):]~~ For the sale of a property with a residential dwelling unit for which



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1 the purchaser is eligible for a county homeowner's
2 exemption from property tax:

3 (A) ~~[Ten cents per \$100 for]~~ For properties with a
4 value of less than \$600,000~~[+]~~: 10 cents per
5 \$100;

6 (B) ~~[Twenty cents per \$100 for]~~ For properties with a
7 value of at least \$600,000, but less than
8 \$1,000,000~~[+]~~: \$600 plus 35 cents per \$100 of
9 excess over \$600,000;

10 (C) ~~[Thirty cents per \$100 for]~~ For properties with a
11 value of at least \$1,000,000, but less than
12 \$2,000,000~~[+]~~: \$2,000 plus 60 cents per \$100 of
13 excess over \$1,000,000;

14 (D) ~~[Fifty cents per \$100 for]~~ For properties with a
15 value of at least \$2,000,000, but less than
16 \$4,000,000~~[+]~~: \$8,000 plus \$1 per \$100 of excess
17 over \$2,000,000;

18 (E) ~~[Seventy cents per \$100 for]~~ For properties with
19 a value of at least \$4,000,000, but less than
20 \$6,000,000~~[+]~~: \$28,000 plus \$1.50 per \$100 of
21 excess over \$4,000,000;



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(F) ~~[Ninety cents per \$100 for]~~ For properties with a value of at least \$6,000,000, but less than \$10,000,000~~[, and]~~: \$58,000 plus \$2 per \$100 of excess over \$6,000,000;

(G) ~~[One dollar per \$100 for]~~ For properties with a value of at least \$10,000,000 ~~[or greater; and],~~ but less than \$20,000,000: \$138,000 plus \$3.50 per \$100 of excess over \$10,000,000; and

(H) For properties with a value of at least \$20,000,000: \$488,000 plus \$4.50 per \$100 of excess over \$20,000,000;

(2) For the sale of a ~~[condominium or single family residence]~~ property with a residential dwelling unit for which the purchaser is ineligible for a county homeowner's exemption on property tax:

(A) ~~[Fifteen cents per \$100 for]~~ For properties with a value of less than \$600,000~~[, and]~~: 15 cents per \$100;

(B) ~~[Twenty-five cents per \$100 for]~~ For properties with a value of at least \$600,000, but less than



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1 \$1,000,000[+]: \$900 plus 40 cents per \$100 of
2 excess over \$600,000;

3 (C) ~~[Forty cents per \$100 for]~~ For properties with a
4 value of at least \$1,000,000, but less than
5 \$2,000,000[+]: \$2,500 plus 65 cents per \$100 of
6 excess over \$1,000,000;

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[+]: \$9,000 plus \$2.10 per \$100 of
10 excess over \$2,000,000;

11 (E) ~~[Eighty-five cents per \$100 for]~~ For properties
12 with a value of at least \$4,000,000, but less
13 than \$6,000,000[+]: \$51,000 plus \$3 per \$100 of
14 excess over \$4,000,000;

15 (F) ~~[One dollar and ten cents per \$100 for]~~ For
16 properties with a value of at least \$6,000,000,
17 but less than \$10,000,000[+ and]: \$111,000 plus
18 \$4 per \$100 of excess over \$6,000,000; and

19 (G) ~~[One dollar and twenty-five cents per \$100 for]~~
20 For properties with a value of at least
21 \$10,000,000 [or greater], but less than



- 1 \$20,000,000: \$271,000 plus \$5 per \$100 of excess
2 over \$10,000,000;
- 3 (H) For properties with a value of at least
4 \$20,000,000: \$771,000 plus \$6 per \$100 of excess
5 over \$20,000,000; and
- 6 (3) For the sale, lease, sublease, or assignment of any
7 property with no residential dwelling unit:
- 8 (A) For properties with a value of less than
9 \$600,000: 15 cents per \$100;
- 10 (B) For properties with a value of at least \$600,000,
11 but less than \$1,000,000: 25 cents per \$100;
- 12 (C) For properties with a value of at least
13 \$1,000,000, but less than \$2,000,000: 40 cents
14 per \$100;
- 15 (D) For properties with a value of at least
16 \$2,000,000, but less than \$4,000,000: 60 cents
17 per \$100;
- 18 (E) For properties with a value of at least
19 \$4,000,000, but less than \$6,000,000: 85 cents
20 per \$100;



1 (F) For properties with a value of at least
2 \$6,000,000, but less than \$10,000,000: \$1.10 per
3 \$100; and
4 (G) For properties with a value of at least
5 \$10,000,000: \$1.25 per \$100,
6 of ~~[such]~~ the actual and full consideration; provided that in
7 the case of a lease or sublease, this chapter shall apply only
8 to a lease or sublease whose full unexpired term is for a period
9 of five years or more~~[, and in those cases, including (where~~
10 ~~appropriate) those cases where the]~~; provided further that if a
11 lease has been extended or amended, the tax in this chapter
12 shall be based on the cash value of the lease rentals discounted
13 to present day value and capitalized at the rate of six per
14 cent, plus the actual and full consideration paid or to be paid
15 for any and all improvements, if any, that shall include on-site
16 as well as off-site improvements, applicable to the leased
17 premises; and provided further that the tax imposed for each
18 transaction shall be [not] no less than \$1. For the purposes of
19 this section, any conveyance of property that is used for
20 transient accommodations, as defined in section 237D-1, for any
21 period during the two years prior to the date of conveyance



1 shall be taxed at the rates under paragraph (2), regardless of
2 whether the purchaser is eligible for a county homeowner's
3 exemption on property tax.

4 The rates in this section shall apply to the transfer or
5 conveyance of a multifamily residential property; provided that
6 "value", for purposes of determining the applicable rate, shall
7 be an amount calculated by dividing the actual and full
8 consideration for the transfer or conveyance of realty or any
9 interest therein by the number of residential dwelling units in
10 the property. As used in this subsection, "multifamily
11 residential property" means a structure that is located within
12 the state urban land use district and divided into five or more
13 dwelling units.

14 (b) For each taxable year beginning after December 31,
15 2026, the director of taxation, no later than December 15 of the
16 preceding calendar year, shall recompute the actual and full
17 consideration paid or to be paid in subsection (a) by
18 multiplying the dollar amount for the preceding taxable year by
19 a cost-of-living adjustment factor, if the cost-of-living
20 adjustment factor is greater than 1.0, and rounding off the
21 resulting product to the nearest \$1; provided that if the cost-



1 of-living adjustment factor is less than or equal to 1.0 in a
2 given year, then no adjustment shall occur in the following
3 year.

4 As used in this subsection, "cost-of-living adjustment
5 factor" means a factor calculated by adding 1.0 to the quotient
6 of the percentage change in the Urban Hawaii Consumer Price
7 Index for all items divided by one hundred, as published by the
8 United States Department of Labor, from July of the preceding
9 calendar year to July of the current calendar year; provided
10 that if the Urban Hawaii Consumer Price Index is discontinued,
11 the Chained Consumer Price Index for All Urban Consumers, as
12 published by the United States Department of Labor, shall be
13 used to calculate the cost-of-living adjustment factor."

14 SECTION 4. Section 247-7, Hawaii Revised Statutes, is
15 amended to read as follows:

16 **"§247-7 Disposition of taxes.** All taxes collected under
17 this chapter shall be paid into the state treasury to the credit
18 of the general fund of the State, to be used and expended for
19 the purposes for which the general fund was created and exists
20 by law; provided that of the taxes collected each fiscal year:



(1) ~~[Ten]~~ Five per cent or [~~\$5,100,000,~~] \$10,000,000,
whichever is less, shall be paid into the land
conservation fund established pursuant to section
173A-5; ~~[and]~~

(2) ~~[Fifty]~~ Twenty per cent or [~~\$38,000,000,~~] \$40,000,000,
whichever is less, shall be paid into the rental
housing revolving fund established by section 201H-
202~~[+]~~;

(3) Thirty per cent or \$60,000,000, whichever is less,
shall be paid into the Hawaiian home lands trust fund;
and

(4) Twenty per cent or \$40,000,000, whichever is less,
shall be paid into the dwelling unit revolving fund
established pursuant to section 201H-191."

SECTION 5. This Act does not affect rights and duties that
matured, penalties that were incurred, and proceedings that were
begun before its effective date.

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

SECTION 7. This Act shall take effect on July 1, 2026.



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INTRODUCED BY:

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S.B. NO. 2700

Report Title:

Conveyance Tax; Dwelling Unit Revolving Fund; Infrastructure Funding; County-designated Transit-oriented Development; Hawaiian Home Lands Trust Fund; DHHL

Description:

Restructures the conveyance tax to a marginal rate system for the sale of properties with residential use, adjusts the tax for multifamily properties to reflect value on a per-unit basis, and applies a cost-of-living adjustment to conveyance tax rates. Allocates revenues from conveyance tax collections. Allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund to fund infrastructure programs in county-designated transit-oriented development areas that meet minimum standards of transit-supportive density. Allocates a portion of conveyance tax revenues to the Hawaiian Home Lands Trust Fund.

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

