

JAN 23 2026

A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

1 SECTION 1. The legislature finds that the health,
2 happiness, and well-being of Hawaii's people depend on the
3 State's ability to address the high cost of living, particularly
4 the high cost of housing, that is fueling the homelessness
5 crisis and forcing local families to move out of the State. The
6 sustainability of the State's unique and irreplaceable natural
7 resources is critical to its residents' quality of life. To
8 address these problems and secure a prosperous future for the
9 State's children, greater investment into public resources from
10 a sustainable revenue source is needed to reduce the cost of
11 housing for residents, preserve the State's natural resources,
12 and provide solutions for community members experiencing
13 houselessness.

14 The legislature also finds that the conveyance tax, a
15 one-time tax at the time of real property sales, is an
16 appropriate revenue source for affordable housing, land
17 conservation, and homeless services. Although housing prices in



1 the State have risen dramatically over the past thirteen years,
2 the State's conveyance tax rates have not been updated since Act
3 59, Session Laws of Hawaii 2009. Presently, the State's
4 conveyance tax rate is significantly lower than the rates of
5 other high-cost areas in the country.

6 Cities across the country are increasing their conveyance
7 tax rates to fund affordable housing. San Francisco increased
8 the tax rate to 5.5 per cent on homes valued over \$10,000,000 in
9 2020; and two years ago, Los Angeles increased the real property
10 transfer tax to 4.5 per cent on any residential or commercial
11 property over \$5,000,000 in value and six per cent on property
12 sales over \$10,000,000 in value. Smaller cities with high
13 housing costs are also increasing the taxes on real estate sales
14 to mitigate the impacts of housing costs. Crested Butte and
15 Telluride in Colorado, which attract wealthy buyers due to
16 access to world class ski opportunities, have a tax of three per
17 cent on home sales regardless of price. Aspen, Colorado, which
18 has the most well-developed workforce housing program in the
19 country, where almost forty per cent of the total housing stock
20 is reserved as permanently affordable housing for full-time
21 residents, has largely funded their workforce housing program



1 through a 1.5 per cent tax on property sales that has been in
2 place since 1989.

3 Presently, it is common practice to tax property sales as a
4 means to mitigate the impacts of high home costs and the loss of
5 land due to housing development. Furthermore, a conveyance tax
6 of 0.5 per cent on homes valued at less than \$5,000,000, a rate
7 of four per cent on homes valued between \$5,000,000 and
8 \$10,000,000, and six per cent on homes valued at over
9 \$10,000,000, conforms to tax rates that other cities are
10 assessing to fund their various housing programs.

11 The legislature additionally finds that increases in tax
12 rates on homes over \$5,000,000 is unlikely to have any negative
13 impact on local full-time residents, as the vast majority of
14 buyers who purchase these homes do so as an investment and not
15 as their full-time residence. The monthly mortgage costs of a
16 \$5,000,000 home are approximately \$32,600 a month, which would
17 be considered affordable for an individual or a couple earning
18 \$81,500 per month, or roughly \$978,000 a year. Very few
19 families in Hawaii would fall within these income categories,
20 and those that do most likely already own a home and are not
21 impacted by rising rents or the lack of affordable housing.



1 Accordingly, it is appropriate for out-of-state real estate
2 investors to assist in mitigating the impacts for residents who
3 are not benefiting from the current market dynamics. Renters,
4 houseless residents, and the local workforce are struggling with
5 the rising cost of housing, thus a tax on real estate at the
6 time of sale to help mitigate those costs is appropriate and
7 fair.

8 The legislature recognizes that the increases in housing
9 prices, residential rent, and the homeless population over the
10 past several years have accelerated the urgent need to
11 sustainably fund affordable housing and homeless services in
12 Hawaii. The 2023 point in time count estimated that there are
13 currently 6,223 individuals living unsheltered in the State, not
14 including the greater number of "hidden homeless" individuals
15 temporarily living with friends or relatives because they cannot
16 afford to live on their own. Investing in affordable housing
17 and homeless services, including supportive housing, is key to
18 addressing homelessness and ensuring that everyone in the State
19 has an affordable place to live.

20 Accordingly, the purpose of this Act is to:

21 (1) Establish the homeless services special fund;



- 1 (2) Allow counties to apply for matching funds from the
- 2 homeless services special fund and the affordable
- 3 homeownership revolving fund for housing projects that
- 4 are subject to a perpetual affordability requirement;
- 5 (3) Increase the conveyance tax rates for certain
- 6 properties;
- 7 (4) Establish conveyance tax rates for multifamily
- 8 residential properties;
- 9 (5) Exempt from the conveyance tax the conveyances of real
- 10 property to:
- 11 (A) Organizations with certain affordability
- 12 requirements;
- 13 (B) Certain nonprofit organizations; and
- 14 (C) An owner-occupant or renter-occupant of the
- 15 property; and
- 16 (6) Allocate collected conveyance tax revenues to the
- 17 affordable homeownership revolving fund, homeless
- 18 services special fund, and dwelling unit revolving
- 19 fund, and amend allocations to the land conservation
- 20 fund and rental housing revolving fund.



1 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
2 amended by adding a new section to part XVII to be appropriately
3 designated and to read as follows:

4 "§346- Homeless services special fund. (a) There is
5 established within the state treasury a homeless services
6 special fund, to be administered and managed by the department
7 and into which shall be deposited:

8 (1) Ten per cent of conveyance tax revenues collected and
9 allocated to the homeless services fund pursuant to
10 section 247-7;

11 (2) Appropriations made by the legislature; and

12 (3) Interest earned upon any moneys in the fund.

13 (b) Moneys from any other private or public source may be
14 deposited into or credited to the fund; provided that any
15 mandates, regulations, or conditions on these funds do not
16 conflict with the use of the fund under this section. Moneys
17 received as a deposit or private contribution shall be
18 deposited, used, and accounted for in accordance with the
19 conditions established by the agency or person making the
20 contribution.



1 (c) Moneys in the homeless services special fund shall be
2 used by the department for homeless services and supportive
3 housing, including homeless facilities and programs for the
4 homeless authorized by the department.

5 (d) The department shall submit a report to the
6 legislature providing an accounting of the fund no later than
7 twenty days prior to the convening of each regular session. The
8 report shall include, at minimum:

- 9 (1) A detailed account of all funds received; and
10 (2) All moneys expended from the homeless services special
11 fund."

12 SECTION 3. Section 201H-206, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§201H-206 Affordable homeownership revolving fund. (a)**
15 There is established an affordable homeownership revolving fund
16 to be administered by the corporation for the purpose of
17 providing, in whole or in part, loans to nonprofit community
18 development financial institutions and nonprofit housing
19 development organizations for the development of affordable
20 homeownership housing projects.



1 (b) Loans shall be awarded in the following descending
2 order of priority:

3 (1) Projects or units in projects that are funded by
4 programs of the United States Department of Housing
5 and Urban Development, United States Department of
6 Agriculture Rural Development, and United States
7 Department of the Treasury Community Development
8 Financial Institutions Fund, wherein:

9 (A) At least fifty per cent of the available units
10 are reserved for persons and families having
11 incomes at or below eighty per cent of the median
12 family income and of which at least five per cent
13 of the available units are for persons and
14 families having incomes at or below fifty per
15 cent of the median family income; and

16 (B) The remaining units are reserved for persons and
17 families having incomes at or below one hundred
18 twenty per cent of the median family income;

19 (2) Mixed-income affordable for-sale housing projects or
20 units in a mixed-income affordable for-sale housing
21 project wherein all of the available units are



1 reserved for persons and families having incomes at or
2 below one hundred per cent of the median family
3 income; and

4 (3) Loan funds administered by certified nonprofit
5 community development financial institutions to
6 finance the development, pre-development,
7 construction, acquisition, preservation, and
8 substantial rehabilitation of affordable for-sale
9 housing for persons and families having incomes set
10 forth in paragraphs (1) and (2).

11 (c) Moneys in the fund shall be used to provide loans for
12 the development, pre-development, construction, acquisition,
13 preservation, and substantial rehabilitation of affordable
14 for-sale housing units. Uses of moneys in the fund may include
15 but are not limited to planning, design, and land acquisition,
16 including the costs of options, agreements of sale, and down
17 payments; financing as matching funds for nonprofit community
18 development financial institutions to mobilize philanthropic,
19 private, or other public funding sources; or other housing
20 development services or activities as provided in rules adopted
21 by the corporation pursuant to chapter 91. The rules may



1 provide that money from the fund shall be leveraged with other
2 financial resources to the extent possible.

3 (d) The fund may include [~~sums~~]:

4 (1) Sums appropriated by the legislature [~~private~~];

5 (2) Private contributions [~~proceeds~~];

6 (3) Proceeds from repayment of loans [~~interest~~];

7 (4) Interests and other returns [~~interest~~];

8 (5) Conveyance tax revenues collected under chapter 247

9 and allocated to the affordable homeownership

10 revolving fund pursuant to section 247-7; and [~~moneys~~]

11 (6) Moneys from other sources.

12 (e) An amount from the fund, to be set by the corporation

13 and authorized by the legislature, may be used for

14 administrative expenses incurred by the corporation in

15 administering the fund; provided that moneys in the fund shall

16 not be used to finance day-to-day administrative expenses of the

17 projects allotted moneys from the fund.

18 (f) The corporation may provide loans under this section

19 as provided in rules adopted by the corporation pursuant to

20 chapter 91.



1 (g) The corporation may contract with nonprofit community
2 development financial institutions to fund loans under this
3 section. The corporation may contract for the service and
4 custody of its loans.

5 (h) The corporation may establish, revise, charge, and
6 collect a reasonable service fee, as necessary, in connection
7 with its loans, services, and approvals under this part. The
8 fees shall be deposited into the affordable homeownership
9 revolving fund.

10 (i) Counties may apply for matching funds from the fund;
11 provided that prior to applying for any matching funds, the
12 counties shall have an approved comprehensive affordable housing
13 plan that:

14 (1) Identifies available lands for affordable housing;
15 (2) Identifies infrastructure needs and availability; and
16 (3) Requires housing projects developed using moneys from
17 the fund to be subject to an affordability clause that
18 keeps the property affordable in perpetuity, also
19 known as a "deed-restricted property";



1 provided further that costs for the development of or an update
2 to an existing county comprehensive affordable housing plan may,
3 upon application, be paid out of these funds.

4 ~~[(i)]~~ (j) The corporation shall submit a report to the
5 legislature no later than twenty days prior to the convening of
6 each regular session describing the projects funded using moneys
7 from the affordable homeownership revolving fund."

8 SECTION 4. Section 247-2, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "§247-2 Basis and rate of tax. The tax imposed by section
11 247-1 shall be based on the actual and full consideration
12 (whether cash or otherwise, including any promise, act,
13 forbearance, property interest, value, gain, advantage, benefit,
14 or profit), paid or to be paid for all transfers or conveyance
15 of realty or any interest therein, that shall include any liens
16 or encumbrances thereon at the time of sale, lease, sublease,
17 assignment, transfer, or conveyance, and shall be at the
18 following rates:

19 (1) Except as provided in ~~[paragraph]~~ paragraphs (2) ~~[+]~~
20 and (3):



- 1 (A) [~~Ten cents per \$100 for~~] For properties with a
2 value of less than \$600,000 [~~+~~]: 10 cents per
3 \$100;
- 4 (B) [~~Twenty cents per \$100 for~~] For properties with a
5 value of at least \$600,000, but less than
6 \$1,000,000 [~~+~~]: 20 cents per \$100;
- 7 (C) [~~Thirty cents per \$100 for~~] For properties with a
8 value of at least \$1,000,000, but less than
9 \$2,000,000 [~~+~~]: 30 cents per \$100;
- 10 (D) [~~Fifty cents per \$100 for~~] For properties with a
11 value of at least \$2,000,000, but less than
12 \$4,000,000 [~~+~~]: 50 cents per \$100;
- 13 (E) [~~Seventy cents per \$100 for~~] For properties with
14 a value of at least \$4,000,000, but less than
15 \$6,000,000 [~~+~~]: 70 cents per \$100;
- 16 (F) [~~Ninety cents per \$100 for~~] For properties with a
17 value of at least \$6,000,000, but less than
18 \$10,000,000 [~~+~~ and]: \$1.10 per \$100;
- 19 (G) [~~One dollar per \$100 for~~] For properties with a
20 value of at least \$10,000,000 [~~or greater; and~~],
21 but less than \$14,000,000: \$1.40 per \$100;



- 1 (H) For properties with a value of at least
- 2 \$14,000,000, but less than \$18,000,000: \$2.00
- 3 per \$100;
- 4 (I) For properties with a value of at least
- 5 \$18,000,000, but less than \$22,000,000: \$3.00
- 6 per \$100;
- 7 (J) For properties with a value of at least
- 8 \$22,000,000, but less than \$26,000,000: \$4.00
- 9 per \$100; and
- 10 (K) For properties with a value of \$26,000,000 or
- 11 greater: \$6.00 per \$100;
- 12 (2) For the sale of a multifamily residential property:
- 13 (A) For properties with a value of less than
- 14 \$600,000: 10 cents per \$100;
- 15 (B) For properties with a value of at least \$600,000,
- 16 but less than \$1,000,000: 20 cents per \$100;
- 17 (C) For properties with a value of at least
- 18 \$1,000,000, but less than \$2,000,000: 30 cents
- 19 per \$100;



- 1 (D) For properties with a value of at least
2 \$2,000,000, but less than \$4,000,000: 50 cents
3 per \$100;
- 4 (E) For properties with a value of at least
5 \$4,000,000, but less than \$6,000,000: 70 cents
6 per \$100;
- 7 (F) For properties with a value of at least
8 \$6,000,000, but less than \$10,000,000: 90 cents
9 per \$100;
- 10 (G) For properties with a value of at least
11 \$10,000,000, but less than \$20,000,000: \$1 per
12 \$100;
- 13 (H) For properties with a value of at least
14 \$20,000,000, but less than \$50,000,000: \$1.25
15 per \$100;
- 16 (I) For properties with a value of at least
17 \$50,000,000, but less than \$100,000,000: \$1.50
18 per \$100; and
- 19 (J) For properties with a value of \$100,000,000 or
20 greater: \$2.00 per \$100; and



- 1 ~~[-2-]~~ (3) For the sale of a condominium or single family
2 residence for which the purchaser is ineligible for a
3 county homeowner's exemption on property tax:
- 4 (A) ~~[Fifteen cents per \$100 for]~~ For properties with
5 a value of less than \$600,000~~[+]~~: 15 cents per
6 \$100;
- 7 (B) ~~[Twenty five cents per \$100 for]~~ For properties
8 with a value of at least \$600,000, but less than
9 \$1,000,000~~[+]~~: 25 cents per \$100;
- 10 (C) ~~[Forty cents per \$100 for]~~ For properties with a
11 value of at least \$1,000,000, but less than
12 \$2,000,000~~[+]~~: 40 cents per \$100;
- 13 (D) ~~[Sixty cents per \$100 for]~~ For properties with a
14 value of at least \$2,000,000, but less than
15 \$4,000,000~~[+]~~: \$1.00 per \$100;
- 16 (E) ~~[Eighty five cents per \$100 for]~~ For properties
17 with a value of at least \$4,000,000, but less
18 than \$6,000,000~~[+]~~: \$1.50 per \$100;
- 19 (F) ~~[One dollar and ten cents per \$100 for]~~ For
20 properties with a value of at least \$6,000,000,



1 but less than \$10,000,000 [~~and~~]: \$2.00 per
2 \$100;

3 (G) [~~One dollar and twenty five cents per \$100 for~~]
4 For properties with a value of at least
5 \$10,000,000 [~~or greater,~~], but less than
6 \$14,000,000: \$3.00 per \$100;

7 (H) For properties with a value of at least
8 \$14,000,000, but less than \$18,000,000: \$4.00
9 per \$100;

10 (I) For properties with a value of at least
11 \$18,000,000, but less than \$22,000,000: \$5.00
12 per \$100;

13 (J) For properties with a value of at least
14 \$22,000,000, but less than \$26,000,000: \$6.00
15 per \$100; and

16 (K) For properties with a value of \$26,000,000 or
17 greater: \$7.00 per \$100,

18 of [~~such~~] the actual and full consideration; provided that in
19 the case of a lease or sublease, this chapter shall apply only
20 to a lease or sublease whose full unexpired term is for a period
21 of five years or more [~~and in those cases, including (where~~



1 ~~appropriate) these cases where the~~; provided further that if a
2 lease has been extended or amended, the tax in this chapter
3 shall be based on the cash value of the lease rentals discounted
4 to present day value and capitalized at the rate of six per
5 cent, plus the actual and full consideration paid or to be paid
6 for any and all improvements, if any, that shall include on-site
7 as well as off-site improvements, applicable to the leased
8 premises; and provided further that the tax imposed for each
9 transaction shall be not less than \$1.

10 For purposes of this section, "multifamily residential
11 property" means a structure that is located within the state
12 urban land use district and divided into five or more dwelling
13 units."

14 SECTION 5. Section 247-3, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "§247-3 Exemptions. The tax imposed by section 247-1
17 shall not apply to:

- 18 (1) Any document or instrument that is executed prior to
19 January 1, 1967;
- 20 (2) Any document or instrument that is given to secure a
21 debt or obligation;



- 1 (3) Any document or instrument that only confirms or
- 2 corrects a deed, lease, sublease, assignment,
- 3 transfer, or conveyance previously recorded or filed;
- 4 (4) Any document or instrument between husband and wife,
- 5 reciprocal beneficiaries, or parent and child, in
- 6 which only a nominal consideration is paid;
- 7 (5) Any document or instrument in which there is a
- 8 consideration of \$100 or less paid or to be paid;
- 9 (6) Any document or instrument conveying real property
- 10 that is executed pursuant to an agreement of sale, and
- 11 where applicable, any assignment of the agreement of
- 12 sale, or assignments thereof; provided that the taxes
- 13 under this chapter have been fully paid upon the
- 14 agreement of sale, and where applicable, upon such
- 15 assignment or assignments of agreements of sale;
- 16 (7) Any deed, lease, sublease, assignment of lease,
- 17 agreement of sale, assignment of agreement of sale,
- 18 instrument or writing in which the United States or
- 19 any agency or instrumentality thereof or the State or
- 20 any agency, instrumentality, or governmental or



- 1 political subdivision thereof are the only parties
2 thereto;
- 3 (8) Any document or instrument executed pursuant to a tax
4 sale conducted by the United States or any agency or
5 instrumentality thereof or the State or any agency,
6 instrumentality, or governmental or political
7 subdivision thereof for delinquent taxes or
8 assessments;
- 9 (9) Any document or instrument conveying real property to
10 the United States or any agency or instrumentality
11 thereof or the State or any agency, instrumentality,
12 or governmental or political subdivision thereof
13 pursuant to the threat of the exercise or the exercise
14 of the power of eminent domain;
- 15 (10) Any document or instrument that solely conveys or
16 grants an easement or easements;
- 17 (11) Any document or instrument whereby owners partition
18 their property, whether by mutual agreement or
19 judicial action; provided that the value of each
20 owner's interest in the property after partition is



- 1 equal in value to that owner's interest before
- 2 partition;
- 3 (12) Any document or instrument between marital partners or
- 4 reciprocal beneficiaries who are parties to a divorce
- 5 action or termination of reciprocal beneficiary
- 6 relationship that is executed pursuant to an order of
- 7 the court in the divorce action or termination of
- 8 reciprocal beneficiary relationship;
- 9 (13) Any document or instrument conveying real property
- 10 from a testamentary trust to a beneficiary under the
- 11 trust;
- 12 (14) Any document or instrument conveying real property
- 13 from a grantor to the grantor's revocable living
- 14 trust, or from a grantor's revocable living trust to
- 15 the grantor as beneficiary of the trust;
- 16 (15) Any document or instrument conveying real property, or
- 17 any interest therein, from an entity that is a party
- 18 to a merger or consolidation under chapter 414, 414D,
- 19 415A, 421, 421C, 425, 425E, or 428 to the surviving or
- 20 new entity;



1 (16) Any document or instrument conveying real property, or
 2 any interest therein, from a dissolving limited
 3 partnership to its corporate general partner that
 4 owns, directly or indirectly, at least a ninety per
 5 cent interest in the partnership, determined by
 6 applying section 318 (with respect to constructive
 7 ownership of stock) of the federal Internal Revenue
 8 Code of 1986, as amended, to the constructive
 9 ownership of interests in the partnership; ~~[and]~~

10 ~~[+]~~ (17) ~~[+]~~ Any document or instrument that conforms to the
 11 transfer on death deed as authorized under chapter
 12 527 ~~[+]~~ ;

13 (18) Any document or instrument conveying real property to
 14 an organization that:

15 (A) Has a minimum of thirty years remaining of a
 16 price-restricted affordability period; or

17 (B) Places a deed restriction on the property to
 18 maintain permanent affordability.

19 For purposes of this paragraph:

20 "Permanent affordability" means a requirement
 21 that a residential real property remain affordable to



1 households having incomes at or below one hundred
 2 twenty per cent of the area median income, as
 3 determined by the United States Department of Housing
 4 and Urban Development, for the life of the property.

5 "Price-restricted affordability period" means the
 6 period for which a residential real property is
 7 restricted to renter households having incomes at or
 8 below one hundred twenty per cent of the area median
 9 income, as determined by the United States Department
 10 of Housing and Urban Development, applicable to the
 11 location of the real property for the applicable
 12 federal fiscal year;

13 (19) Any document or instrument conveying real property to
 14 a nonprofit organization that:

15 (A) Is exempt from federal income tax by the Internal
 16 Revenue Services; and

17 (B) Will hold the property in an undeveloped state
 18 and for conservation purposes in perpetuity
 19 through a deed restriction on the property; and

20 (20) Any document or instrument conveying real property to
 21 an individual who is an owner-occupant or



1 renter-occupant of the property; provided the
2 individual does not have a direct or indirect
3 ownership interest in any other real property,
4 including through ownership interest in a trust,
5 partnership, corporation, limited liability company,
6 or other entity."

7 SECTION 6. Section 247-7, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "**§247-7 Disposition of taxes.** All taxes collected under
10 this chapter shall be paid into the state treasury to the credit
11 of the general fund of the State, to be used and expended for
12 the purposes for which the general fund was created and exists
13 by law; provided that of the taxes collected each fiscal year:

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

17 (2) [~~Fifty~~] Thirty-eight per cent [~~or \$38,000,000,~~
18 ~~whichever is less,~~] shall be paid into the rental
19 housing revolving fund established by section
20 201H-202 [~~-~~];



S.B. NO. 2514

Report Title:

Hawaii State Association of Counties Package; DHS; Affordable Housing; Conveyance Tax; Rates; Exemption; Homeless Services Special Fund; Affordable Homeownership Revolving Fund; Land Conservation Fund; Rental Housing Revolving Fund; Dwelling Unit Revolving Fund

Description:

Establishes the Homeless Services Special Fund. Allows counties to apply for matching funds from the Affordable Homeownership Revolving Fund for certain housing projects. Increases the conveyance tax rates for certain properties. Establishes conveyance tax rates for multifamily residential properties. Establishes new exemptions to the conveyance tax. Allocates collected conveyance taxes to the Affordable Homeownership Revolving Fund, Homeless Services Special Fund, and Dwelling Unit Revolving Fund. Amends allocations to the Land Conservation Fund and Rental Housing Revolving Fund.

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