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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;

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 a Hawaiian home  
9 lands infrastructure and housing special fund.

10 PART I

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), and all moneys  
17 received or collected by the corporation for the purpose of the  
18 revolving fund shall be deposited in the revolving fund. The  
19 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[~~7~~] and federal guarantees required for  
17          operational losses[~~7~~ ~~and all~~];
- 18          (4) To fund infrastructure programs in areas that meet  
19          transit-supportive density requirements; provided that  
20          proceeds from the conveyance tax deposited pursuant to



1 section 247-7(4) shall only be used for the purposes  
2 of this paragraph; and

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

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

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

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

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

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

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



1 any liens or encumbrances thereon at the time of sale, lease,  
2 sublease, assignment, transfer, or conveyance, and shall be at  
3 the following rates:

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

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

11 (B) [~~Twenty cents per \$100 for~~] For properties with a  
12 value of at least \$600,000, but less than  
13 \$1,000,000[+]: \$600 plus 35 cents per \$100 of  
14 excess over \$600,000;

15 (C) [~~Thirty cents per \$100 for~~] For properties with a  
16 value of at least \$1,000,000, but less than  
17 \$2,000,000[+]: \$2,000 plus 60 cents per \$100 of  
18 excess over \$1,000,000;

19 (D) [~~Fifty cents per \$100 for~~] For properties with a  
20 value of at least \$2,000,000, but less than



- 1                    \$4,000,000[+]: \$8,000 plus \$3.75 per \$100 of  
2                    excess over \$2,000,000;
- 3                    (E)   ~~[Seventy cents per \$100 for]~~ For properties with  
4                    a value of at least \$4,000,000, but less than  
5                    \$6,000,000[+]: \$83,000 plus \$4.25 per \$100 of  
6                    excess over \$4,000,000;
- 7                    (F)   ~~[Ninety cents per \$100 for]~~ For properties with a  
8                    value of at least \$6,000,000, but less than  
9                    \$10,000,000[+ and]: \$168,000 plus \$5.25 per \$100  
10                   of excess over \$6,000,000; and
- 11                   (G)   ~~[One dollar per \$100 for]~~ For properties with a  
12                   value of at least \$10,000,000 ~~[or greater; and]:~~  
13                   \$378,000 plus \$6.25 per \$100 of excess over  
14                   \$10,000,000;
- 15                   (2)   For the sale of a ~~[condominium or single family~~  
16                   ~~residence]~~ property with a residential dwelling unit  
17                   for which the purchaser is ineligible for a county  
18                   homeowner's exemption on property tax:
- 19                   (A)   ~~[Fifteen cents per \$100 for]~~ For properties with  
20                   a value of less than \$600,000[+]: 15 cents per  
21                   \$100;



- 1 (B) [~~Twenty five cents per \$100 for~~] For properties  
2 with a value of at least \$600,000, but less than  
3 \$1,000,000[+]: \$900 plus 50 cents per \$100 of  
4 excess over \$600,000;
- 5 (C) [~~Forty cents per \$100 for~~] For properties with a  
6 value of at least \$1,000,000, but less than  
7 \$2,000,000[+]: \$2,900 plus 65 cents per \$100 of  
8 excess over \$1,000,000;
- 9 (D) [~~Sixty cents per \$100 for~~] For properties with a  
10 value of at least \$2,000,000, but less than  
11 \$4,000,000[+]: \$9,400 plus \$6.50 per \$100 of  
12 excess over \$2,000,000;
- 13 (E) [~~Eighty five cents per \$100 for~~] For properties  
14 with a value of at least \$4,000,000, but less  
15 than \$6,000,000[+]: \$139,400 plus \$7.50 per \$100  
16 of excess over \$4,000,000;
- 17 (F) [~~One dollar and ten cents per \$100 for~~] For  
18 properties with a value of at least \$6,000,000,  
19 but less than \$10,000,000[+ and]: \$289,400 plus  
20 \$8.75 per \$100 of excess over \$6,000,000; and



- 1           (G) ~~[One dollar and twenty five cents per \$100 for]~~  
2           For properties with a value of at least  
3           \$10,000,000 [or greater,]: \$639,400 plus \$9.50  
4           per \$100 of excess over \$10,000,000;
- 5       (3) For the sale, lease, sublease, or assignment of any  
6       property with no residential dwelling unit:
- 7           (A) For properties with a value of less than  
8           \$600,000: 10 cents per \$100;
- 9           (B) For properties with a value of at least \$600,000,  
10          but less than \$1,000,000: 20 cents per \$100;
- 11          (C) For properties with a value of at least  
12          \$1,000,000, but less than \$2,000,000: 30 cents  
13          per \$100;
- 14          (D) For properties with a value of at least  
15          \$2,000,000, but less than \$4,000,000: 50 cents  
16          per \$100;
- 17          (E) For properties with a value of at least  
18          \$4,000,000, but less than \$6,000,000: 70 cents  
19          per \$100;



1           (F) For properties with a value of at least  
2                   \$6,000,000, but less than \$10,000,000: 90 cents  
3                   per \$100; and

4           (G) For properties with a value of at least  
5                   \$10,000,000: \$1 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 (c) Notwithstanding subsection (a), the total conveyance  
15 tax imposed on the transfer or conveyance of a parcel shall not  
16 exceed:

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



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

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

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

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

19       (1) [~~Ten~~] Five per cent or [~~\$5,100,000,~~] \$10,000,000,  
20       whichever is less, shall be paid into the land



1 conservation fund established pursuant to section  
2 173A-5; [and]

3 (2) [~~Fifty~~] Twenty per cent or [~~\$38,000,000,~~] \$40,000,000,  
4 whichever is less, shall be paid into the rental  
5 housing revolving fund established by section 201H-  
6 202[-];

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

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

14 PART II

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

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



1 The fund shall be administered by the department of Hawaiian  
2 home lands.

3 (b) The following shall be deposited into the special  
4 fund:

5 (1) Conveyance tax revenues allocated pursuant to section  
6 247-7(3); and

7 (2) Funds appropriated by the legislature or otherwise  
8 made available for the purposes of this section.

9 (c) Moneys in the special fund shall be expended by the  
10 department of Hawaiian home lands for:

11 (1) Multi-year planning, procurement, and sequencing of  
12 infrastructure and housing to deliver homes to  
13 beneficiaries of the Hawaiian home lands program; and

14 (2) Leveraging additional public and private capital for  
15 the purposes of paragraph (1)."

16 SECTION 6. There is appropriated out of the Hawaiian home  
17 lands infrastructure and housing special fund the sum of  
18 \$ or so much thereof as may be necessary for fiscal  
19 year 2026-2027 for the purposes of the special fund.

20 The sum appropriated shall be expended by the department of  
21 Hawaiian home lands for the purposes of this Act.



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PART III

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

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

SECTION 9. 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 Infrastructure and Housing Special 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 Infrastructure and Housing Special Fund. Establishes and appropriates funds out of the Hawaiian Home Lands Infrastructure and Housing Special Fund. Effective 7/1/3000. (HD3)

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

