THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 1131

JAN 17 2025

A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. The legislature finds that the housing crisis in the State continues to intensify, exacerbated by the increasing concentration of residential property ownership among large investment entities, such as hedge funds and real estate investment trusts. These entities often acquire substantial numbers of single-family residences, limiting opportunities for local families to purchase homes, driving up housing prices, and destabilizing communities.

The legislature further finds that similar concerns have been raised at the federal level, where legislative proposals seek to address the impact of these entities on our critical housing supply. While these federal efforts are necessary, state level action is also essential to address the State's unique housing challenges, including its limited land availability and high cost of living.

Accordingly, to reduce speculative practices that artificially inflate housing costs and displace local families, the purpose of this Act is to:

(1) Discourage excessive property holdings by imposing excise taxes on hedge funds and other large investment entities that own or acquire single-family residences in excess of specified thresholds;

(2) Promote affordable home ownership by establishing a housing down payment trust fund to provide grants for down payment assistance to State residents, ensuring that revenues generated from this Act directly benefit local families seeking to enter the housing market; and

(3) Support equitable housing opportunities by incentivizing the sale of single-family residences to local families rather than to offshore corporations or investment entities with extensive property portfolios.

This Act is a necessary step to protect the State's housing market from predatory practices, ensure homes remain accessible

to local families, and build a more stable and equitable housing ecosystem for the State's residents.

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

"CHAPTER

EXCESS SINGLE-FAMILY RESIDENCE TAX

§ -1 **Short title.** This chapter may be cited as the End Hedge Fund Control of Hawaii Homes Act. It is the intent of the legislature to impose an excise tax on certain taxpayers failing to sell excess single-family residences.

§ -2 **Definitions.** As used in this chapter:

"Covered entity" means any:

(1) Partnership;

(2) Corporation; or

(3) Real estate investment trust.

"Covered entity" does not include an organization that is described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, as amended, or an organization primarily engaged in the construction or rehabilitation of single-family residences.

"Covered taxpayer" means any covered entity that manages, as a fiduciary, funds pooled from investors.

"Department" means the department of taxation.

"Director" means the director of taxation.

"Disqualified sale" means any sale or transfer to:

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

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

"Hedge fund taxpayer" means, with respect to any taxable year, any covered taxpayer that has $50,000,000 or more in net value or assets under management on any day during the taxable year.

"Single-family residence" means any residential property consisting of one to four dwelling units. "Single-family residence" does not include:

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

(2) Any single-family residence that is not rented or leased and used as the principal residence, as defined by section 121 of the Internal Revenue Code, of any

person who has an ownership interest in the covered taxpayer; or

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

§ -3 Imposition of tax on newly acquired single-family residences. (a) In the case of a covered taxpayer, there is hereby imposed a tax on the acquisition of any newly acquired single-family residence that shall be in an amount equal to fifty per cent of the fair market value of the single-family residence.

(b) For the purposes of this section, "newly acquired single-family residence" means any single-family residence that was acquired by the taxpayer in any taxable year beginning after December 31, 2025.

§ -4 Imposition of tax on excess single-family residences. (a) In the case of a covered taxpayer who fails to meet the requirements of subsection (b), there is hereby imposed a tax in the amount equal to the product of:

(1) $50,000; and

(2) The excess of:

(A) The number of applicable single-family residences owned by the taxpayer as of the last day of the taxable year, over:

(B) The sum of:

(i) Fifty (zero in the case of any hedge fund taxpayer); plus

(ii) The maximum permissible units for the taxable year.

(b) A covered taxpayer meets the requirement of this subsection for any taxable year if the number of applicable single-family residences owned by the taxpayer as of the last day of the taxable year is equal to or less than the maximum permissible units determined with respect to the taxpayer for the taxable year. For the purposes of this subsection, a single-family residence that is sold or transferred in a disqualified sale during the taxable year shall be treated as a single-family residence that is owned by the covered taxpayer as of the last day of the taxable year.

(c) The maximum permissible units with respect to any covered taxpayer for any taxable year shall be determined as follows:

(1) For taxable years beginning after December 31, 2025, the maximum permissible units for a hedge fund taxpayer shall be ninety per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall be fifty plus ninety per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026;

(2) For taxable years beginning after December 31, 2026, the maximum permissible units for a hedge fund taxpayer shall be eighty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall be fifty plus eighty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026;

(3) For taxable years beginning after December 31, 2027, the maximum permissible units for a hedge fund taxpayer shall be seventy per cent of the number of

applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall be fifty plus seventy per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026;

(4) For taxable years beginning after December 31, 2028, the maximum permissible units for a hedge fund taxpayer shall be sixty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall be fifty plus sixty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026;

(5) For taxable years beginning after December 31, 2029, the maximum permissible units for a hedge fund taxpayer shall be fifty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall

be fifty plus fifty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026;

(6) For taxable years beginning after December 31, 2030, the maximum permissible units for a hedge fund taxpayer shall be forty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall be fifty plus forty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026;

(7) For taxable years beginning after December 31, 2031, the maximum permissible units for a hedge fund taxpayer shall be thirty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall be fifty plus thirty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026;

(8) For taxable years beginning after December 31, 2032, the maximum permissible units for a hedge fund taxpayer shall be twenty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall be fifty plus twenty per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026;

(9) For taxable years beginning after December 31, 2033, the maximum permissible units for a hedge fund taxpayer shall be ten per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; provided that the maximum permissible units for any other covered taxpayer shall be fifty plus ten per cent of the number of applicable single-family residences owned by the taxpayer on January 1, 2026; and

(10) For taxable years beginning after December 31, 2034, the maximum permissible units for a hedge fund taxpayer shall be zero; provided that the maximum

permissible units for any other covered taxpayer shall be fifty.

(d) For the purposes of this subsection, "applicable single-family residence" means any single-family residence that is acquired on or before January 1, 2026.

§ -5 Acquisition; ownership. For the purposes of this chapter, a covered taxpayer shall be treated as:

(1) Acquiring a single-family residence if the covered taxpayer acquires a majority ownership interest in the single-family residence, regardless of the percentage of that ownership interest; and

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

§ -6 Reporting; penalties; certification. (a) The director shall require 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 a covered taxpayer were acquired by the taxpayer; and

(2) Whether any person acquiring a single-family residence from a covered 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 in the report shall pay a penalty of $20,000; provided that no penalty shall be imposed under this subsection with respect to any failure if it is shown that the failure was due to reasonable cause and not willful neglect. The penalty under this subsection shall be paid upon notice and demand by the director.

(c) The director shall require a certification from each individual to whom a single-family residence is sold or transferred from a covered taxpayer. The certification shall be signed by the purchaser or transferee and state the following:

(1) The name and address of the purchaser or transferee;

(2) That the sale is not a disqualified sale; and

(3) An acknowledgement that the purchaser or transferee shall be subject to the penalties established in subsection (b) for any false certification.

§ -7 **Forms and procedures; rules.** (a) The director shall prescribe forms and procedures necessary to achieve the purposes of this chapter.

(b) The department shall adopt rules pursuant to chapter 91 to implement this chapter.

§ -8 **Housing down payment trust fund.** (a) There is established in the state treasury the housing down payment trust fund, into which shall be deposited:

(1) All revenues collected pursuant to sections -3 and -4;

(2) Penalties collected pursuant to section -6; and

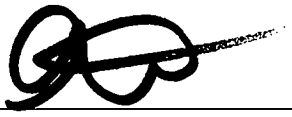
(3) Appropriations made by the legislature.

(b) The housing down payment trust fund shall be administered by the Hawaii housing finance and development corporation and shall be used to make grants to establish new or supplemental existing programs that provide down payment assistance to families purchasing homes within the State; provided that priority shall be given to families seeking assistance to purchase single-family residences that are sold or transferred by a covered taxpayer as defined in section -2."

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

SECTION 4. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 5. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2025.

INTRODUCED BY: 

S.B. NO. 1131

Report Title:
DOTAX; HHFDC; Taxation; Hedge Funds; End Hedge Fund Control of Hawaii Homes; Excise Tax on Excess Single-Family Residences; Housing Down Payment Trust Fund; Grant Programs

Description:
Imposes an excise tax on certain hedge funds failing to dispose of excess single-family residences, escalating over a ten-year period. Imposes a tax on any newly acquired single-family residences by a hedge fund. Makes certain exemptions. Requires the Department of Taxation to establish a certification process to ensure buyers of homes sold by hedge funds are not major investors in residential real estate. Establishes the Housing Down Payment Trust Fund to be administered by the Hawaii Housing Finance and Development Corporation to provide grants to establish new or supplement existing programs that provide down payment assistance to families purchasing homes within the State. Allocates collected tax revenue and penalties paid by hedge funds to the Housing Down Payment Trust Fund. Applies to taxable years beginning after 12/31/2025.

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