
A BILL FOR AN ACT

RELATING TO PROPERTY CONVEYANCE.

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

1 PART I

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) Allocate a portion of conveyance tax revenues to the
21 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;

8 (6) Allocate a portion of conveyance tax revenues to the
9 special land and development fund for land acquisition
10 for the Na Ala Hele program; and

11 (7) Establish and appropriate funds out of the Hawaiian
12 home lands infrastructure and housing special fund.

13 PART II

14 SECTION 2. Section 171-19, Hawaii Revised Statutes, is
15 amended by amending subsection (a) to read as follows:

16 "(a) There is created in the department a special fund to
17 be designated as the "special land and development fund".

18 Subject to the Hawaiian Homes Commission Act of 1920, as
19 amended, and section 5(f) of the Admission Act of 1959, all
20 proceeds of sale of public lands, including interest on deferred
21 payments; all moneys collected under section 171-58 for mineral



1 and water rights; all rents from leases, licenses, and permits
2 derived from public lands; all moneys collected from lessees of
3 public lands within industrial parks; all fees, fines, and other
4 administrative charges collected under this chapter and
5 chapter 183C; a portion of the highway fuel tax collected under
6 chapter 243; a portion of the transient accommodations tax under
7 chapter 237D; a portion of the conveyance tax collected under
8 chapter 247; all moneys collected by the department for the
9 commercial use of public trails and trail accesses under the
10 jurisdiction of the department; and private contributions for
11 the management, maintenance, and development of trails and
12 accesses shall be set apart in the fund and shall be used only
13 as authorized by the legislature for the following purposes:

- 14 (1) To reimburse the general fund of the State for
15 advances made that are required to be reimbursed from
16 the proceeds derived from sales, leases, licenses, or
17 permits of public lands;
- 18 (2) For the planning, development, management, operations,
19 or maintenance of all lands and improvements under the
20 control and management of the board pursuant to
21 title 12, including but not limited to permanent or



- 1 temporary staff positions who may be appointed without
2 regard to chapter 76;
- 3 (3) To repurchase any land, including improvements, in the
4 exercise by the board of any right of repurchase
5 specifically reserved in any patent, deed, lease, or
6 other documents or as provided by law;
- 7 (4) For the payment of all appraisal fees; provided that
8 all fees reimbursed to the board shall be deposited in
9 the fund;
- 10 (5) For the payment of publication notices as required
11 under this chapter; provided that all or a portion of
12 the expenditures may be charged to the purchaser or
13 lessee of public lands or any interest therein under
14 rules adopted by the board;
- 15 (6) For the management, maintenance, land acquisition, and
16 development of trails and trail accesses under the
17 jurisdiction of the department;
- 18 (7) For the payment to private land developers who have
19 contracted with the board for development of public
20 lands under section 171-60;



- 1 (8) For the payment of debt service on revenue bonds
- 2 issued by the department, including revenue bonds
- 3 issued for the purposes of section 237D-6.5(b)(4), and
- 4 the establishment of debt service and other reserves
- 5 deemed necessary by the board;
- 6 (9) To reimburse the general fund for debt service on
- 7 general obligation bonds issued to finance
- 8 departmental projects, including projects under
- 9 section 237D-6.5(b)(4), where the bonds are designated
- 10 to be reimbursed from the special land and development
- 11 fund;
- 12 (10) For the protection, planning, management, and
- 13 regulation of water resources under chapter 174C;
- 14 (11) For the purposes of section 237D-6.5(b)(4); and
- 15 (12) For other purposes of this chapter."

16 SECTION 3. Section 198D-2, Hawaii Revised Statutes, is
 17 amended as follows:

- 18 1. By amending subsection (b) to read:
- 19 "(b) The trail and access program shall use funding for
- 20 the management, maintenance, land acquisition, and development



1 of trails and trail accesses under the jurisdiction of the
2 department from the following sources:

3 (1) A portion of the highway fuel taxes collected under
4 chapter 243;

5 (2) Federal government grants;

6 (3) Private contributions; [~~and~~]

7 (4) Fees, established pursuant to administrative rules and
8 charged by the department for the commercial and other
9 use of trails and trail accesses under the
10 jurisdiction of the department[~~-~~]; and

11 (5) A portion of the conveyance tax collected pursuant to
12 section 247-7(5)."

13 2. By amending subsection (d) to read:

14 "(d) The moneys specified in subsection (b) (1), (3), [~~and~~]
15 (4), and (5) shall be deposited in the special land and
16 development fund under section 171-19 for the management,
17 maintenance, land acquisition, and development of trails and
18 trail accesses under the jurisdiction of the department."

19 SECTION 4. Section 201H-191, Hawaii Revised Statutes, is
20 amended to read as follows:



1 "§201H-191 Dwelling unit revolving fund. (a) There is
2 created a dwelling unit revolving fund. The funds appropriated
3 for the purpose of the dwelling unit revolving fund, conveyance
4 taxes received pursuant to section 247-7(4), and all moneys
5 received or collected by the corporation for the purpose of the
6 revolving fund shall be deposited in the revolving fund. The
7 proceeds in the revolving fund shall be used:

- 8 (1) To reimburse the general fund to pay the interest on
9 general obligation bonds issued for the purposes of
10 the revolving fund;
- 11 (2) For necessary expenses in administering housing
12 development programs, regional state infrastructure
13 programs, and the government employee housing program
14 pursuant to part V; [~~and~~]
- 15 (3) To carry out the purposes of housing development
16 programs, regional state infrastructure programs, and
17 the government employee housing program pursuant to
18 part V, including but not limited to the expansion of
19 community facilities and regional state infrastructure
20 constructed in conjunction with housing and mixed-use
21 transit-oriented development projects, permanent



1 primary or secondary financing, and supplementing
2 building costs[~~7~~] and federal guarantees required for
3 operational losses[~~7~~and~~all~~];

4 (4) To fund infrastructure programs in areas that meet
5 transit-supportive density requirements; provided that
6 proceeds from the conveyance tax deposited pursuant to
7 section 247-7(4) shall only be used for the purposes
8 of this paragraph; and

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

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

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

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

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

20 SECTION 5. Section 247-2, Hawaii Revised Statutes, is
21 amended to read as follows:



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

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

14 (A) [~~Ten cents per \$100 for~~] For properties with a
15 value of less than \$600,000[+]: cents per
16 \$100;

17 (B) [~~Twenty cents per \$100 for~~] For properties with a
18 value of at least \$600,000, but less than
19 \$1,000,000[+]: \$ plus cents per
20 \$100 of excess over \$600,000;



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

5 (D) [~~Fifty cents per \$100 for~~] For properties with a
 6 value of at least \$2,000,000, but less than
 7 \$4,000,000[~~+~~]: \$ _____ plus \$ _____ per
 8 \$100 of excess over \$2,000,000;

9 (E) [~~Seventy cents per \$100 for~~] For properties with
 10 a value of at least \$4,000,000, but less than
 11 \$6,000,000[~~+~~]: \$ _____ plus \$ _____ per
 12 \$100 of excess over \$4,000,000;

13 (F) [~~Ninety cents per \$100 for~~] For properties with a
 14 value of at least \$6,000,000, but less than
 15 \$10,000,000[~~+~~ and]: \$ _____ plus
 16 \$ _____ per \$100 of excess over \$6,000,000;
 17 and

18 (G) [~~One dollar per \$100 for~~] For properties with a
 19 value of at least \$10,000,000 [~~or greater; and~~]:
 20 \$ _____ plus \$ _____ per \$100 of excess
 21 over \$10,000,000;



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

5 (A) [~~Fifteen cents per \$100 for~~] For properties with
6 a value of less than \$600,000[+]: cents per
7 \$100;

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

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

16 (D) [~~Sixty cents per \$100 for~~] For properties with a
17 value of at least \$2,000,000, but less than
18 \$4,000,000[+]: \$ plus \$ per
19 \$100 of excess over \$2,000,000;

20 (E) [~~Eighty five cents per \$100 for~~] For properties
21 with a value of at least \$4,000,000, but less



1 than \$6,000,000 [~~+~~]: \$ _____ plus
2 \$ _____ per \$100 of excess over \$4,000,000;

3 (F) [~~One dollar and ten cents per \$100 for~~] For
4 properties with a value of at least \$6,000,000,
5 but less than \$10,000,000 [~~+~~ and]:

6 \$ _____ plus \$ _____ per \$100 of excess
7 over \$6,000,000; and

8 (G) [~~One dollar and twenty five cents per \$100 for~~]
9 For properties with a value of at least
10 \$10,000,000 [~~or greater,~~]: \$ _____ plus

11 \$ _____ per \$100 of excess over \$10,000,000;

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

14 (A) For properties with a value of less than
15 \$600,000: _____ cents per \$100;

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

18 (C) For properties with a value of at least
19 \$1,000,000, but less than \$2,000,000: _____ cents
20 per \$100;



- 1 (D) For properties with a value of at least
- 2 \$2,000,000, but less than \$4,000,000: cents
- 3 per \$100;
- 4 (E) For properties with a value of at least
- 5 \$4,000,000, but less than \$6,000,000: cents
- 6 per \$100;
- 7 (F) For properties with a value of at least
- 8 \$6,000,000, but less than \$10,000,000:
- 9 \$ per \$100; and
- 10 (G) For properties with a value of at least
- 11 \$10,000,000: \$ per \$100,

12 of [~~such~~] the actual and full consideration; provided that in

13 the case of a lease or sublease, this chapter shall apply only

14 to a lease or sublease whose full unexpired term is for a period

15 of five years or more[, ~~and in those cases, including (where~~

16 ~~appropriate) those cases where the]; provided further that if a~~

17 lease has been extended or amended, the tax in this chapter

18 shall be based on the cash value of the lease rentals discounted

19 to present day value and capitalized at the rate of six per

20 cent, plus the actual and full consideration paid or to be paid

21 for any and all improvements, if any, that shall include on-site



1 as well as off-site improvements, applicable to the leased
2 premises; ~~and~~ provided further that the tax imposed for each
3 transaction shall be ~~not~~ no less than \$1. For the purposes of
4 this section, any conveyance of property that is used for
5 transient accommodations, as defined in section 237D-1, for any
6 period during the two years before the date of conveyance shall
7 be taxed at the rates under paragraph (2), regardless of whether
8 the purchaser is eligible for a county homeowner's exemption on
9 property tax.

10 The rates in this section shall apply to the transfer or
11 conveyance of a multifamily residential property; provided that
12 "value", for purposes of determining the applicable rate, shall
13 be an amount calculated by dividing the actual and full
14 consideration for the transfer or conveyance of realty or any
15 interest therein by the number of residential dwelling units in
16 the property.

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



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

11 As used in this subsection, "cost-of-living adjustment
12 factor" means a factor calculated by adding 1.0 to the quotient
13 of the percentage change in the Urban Hawaii Consumer Price
14 Index for all items divided by one hundred, as published by the
15 United States Department of Labor, from July of the preceding
16 calendar year to July of the current calendar year; provided
17 that if the Urban Hawaii Consumer Price Index is discontinued,
18 the Chained Consumer Price Index for All Urban Consumers, as
19 published by the United States Department of Labor, shall be
20 used to calculate the cost-of-living adjustment factor.



1 (c) Notwithstanding subsection (a), the total conveyance
2 tax imposed on the transfer or conveyance of a parcel shall not
3 exceed:

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

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

12 For the conveyance of a multifamily residential property as
13 defined in subsection (a), the cap under this subsection shall
14 be applied on a per-unit basis, calculated by dividing the
15 actual and full consideration by the number of residential
16 dwelling units; and the total tax imposed on the conveyance
17 shall not exceed the applicable per-unit cap multiplied by the
18 number of residential dwelling units."

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



1 "**§247-7 Disposition of taxes.** All taxes collected under
2 this chapter shall be paid into the state treasury to the credit
3 of the general fund of the State, to be used and expended for
4 the purposes for which the general fund was created and exists
5 by law; provided that of the taxes collected each fiscal year:

6 (1) [~~Ten~~] ____ per cent or [~~\$5,100,000,~~] \$ _____,
7 whichever is less, shall be paid into the land
8 conservation fund established pursuant to section
9 173A-5; [~~and~~]

10 (2) [~~Fifty~~] ____ per cent or [~~\$38,000,000,~~] \$ _____,
11 whichever is less, shall be paid into the rental
12 housing revolving fund established by section 201H-
13 202[~~-~~];

14 (3) _____ per cent or \$ _____, whichever is less, shall
15 be paid into the Hawaiian home lands infrastructure
16 and housing special fund established pursuant to
17 section 26- ;

18 (4) _____ per cent or \$ _____, whichever is less, shall
19 be paid into the dwelling unit revolving fund
20 established pursuant to section 201H-191; and

Report Title:

Conveyance Tax; Dwelling Unit Revolving Fund; Infrastructure Funding; County-Designated Transit-Oriented Development; Hawaiian Home Lands Infrastructure and Housing Special Fund; Special Land and Development Fund; Land Acquisition; Trails; 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. Allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund, Hawaiian Home Lands Infrastructure and Housing Special Fund, and Special Land and Development Fund. Establishes and appropriates funds out of the Hawaiian Home Lands Infrastructure and Housing Special Fund. Effective 7/1/3000. (HD1)

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