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# 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 a property conveyance, 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 housing 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 2025 Act  
9 279 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 fund infrastructure



1 programs in areas that meet transit-supportive density  
2 requirements; and

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.

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

10 "**§201H-191 Dwelling unit revolving fund.** (a) There is  
11 created a dwelling unit revolving fund. The funds appropriated  
12 for the purpose of the dwelling unit revolving fund, conveyance  
13 taxes received pursuant to section 247-7(4), and all moneys  
14 received or collected by the corporation for the purpose of the  
15 revolving fund shall be deposited in the revolving fund. The  
16 proceeds in the revolving fund shall be used:

- 17 (1) To reimburse the general fund to pay the interest on  
18 general obligation bonds issued for the purposes of  
19 the revolving fund;
- 20 (2) For necessary expenses in administering housing  
21 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[~~7~~] and federal guarantees required for  
12 operational losses[~~7 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-  
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) For purposes of this section, "transit-supportive  
8 density" has the same meaning as in section 206E-246."

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

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

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



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[+]: \_\_\_\_\_ 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[+]: \$ \_\_\_\_\_ plus \_\_\_\_\_ cents per  
9 \$100 of 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[+]: \$ \_\_\_\_\_ plus \_\_\_\_\_ cents per  
13 \$100 of 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[+]: \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per  
17 \$100 of excess 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[+]: \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per  
21 \$100 of excess over \$4,000,000;



1 (F) [~~Ninety cents per \$100 for~~] For properties with a  
 2 value of at least \$6,000,000, but less than  
 3 \$10,000,000 [~~+~~ and]: \$ \_\_\_\_\_ plus  
 4 \$ \_\_\_\_\_ per \$100 of excess over \$6,000,000;

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

10 (H) For properties with a value of at least  
 11 \$20,000,000: \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per  
 12 \$100 of excess over \$20,000,000;

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 [~~+~~]: \_\_\_\_\_ 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 [~~+~~]: \$ \_\_\_\_\_ plus \_\_\_\_\_ cents per  
2 \$100 of 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 [~~+~~]: \$ \_\_\_\_\_ plus \_\_\_\_\_ cents per  
6 \$100 of 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 [~~+~~]: \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ 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, but less  
13 than \$6,000,000 [~~+~~]: \$ \_\_\_\_\_ plus  
14 \$ \_\_\_\_\_ per \$100 of 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 ]:  
18 \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per \$100 of excess  
19 over \$6,000,000;

20 (G) [~~One dollar and twenty-five cents per \$100 for~~]  
21 For properties with a value of at least



1                   \$10,000,000 [~~or greater~~], but less than  
 2                   \$20,000,000: \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per  
 3                   \$100 of excess over \$10,000,000; and

4           (H) For properties with a value of at least  
 5                   \$20,000,000: \$ \_\_\_\_\_ plus \$ \_\_\_\_\_ per  
 6                   \$100 of excess over \$20,000,000; and

7           (3) For the sale, lease, sublease, or assignment of any  
 8                   property with no residential dwelling unit:

9                   (A) For properties with a value of less than  
 10                   \$600,000: \_\_\_\_\_ cents per \$100;

11                   (B) For properties with a value of at least \$600,000,  
 12                   but less than \$1,000,000: \_\_\_\_\_ cents per \$100;

13                   (C) For properties with a value of at least  
 14                   \$1,000,000, but less than \$2,000,000: \_\_\_\_\_ cents  
 15                   per \$100;

16                   (D) For properties with a value of at least  
 17                   \$2,000,000, but less than \$4,000,000: \_\_\_\_\_ cents  
 18                   per \$100;

19                   (E) For properties with a value of at least  
 20                   \$4,000,000, but less than \$6,000,000: \_\_\_\_\_ cents  
 21                   per \$100;



1           (F) For properties with a value of at least  
2                   \$6,000,000, but less than \$10,000,000:  
3                   \$ \_\_\_\_\_ per \$100; and

4           (G) For properties with a value of at least  
5                   \$10,000,000: \$ \_\_\_\_\_ 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 before the date of conveyance shall



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

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

15 (b) For each taxable year beginning after December 31,  
16 2026, the director of taxation, no later than December 15 of the  
17 preceding calendar year, shall recompute the "value" in  
18 subsections (a)(1), (2), and (3) by multiplying the dollar  
19 amounts for the preceding taxable year by a cost-of-living  
20 adjustment factor, if the cost-of-living adjustment factor is  
21 greater than 1.0, and rounding off the resulting product to the



1 nearest \$1; provided that if the cost-of-living adjustment  
2 factor is less than or equal to 1.0 in a given year, then no  
3 adjustment shall occur in the following 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           (1)    ~~[Ten]~~ Five per cent or [~~\$5,100,000,~~] \$10,000,000,  
2                    whichever is less, shall be paid into the land  
3                    conservation fund established pursuant to section  
4                    173A-5; ~~[and]~~
- 5           (2)    ~~[Fifty]~~ Twenty per cent or [~~\$38,000,000,~~] \$40,000,000,  
6                    whichever is less, shall be paid into the rental  
7                    housing revolving fund established by section 201H-  
8                    202~~[-]~~;
- 9           (3)    Thirty per cent or \$60,000,000, whichever is less,  
10                   shall be paid into the Hawaiian home lands trust fund;  
11                    and
- 12           (4)    Twenty per cent or \$40,000,000, whichever is less,  
13                   shall be paid into the dwelling unit revolving fund  
14                   established pursuant to section 201H-191."

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

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

20           SECTION 7. This Act shall take effect on July 1, 3000.



**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 areas that meet minimum standards of transit-supportive density. Allocates a portion of conveyance tax revenues to the Hawaiian Home Lands Trust Fund. Effective 7/1/3000. (HD2)

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