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# A BILL FOR AN ACT

RELATING TO PROPERTY CONVEYANCE.

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

PART I

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

14 The legislature also finds that the conveyance tax, a one-  
15 time tax levied at the time of a property conveyance, is  
16 identified as an appropriate revenue source for affordable  
17 housing, infrastructure, land conservation, and homeless



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

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

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



1 operationally necessary, but also fiscally efficient because  
2 department dollars leverage other public and private capital.  
3 Deployments through Act 279, Session Laws of Hawaii 2022, have  
4 unlocked billions in projected vertical development, and recent  
5 low-income housing tax credit transactions show more than five  
6 times leverage on department investments. Establishing  
7 dedicated conveyance tax funding for the department of Hawaiian  
8 home lands, including a maximum of \$60,000,000 annually, is  
9 therefore warranted and is a core recommendation of the 2025 Act  
10 279 Working Group's interim report.

11 Accordingly, the purpose of this Act is to:

- 12 (1) Restructure the conveyance tax to a marginal rate  
13 system for the sale of properties with residential  
14 use, applying higher rates only to property values  
15 exceeding specified thresholds;
- 16 (2) Adjust the conveyance tax for multifamily properties  
17 to reflect value on a per-unit basis;
- 18 (3) Tie conveyance tax rates to a cost-of-living  
19 adjustment to maintain equity over time;
- 20 (4) Establish the transit-oriented development  
21 infrastructure subaccount within the dwelling unit



1 revolving fund and allocate a portion of conveyance  
2 tax revenues to the subaccount;

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

8 (6) Establish and appropriate funds out of the Hawaiian  
9 home lands infrastructure and housing special fund.

10 PART II

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

13 "**§201H-191 Dwelling unit revolving fund.** (a) There is  
14 created a dwelling unit revolving fund. The funds appropriated  
15 for the purpose of the dwelling unit revolving fund, conveyance  
16 taxes received pursuant to section 247-7(4), to be deposited  
17 into the transit-oriented development infrastructure subaccount,  
18 and all moneys received or collected by the corporation for the  
19 purpose of the revolving fund shall be deposited in the  
20 revolving fund. [The] Except as provided in subsection (c), the  
21 proceeds in the revolving fund shall be used:



- 1 (1) To reimburse the general fund to pay the interest on  
2 general obligation bonds issued for the purposes of  
3 the revolving fund;
- 4 (2) For necessary expenses in administering housing  
5 development programs, regional state infrastructure  
6 programs, and the government employee housing program  
7 pursuant to part V; ~~and~~
- 8 (3) To carry out the purposes of housing development  
9 programs, regional state infrastructure programs, and  
10 the government employee housing program pursuant to  
11 part V, including but not limited to the expansion of  
12 community facilities and regional state infrastructure  
13 constructed in conjunction with housing and mixed-use  
14 transit-oriented development projects, permanent  
15 primary or secondary financing, and supplementing  
16 building costs~~[ ]~~ and federal guarantees required for  
17 operational losses~~[ ]~~; and ~~all~~
- 18 (4) All things required by any federal agency in the  
19 construction and receipt of federal funds or low-  
20 income housing tax credits for housing projects.



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

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

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

7 (c) There is established within the dwelling unit  
8 revolving fund a transit-oriented development infrastructure  
9 subaccount. The subaccount shall consist of moneys deposited  
10 pursuant to section 247-7(4), interest earned on such moneys,  
11 and any other moneys appropriated or transferred to the  
12 subaccount. Moneys in the subaccount shall be used for  
13 infrastructure that:

14 (1) Is located within a county-designated transit-oriented  
15 development area that meets standards for  
16 transit-supportive density; or

17 (2) Is located outside a county-designated  
18 transit-oriented development area; provided that the  
19 corporation determines that the infrastructure  
20 directly enables housing development within a  
21 transit-oriented development area.



1       The corporation may use moneys from the subaccount for  
2 state infrastructure expenditures, to finance county  
3 infrastructure projects, or to provide grants to counties for  
4 eligible infrastructure projects; provided that any grant  
5 awarded pursuant to this subsection shall require a fifty per  
6 cent county match and shall be subject to legislative  
7 appropriation.

8       (d) For purposes of this section:

9       "County-designated transit-oriented development area" has  
10 the same meaning as in section 226-63(d).

11       "Transit-supportive density" has the same meaning as in  
12 section 206E-246."

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

15       "**§247-2 Basis and rate of tax.** (a) The tax imposed by  
16 section 247-1 shall be based on the actual and full  
17 consideration (whether cash or otherwise, including any promise,  
18 act, forbearance, property interest, value, gain, advantage,  
19 benefit, or profit), paid or to be paid for all transfers or  
20 conveyance of realty or any interest therein, that shall include  
21 any liens or encumbrances thereon at the time of sale, lease,



1 sublease, assignment, transfer, or conveyance, and shall be at  
2 the following rates:

3 (1) [~~Except as provided in paragraph (2):~~] For the sale of  
4 a property with a residential dwelling unit for which  
5 the purchaser is eligible for a county homeowner's  
6 exemption from property tax:

7 (A) [~~Ten cents per \$100 for~~] For properties with a  
8 value of less than \$600,000[+]: 10 cents per  
9 \$100;

10 (B) [~~Twenty cents per \$100 for~~] For properties with a  
11 value of at least \$600,000, but less than  
12 \$1,000,000[+]: \$600 plus 30 cents per \$100 of  
13 excess over \$600,000;

14 (C) [~~Thirty cents per \$100 for~~] For properties with a  
15 value of at least \$1,000,000, but less than  
16 \$2,000,000[+]: \$1,800 plus 45 cents per \$100 of  
17 excess over \$1,000,000;

18 (D) [~~Fifty cents per \$100 for~~] For properties with a  
19 value of at least \$2,000,000, but less than  
20 [\$4,000,000+] \$3,000,000: \$6,300 plus \$2 per  
21 \$100 of excess over \$2,000,000;



1 (E) [~~Seventy cents per \$100 for~~] For properties with  
2 a value of at least [~~\$4,000,000,~~] \$3,000,000 but  
3 less than \$6,000,000[~~+~~]: \$26,300 plus \$4 per  
4 \$100 of excess over \$3,000,000;

5 (F) [~~Ninety cents per \$100 for~~] For properties with a  
6 value of at least \$6,000,000, but less than  
7 \$10,000,000[~~+~~and]: \$146,300 plus \$5 per \$100 of  
8 excess over \$6,000,000; and

9 (G) [~~One dollar per \$100 for~~] For properties with a  
10 value of at least \$10,000,000 [~~or greater; and~~]:  
11 \$346,300 plus \$6 per \$100 of excess over  
12 \$10,000,000;

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

17 (A) [~~Fifteen cents per \$100 for~~] For properties with  
18 a value of less than \$600,000[~~+~~]: 15 cents per  
19 \$100;

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



- 1                    \$1,000,000[+]: \$900 plus 35 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[+]: \$2,300 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+]~~ \$3,000,000: \$8,800 plus \$5 per  
10                    \$100 of 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+]~~ \$3,000,000  
13                    but less than \$6,000,000[+]: \$58,800 plus \$7 per  
14                    \$100 of excess over \$3,000,000;
- 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]: \$268,800 plus  
18                    \$8 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



1                    \$10,000,000 [~~or greater,~~]: \$588,800 plus \$9 per  
2                    \$100 of excess over \$10,000,000; and  
3            (3) For the sale, lease, sublease, or assignment of any  
4            property with no residential dwelling unit:  
5            (A) For properties with a value of less than  
6            \$600,000: 10 cents per \$100;  
7            (B) For properties with a value of at least \$600,000,  
8            but less than \$1,000,000: 20 cents per \$100;  
9            (C) For properties with a value of at least  
10           \$1,000,000, but less than \$2,000,000: 30 cents  
11           per \$100;  
12           (D) For properties with a value of at least  
13           \$2,000,000, but less than \$4,000,000: 50 cents  
14           per \$100;  
15           (E) For properties with a value of at least  
16           \$4,000,000, but less than \$6,000,000: 70 cents  
17           per \$100;  
18           (F) For properties with a value of at least  
19           \$6,000,000, but less than \$10,000,000: 90 cents  
20           per \$100; and



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



1       The rates in this section shall apply to the transfer or  
2 conveyance of a multifamily residential property; provided that  
3 "value", for purposes of determining the applicable rate, shall  
4 be an amount calculated by dividing the actual and full  
5 consideration for the transfer or conveyance of realty or any  
6 interest therein by the number of residential dwelling units in  
7 the property.

8       As used in this subsection, "multifamily residential  
9 property" means a structure that is located within the state  
10 urban land use district and divided into five or more dwelling  
11 units.

12       (b) For each taxable year beginning after December 31,  
13 2026, the director of taxation, no later than December 15 of the  
14 preceding calendar year, shall recompute the "value" in  
15 subsections (a) (1), (2), and (3) by multiplying the dollar  
16 amounts for the preceding taxable year by a cost-of-living  
17 adjustment factor, if the cost-of-living adjustment factor is  
18 greater than 1.0, and rounding off the resulting product to the  
19 nearest \$1; provided that if the cost-of-living adjustment  
20 factor is less than or equal to 1.0 in a given year, then no  
21 adjustment shall occur in the following year.



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

11       (c) Notwithstanding subsection (a), the total conveyance  
12 tax imposed on the transfer or conveyance of a parcel shall not  
13 exceed:

14       (1) Four per cent of the actual and full consideration for  
15 the conveyance, if the purchaser is eligible for a  
16 county homeowner's exemption from property tax with  
17 respect to that parcel; or

18       (2) Six per cent of the actual and full consideration for  
19 the conveyance, if the purchaser is ineligible for a  
20 county homeowner's exemption from property tax with  
21 respect to that parcel.



1 For the conveyance of a multifamily residential property as  
2 defined in subsection (a), the cap under this subsection shall  
3 be applied on a per-unit basis, calculated by dividing the  
4 actual and full consideration by the number of residential  
5 dwelling units; and the total tax imposed on the conveyance  
6 shall not exceed the applicable per-unit cap multiplied by the  
7 number of residential dwelling units."

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

10 "~~§247-7~~ **Disposition of taxes.** All taxes collected under  
11 this chapter shall be paid into the state treasury to the credit  
12 of the general fund of the State, to be used and expended for  
13 the purposes for which the general fund was created and exists  
14 by law; provided that of the taxes collected each fiscal year:

15 (1) [~~Ten~~] Five per cent or [~~\$5,100,000,~~] \$10,000,000,  
16 whichever is less, shall be paid into the land  
17 conservation fund established pursuant to section  
18 173A-5; [~~and~~]

19 (2) [~~Fifty~~] Twenty per cent or [~~\$38,000,000,~~] \$40,000,000,  
20 whichever is less, shall be paid into the rental



1 housing revolving fund established by section 201H-  
2 202[-];

3 (3) Thirty per cent or \$60,000,000, whichever is less,  
4 shall be paid into the Hawaiian home lands  
5 infrastructure and housing special fund established  
6 pursuant to section 26- ; and

7 (4) Twenty per cent or \$40,000,000, whichever is less,  
8 shall be paid into the transit-oriented development  
9 infrastructure subaccount of the dwelling unit  
10 revolving fund established pursuant to section  
11 201H-191(c)."

12 PART III

13 SECTION 5. Chapter 26, Hawaii Revised Statutes, is amended  
14 by adding a new section to be appropriately designated and to  
15 read as follows:

16 "§26- Hawaiian home lands infrastructure and housing  
17 special fund. (a) There is established within the department  
18 of Hawaiian home lands a special fund to be known as the  
19 Hawaiian home lands infrastructure and housing special fund.  
20 The fund shall be administered by the department of Hawaiian  
21 home lands.





1 SECTION 7. This Act does not affect rights and duties that  
2 matured, penalties that were incurred, and proceedings that were  
3 begun before its effective date.

4 SECTION 8. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 9. This Act shall take effect on July 1, 3000.



**Report Title:**

Conveyance Tax; Transit-Oriented Development Infrastructure Subaccount; Dwelling Unit Revolving Fund; Infrastructure Funding; County-Designated Transit-Oriented Development; Hawaiian Home Lands Infrastructure and Housing Special Fund; Appropriation

**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. Establishes the Transit-Oriented Development Infrastructure Subaccount within the Dwelling Unit Revolving Fund. Allocates a portion of conveyance tax collections to the Transit-Oriented Development Infrastructure Subaccount and Hawaiian Home Lands Infrastructure and Housing Special Fund. Establishes and appropriates funds out of the Hawaiian Home Lands Infrastructure and Housing Special Fund. Effective 7/1/3000. (HD2)

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