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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1918, H.D.1, Relating to Taxation

BEFORE THE:

Senate Committee on Water, Land, Culture and the Arts

DATE: Monday, March 16, 2026

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 224

Chair Lee, Vice-Chair Inouye, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1918, H.D.1, for your consideration.

H.B. 1918, H.D.1, amends chapter 247, Hawaii Revised Statutes (HRS), by extending the conveyance tax to transfers or acquisitions involving either (1) the transfer of a controlling interest in an entity, with an interest in real property located in the State, for valuable consideration; or (2) the transfer of control or ownership of the real property located in the State; provided that there is a change in "beneficial ownership."

Section 2 of the bill adds a new section 247-A, HRS, which specifies that "all acquisitions of persons acting in concert shall be aggregated for the purpose of determining whether a transfer or acquisition of a controlling interest has taken place." It also provides a definition of "controlling interest" for a for-profit corporation, as "either fifty per cent or more of the total combined voting power of all classes of stock of the corporation entitled to vote, or fifty per cent or more of the capital, profits, or beneficial interest in the voting stock of the corporation," and for any other corporation or partnership, association, trust, or entity as "fifty per cent or more of the capital, profits, or beneficial interest in the corporation, partnership, association, trust, or other entity."

Section 2 of the bill also adds a new section 247-B, HRS, which provides that the conveyance tax imposed on several types of transfers and acquisitions, as well as conveyances to any organization certified by the Hawaii Housing Finance and Development Corporation for low-income housing development, will be taxed at the lowest rate applicable under section 247-2(1).

Section 3 of the bill amends section 247-1, HRS, to impose the conveyance tax on transfers of a controlling interest.

Section 4 of the bill amends section 247-2, HRS, to specify that the conveyance tax shall be imposed on the transfer or acquisition of a controlling interest based on the fair market value of the property at the time of transfer or acquisition. The term "fair market value" is defined as meaning the value of real property as stated on the most recent real property assessment issued by the county.

Section 5 of the bill amends section 247-3, HRS, by repealing conveyance tax exemptions for conveyances from an entity that is a party to a merger or consolidation to the surviving or new entity, and conveyances from a dissolving limited partnership to its general partner with at least a 90 percent interest.

Section 6 of the bill amends section 247-4, HRS, to impose joint and several liability on the transferee and the entity in the event the transferor of the controlling interest does not pay the tax due.

The bill has a defective effective date of July 1, 3000.

DOTAX recommends that the effective date of the bill be amended to January 1, 2028, to allow sufficient time to implement the changes in the bill, including the promulgation of administrative rules, development of new forms and instructions, and notice to taxpayers.

Thank you for the opportunity to provide comments on this measure.



Protect Democracy Move Forward

www.indivisiblehawaii.org

info@indivisiblehawaii.org

To: Hawai'i State Senate Committee on Water, Land, Culture and the Arts
Re: Testimony in SUPPORT of HB1918 HD1

Dear Chair Lee, Vice Chair Inouye, and the Members of Committees,

Members of Indivisible Hawai'i thank you for this opportunity to testify in support of HB1918 HD1 which would impose conveyance tax on the transfers of entity ownership when the transfer is essentially equivalent to the sale of real property.

This loophole allows certain high-value commercial real estate transactions to avoid the conveyance tax while the average real estate owners pay the conveyance tax. This bill doesn't raise the tax rate, but instead just makes sure the tax is applied consistently. Simply put, it is fair.

The state can increase revenue without raising tax rates with this bill. With the rising costs and federal budget cuts, Hawai'i desperately need additional revenue to pay for common good such as:

- Healthcare coverage for 441,000 children and adults
- Building affordable housing units, rental assistance, and homelessness programs
- Free and reduced-price school meals for 78,000 students and SNAP administration for over 163,000 residents
- Education and childcare for 165,000 students

Please pass HB1918 HD1 and thank you for your consideration.

Sincerely,
Younghee Overly
Indivisible Hawai'i Working Families Team

The mission of the 14-chapter Indivisible Hawai'i Statewide Network (IHSN) is to protect Hawai'i and democracy by defending civil rights, communities and values, most importantly, Hawai'i's Constitutionally protected spirit of Aloha. In October 2025, IHSN with other partners turned out over 22,000 residents on all major islands to say No Dictators! and to stand up for democracy. This call-to-action was part of Indivisible national's mobilization of more than 7 million across the country as the voice of the people, committed to election integrity and to evolving as a place of equity, opportunity and peace.



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The Thirty-Third State Legislature
Senate Committee on Water, Land, Culture and The Arts
Monday, March 16, 2026
Conference Room 224
1:00 p.m.

TO: The Honorable Chris Lee, Chair
FROM: Keali'i S. López, State Director
RE: Support for H.B. 1918, HD1 Relating to Taxation

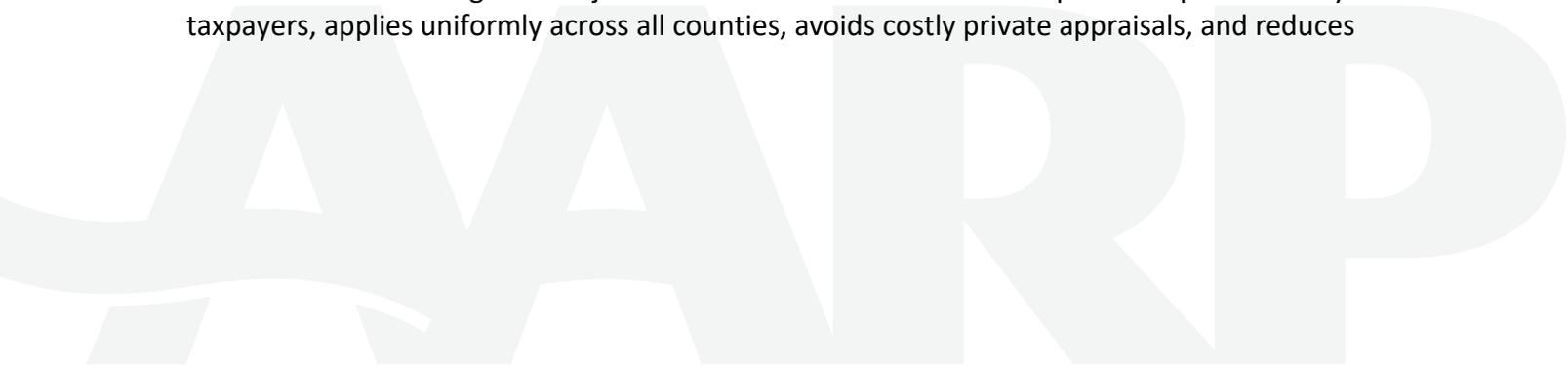
Aloha Chair Lee and Members of the Committee:

My name is Keali'i S. López, State Director for AARP Hawai'i. AARP is a nonprofit, nonpartisan, social impact organization dedicated to empowering people age 50 and older to choose how they live as they age. We advocate on issues that matter most to older adults and their families, including financial security, housing stability, and fairness in public policy. On behalf of our more than 135,000 members in Hawai'i, thank you for the opportunity to testify in strong support of **H.B. 1918, HD1**.

AARP supports H.B. 1918, HD1 because it ensures Hawai'i's conveyance tax is applied fairly and consistently across economically equivalent real estate transactions. The bill closes a longstanding loophole that allowed certain high-value commercial real estate transfers to avoid the conveyance tax by transferring a controlling interest in an entity rather than recording a deed, undermining tax equity, and public trust.

H.B. 1918 establishes clear and enforceable rules for how the conveyance tax is calculated when a controlling interest in an entity that owns real property is transferred. In these transactions, the conveyance tax is based on the **fair market value of the real property owned by the entity at the time the controlling interest changes hands**, including any liens and encumbrances. This approach ensures the tax reflects the full economic value of the property conveyed and treats entity-based transfers consistently with direct real estate sales.

The bill defines **fair market value** as the **county assessed value from the most recent property tax assessment**. Using this objective and standardized measure provides predictability for taxpayers, applies uniformly across all counties, avoids costly private appraisals, and reduces



disputes over valuation. This clarity supports efficient administration by the Department of Taxation and minimizes the risk of prolonged disagreements or legal challenges.

H.B. 1918 HD1 also clearly establishes **who is responsible for paying the conveyance tax**. The tax applies not only to recorded instruments such as deeds, leases, or assignments, but also to **transfers of a controlling interest even when no document is recorded**. By tying tax liability to the transfer of control itself, the bill ensures that off-record transactions cannot be used to avoid taxation.

To further strengthen compliance and enforcement, the bill establishes **joint and several liability** among responsible parties. This ensures the State always has a party from whom the tax may be collected, prevents disputes between buyers and sellers from delaying or blocking payment, and creates a strong incentive for purchasers to confirm compliance at the time of sale. These provisions significantly enhance the reliability and integrity of conveyance tax collection.

By applying the same rules to all transactions that effectively transfer ownership of Hawai'i real estate, H.B. 1918 HD1 advances tax fairness and transparency. Everyday Hawai'i residents already pay the conveyance tax when buying or selling a home. This bill ensures that sophisticated commercial transactions are held to the same standard, regardless of how they are structured.

Closing this loophole also supports the long-term viability of the Rental Housing Revolving Fund and helps ensure that resources remain available to address Hawai'i's urgent affordable housing needs, while preserving appropriate exemptions and the lowest conveyance tax rate for certified low-income housing developers.

For these reasons, AARP respectfully urges the Committee on Water, Land, Culture and the Arts to **pass H.B. 1918, HD1**.

Mahalo for the opportunity to testify in support of this measure.

March 16, 2026, 1 p.m.
Hawaii State Capitol
Conference Room 224 and Videoconference

To: Senate Committee on Water, Land, Culture and the Arts
Sen. Chris Lee, Chair
Sen. Lorraine R. Inouye, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING HB1918 HD1 — RELATING TO TAXATION

Aloha Chair, Vice Chair and other Committee members,

The Grassroot Institute of Hawaii **opposes** [HB1918 HD1](#), which would impose a conveyance tax on the transfer of a controlling interest of an entity with real property located in the state.

Put simply, this bill seeks to expand the scope of the conveyance tax to include business transactions, presumably in the hopes of generating tax revenues.

Assuming that the headaches associated with administrating and collecting this tax are not enough to give the Committee pause, there is reason to be concerned about the effect it could have on Hawaii businesses and real estate.

Even when applied directly, transfer taxes can have a negative impact on the economy. A report by the Sage Policy Group noted that high transfer taxes can “lead to decreases in population, real incomes, real estate transactions, investment in structures, and quality of the built environment.”¹

¹ [“The Unintended Consequences of Excessive Transfer Taxes,”](#) Sage Policy Group, Inc. on behalf of the Community Coalition for Jobs and Housing, June 2022, p. 3.

The same report added that transfer taxes are not a reliable source of tax revenues, and are particularly volatile in areas with especially high tax rates.²

In the case of this bill, those negative effects would be compounded by the fact that it would also complicate and disincentive the transfer or restructuring of local businesses. Thus, it would act as yet another burden on Hawaii businesses, discourage investment and hinder economic growth.

If the goal is to grow Hawaii's economy, then businesses need a break from new taxes, tax increases, fees and surcharges. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

² ["The Unintended Consequences of Excessive Transfer Taxes,"](#) p. 2.



March 15, 2026

LATE

Senator Chris Lee, Chair
Senator Lorraine R. Inouye, Vice Chair
Senate Committee on Water, Land, Culture and the Arts

Comments and Concerns in Opposition to HB 1918, HD1 Relating to Taxation (Imposes conveyance tax on the transfer of a controlling interest of an entity with an interest in real property. Stipulates that the imposition of the conveyance tax on transfers of entity ownership shall not apply to any transfer of interest or acquisition between entities wholly owned by the same common ownership that results in no change in the beneficial ownership. Imposes the conveyance tax on certain transfers of real property at the lowest tax rate. Imposes liability on the transferee in the event that the transferor of the controlling interest does not pay the tax due. Effective 7/1/3000. [HD1])

**Monday, March 16, 2026, at 1:00 PM
State Capitol, Conference Room 224 & Videoconference.**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers, and utility companies. LURF's mission is to research, educate, and advocate for reasonable, rational, and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

While LURF can appreciate the Legislature's desire to increase State revenue, we must **strongly oppose HB 1918, HD1**, based upon, among other things, the following:

- **Unfair: The Hawaii Conveyance Tax was intended to cover Bureau of Conveyance costs, not meant to be a revenue generating tax;**
- **Increasing land costs for agriculture, housing, and development, to be passed on to residents, farmers, homeowners, and businesses;**
- **Creates a significant disincentive for business in Hawaii;**
- **Punitive: Deletion of long-time exemptions imposes additional taxes and financial burdens on Hawaii businesses in unfortunate circumstances;**
- **Transfers of controlling interest are not always conveyance of real property;**
- **A Study is necessary – The bill lacks justification (revenue generated, cost of administration, implementation, and enforcement; corporate responses);**
- **Omission of specific details usually included in Hawaii tax laws.**

HB 1918, HD1. This measure proposes to impose conveyance tax on the transfer of a controlling interest of an entity with an interest in real property. It stipulates that the imposition of the conveyance tax on transfers of entity ownership shall not apply to any transfer of interest or acquisition between entities wholly owned by the same common ownership that results in no change in the beneficial ownership; and imposes the conveyance tax on certain transfers of real property at the lowest tax rate.

The stated purpose of this bill is to apply the state conveyance tax to transfers of entity ownership when such transfer is essentially equivalent to the sale of an interest in real property. However, that description is not entirely accurate, and this measure **expands the application of the current Hawaii conveyance tax law**, which is understandably **complicated and requires a new tax law**.

LURF's Position.

As summarized above, and explained below, LURF believes that **HB 1918, HD1**, includes numerous flaws and that its impact would not be in the best interests of Hawaii's residents and economy. Based on the following reasons and considerations, LURF must **oppose HB 1918, HD1** and respectfully requests that the bill **be held** in Committee.

1. Unfairness: The Hawaii Conveyance Tax was never intended to be and should not operate as a revenue-generating tax.

LURF's position has always been that the Hawaii Conveyance Tax was never intended as a revenue-generating tax. Hawaii Revised Statutes ("HRS"), Chapter 247 (Conveyance Tax), was purposefully enacted in 1966 to provide the DoTax with informational data for the determination of market value of properties transferred, and to assist the DoTax in establishing real property assessed values. In short, the sole intent of the conveyance tax was originally to cover the administrative costs of collecting and assessing said informational data, which necessarily entails the recording of real estate transactions, as performed by the Bureau of Conveyances. As such, the conveyance tax should not be utilized as a vehicle to generate revenue, especially for non-conveyance tax-related funds and programs.

Since the enactment of HRS Chapter 247, however, the State Legislature has proposed and has implemented changes to the law (1) to allow application of conveyance tax revenue to a number of non-conveyance type uses (e.g.. land conservation fund; rental housing trust fund; and natural area reserve fund) to the point where there is no longer any clear nexus between the benefits sought by the original Act and the charges now proposed to be levied upon property-holding entities transferring ownership; and (2) also to impose conveyance taxes to the point said revenues now appear to far exceed the initially stated purpose of, or needs identified in the original law.

Furthermore, the conveyance tax, which targets very few, is **unreliable, and fluctuates with the housing market**. Because the conveyance tax is dependent on activity in the real estate market, it is considered an **undependable source** and should not be relied upon to provide substantial support for the General Fund.

2. Increased conveyance tax as proposed by this bill will drive up the cost of land for agricultural, residential, and commercial development and will be passed on to local farmers, home buyers, and small businesses.

The proposed imposition of the new conveyance taxes on **agricultural lands will be passed on to farmers and other agricultural operators**, making it even harder for agriculture to survive in Hawaii; the proposed imposition of the new taxes on transfers which affect land intended for **affordable housing developments will be passed on to home buyers** and will thus increase the price of homes and exacerbate the affordable housing problem in Hawaii; and the proposed imposition of the conveyance tax onto transfers which affect **commercial and industrial properties will also be passed on to small businesses**, creating yet another substantial financial burden on them.

2 The proposed measure will create a significant disincentive for business in Hawaii.

At a time when the Hawaii economy is still stumbling from the impact of the Covid pandemic, the Maui fires, federal funding cuts, and is attempting to encourage business expansion in, and attract business operations to Hawaii, this bill actually creates a disincentive, and will have a substantial negative impact on persuading new and existing land-holding businesses to open or expand in Hawaii, or to relocate their operations to this State. The proposed additional cost of doing business in Hawaii would certainly appear to negatively outweigh any positive revenue impact resulting from the imposition of conveyance taxes pursuant to the measures.

3. Punitive: The repeal of existing long-time exemptions and imposing new conveyance taxes will negatively impact the Hawaii businesses and residents in unfortunate circumstances that are trying to stay in business by restructuring.

There is **no justification stated for the provisions in this bill that repeal long-time exemptions for businesses in unfortunate circumstances** (albeit at the lowest tax rate), including:

- Conveyances from a dissolving limited partnership to its corporate general partner; and
- Conveyances that are currently recognized under Hawaii law as part of a merger or consolidation to the surviving new entity.

During these challenging and unpredictable economic times, the State usually prides itself on providing “safety nets” and other support for families, residents, employees, and struggling businesses that are facing economic challenges. **Instead of repealing long-time exemptions that could help failing businesses**, the Legislature should **retain the existing exemptions that could lend a helping hand to struggling businesses** that need to restructure and raise new capital to keep the business afloat.

4. All transfers of “controlling interests” are not all “conveyances” of real property and should not be made subject to the conveyance tax law.

HB 1918, HD1 would inappropriately subject sales of controlling interests in an entity to the conveyance tax regardless of whether real estate may be the primary or largest asset owned by the entity. Given that **all transfers of controlling interests are not conveyances of real property**, and given the clear intent underlying HRS Chapter 247, LURF believes that the methods sought to be used to impose a tax on transfers of stock (i.e., amendment or expansion of the existing conveyance tax law) is improper.

5. Proper, efficient, and effective implementation of the new conveyance tax, would require administration and enforcement by personnel and agencies with the expertise to render complex, time-consuming, and subjective determinations.

In its endeavor to ensure conveyances of entities owning real property are taxed identically to conveyances of actual real property, this bill in effect creates a broad, complex, revenue generating tax, which, as discussed above, is far from what was intended when the conveyance tax was initially enacted by the Hawaii Legislature.

The bill itself is fraught with terms and requirements relating to the imposition of, and compliance with the proposed expanded conveyance tax, which would assumedly continue to be administered by the Hawaii Bureau of Conveyances (Bureau). LURF questions the ability of the Bureau, as well as the costs which may need to be incurred, especially given the current non-tax expertise of its staff, to administer and enforce the requirements prescribed by the bill, as well as collect the conveyance tax, particularly in complex transactions. By way of example, in computing the amounts of conveyance taxes to be imposed by this bill, would the Bureau be able to identify and determine technical tax issues such as the amounts which should be excepted or deducted from the amounts of consideration being transferred as prescribed by federal laws?

And despite the inclusion of certain definitions of terms to be construed in HRS Chapter 247 and additional factors that have been delineated in this bill, as a practical matter, in order that this measure be properly and effectively implemented, determinations as identified in the measure must still be made pursuant to rules directed to be adopted by the State Department of Taxation (“DoTax”), but administered and enforced by the Bureau. These determinations including, for example, whether or not a controlling interest is being transferred or acquired, and whether or not a single person or group of persons are acting in concert for the purpose of effectuating a transfer or acquisition, involve assessments of subjective issues which entail significant time, expense, knowledge and expertise of individuals in specialized subject matters (both conveyance and tax) who may not be presently qualified to conduct such reviews.

6. A Legislative study is needed to sufficiently justify this proposal: This bill lacks, among other things, factual justification, specific tax revenue amounts to be generated, costs of administration, implementation, compliance and enforcement, and corporate reaction.

As far as LURF is aware, proponents of this measure have not presented any information, credible and material facts, or circumstances required to prove that this proposed legislation is in fact justified, necessary, or that the State’s economy will significantly improve as a result of passing this bill.

The proposed conveyance tax should be based on a **legislative study with input and support of professional economists and corporate tax experts**, which should be fully vetted by the Legislature and the public. The study should include, among other things, the following:

- The **clear and the true purpose** of this measure;
- **Amount of taxes it is expected to generate and what the taxes will be used for;**
- The **reliability of conveyance taxes** to support the state budget;

- **Fairness and legal justification of imposing conveyance taxes upon those who transfer controlling interests in real property**, rather than broad-based taxes;
 - **Costs and details** relating to all aspects of such an expansion of the conveyance tax, including:
 - **Amount of costs that will be passed down to Hawaii residents, farmers, homeowners, and local businesses;**
 - **State administration, imposition, compliance, and enforcement** of the new tax, including training and expertise of state employees responsible for the new conveyance tax; and
 - **Corporate reaction** to such a measure, including whether the new tax will be a disincentive to do business in Hawaii, whether corporations will cease to do business in Hawaii, or reduce their businesses; and will businesses adjust their corporate structure or transactions to avoid or reduce the conveyance taxes.
7. **Lack of specific tax details usually included in Hawaii tax laws (leaves it up to “rulemaking”).**

This measure also lacks some of the key details of other Hawaii tax laws, including:

- **“Floor” or minimum tax;**
- **Identification of classes of real property** (agricultural, commercial, industrial, residential, etc.); and
- **Exemptions:** including hardship transfers (due to COVID, Lahaina fire, etc.), transfers by tax-exempt organizations, agricultural, or affordable housing entities, etc.).

For the reasons stated above, LURF respectfully recommends that **HB 1918, HD1 be held in this Committee.**

Thank you for the opportunity to provide comments in **opposition** to this proposed measure.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Tax on Controlling Interest Transfer

BILL NUMBER: HB 1918 HD1

INTRODUCED BY: WAL

LATE

EXECUTIVE SUMMARY: Imposes conveyance tax on the transfer of a controlling interest of an entity with an interest in real property. Stipulates that the imposition of the conveyance tax on transfers of entity ownership shall not apply to any transfer of interest or acquisition between entities wholly owned by the same common ownership that results in no change in the beneficial ownership. Imposes the conveyance tax on certain transfers of real property at the lowest tax rate.

SYNOPSIS: Adds new sections 247-A and 247-B, HRS, supplying definitions and providing that the conveyance tax applies to a transfer or acquisition, or a series of transfers or acquisitions, including those combined with otherwise exempt transfers, by any person or entity acting alone or in concert, within any twelve-month period, that result in: (1) The transfer of a controlling interest in an entity with an interest in real property located in this State for valuable consideration; and (2) The transfer of control or ownership of the real property located in this State. Exempts transfers that consists of the mere change in identity or form of ownership of an entity where there is no change in the beneficial ownership, including transfers to an entity wholly owned, directly or indirectly, by the same common ownership as the transferor.

Defines “Controlling Interest” as (1) For a corporation, either fifty per cent or more of the total combined voting power of all classes of stock of the corporation entitled to vote, or fifty per cent or more of the capital, profits, or beneficial interest in the voting stock of the corporation; and (2) For a partnership, association, trust, or other entity, fifty per cent or more of the capital, profits, or beneficial interest in the partnership, association, trust, or other entity.

Provides that for the sole purpose of determining whether a transfer or acquisition pursuant to the exercise of an option occurred within the thirty-six-month taxable transfer period, the date that the option agreement was executed shall be the date on which the transfer or acquisition of the controlling interest is deemed to occur. For all other purposes under this section, the date the option is exercised shall be the date of the transfer or acquisition of the controlling interest.

Provides that for purposes of this section, with regard to persons acting in concert: (1) All acquisitions of persons acting in concert shall be aggregated for the purpose of determining whether a transfer or acquisition of a controlling interest has taken place; (2) Persons shall be considered as acting in concert when they have a relationship with each other such that one person influences or controls the actions of another through common ownership; (3) Persons

shall be considered to be acting in concert only when the unity with which the purchasers negotiate and consummate the transfer of ownership interests supports a finding that the persons are acting as a single entity; and (4) If acquisitions are completely independent and each purchaser purchases without regard to the identity of the other purchasers, then the acquisitions shall be considered separate acquisitions.

Amends section 247-2(a), HRS, to impose the tax in the case of a transfer or acquisition of a controlling interest pursuant to section 247-A on the fair market value of the real property owned by the entity at the time the controlling interest is transferred or acquired. Adds section 247-2(b) to define “fair market value” for purposes of transfers or acquisitions of a controlling interest pursuant to section 247-A, as the value of real property, as stated on the most recent real property assessment issued by the county in which the real property is located.

Amends section 247-3, HRS, to repeal the exemption for conveyances by entities that are parties to a merger or consolidation and for conveyances from a dissolving limited partnership to its corporate general partner that owns at least a 90% interest in the partnership. Conveyances in these categories are then taxed at the lowest conveyance tax rate regardless of the value of the realty involved.

Adds section 247-4(b), HRS, to impose a joint and severable liability for the tax on the transferor and transferee of the controlling interest.

Makes other conforming amendments.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per \$100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per \$100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. Because of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of value transferred.

The proposed measure attempts to make the conveyance tax into a comprehensive revenue generating tax by imposing the conveyance tax rates on “complex transactions” resulting in the indirect transfer of real property. Just as the federal tax code imposes withholding tax on transfers of “U.S. real property holding corporations” as well as U.S. real property, this bill is trying to

ensure that transfers of entities holding Hawaii real property are taxed under the conveyance tax just like the transfers of the real property itself.

We see two major policy concerns with this measure.

First, this additional taxable transaction increases the cost of restructuring ownership of entities by eliminating the exemption for conveyances of real property by an entity upon merger or consolidation. Upon a transfer of a controlling interest of an entity, the entity generally continues operations with either additional capital and/or new management, without specific values or consideration attributed to the entity's underlying real estate or other properties.

This tax increase will have a negative impact on entities looking for ways of staying in business. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cutting back on costs. This measure will increase the cost for the alternative of raising capital through restructuring.

Second, the agency set up to capture the tax is the Hawaii bureau of conveyances. It records deeds and other conveyance instruments that are presented to it. There is no problem having the bureau review documents for certain exemptions based on the tenor of the document or having the department of taxation brought in to review more complex exemptions or documents. But with this bill, someone will need to look out for transactions (purchases and sales of interests in entities) that aren't normally required to be reported to anyone. Certainly, the bureau is not institutionally equipped to do that, it would be a stretch for the department of taxation which has had only limited involvement with this tax before, and the bill itself doesn't appear to give taxpayers or the agencies guidance as to how taxpayers are supposed to be reporting, or how agencies are supposed to be collecting the tax on the more complex transactions. Suppose, for example, company B buys 51% of the outstanding common stock of company A holding real property. At present, the transaction is evidenced by the companies' own stock ledgers, and nothing is required to be reported to anyone. If the intent is now to require something to be filed at the bureau which would make the transaction subject to the conveyance tax, it is not delineated in the measure.

The conveyance tax, some of the history of which we recounted in this testimony, is basically a documentary stamp tax. It was never designed to be a comprehensive tax on the transfer of property, real or otherwise. If the latter is what is now intended, serious thought should be given to repealing the conveyance tax as it now exists and enacting a comprehensive tax on the direct or indirect transfer of interests in real property, with attendant reporting obligations and with enforcement responsibility given to an agency designed to enforce the tax.

Further, corporate law as it now exists does not impose a requirement to report any transactions that may be considered pieces of controlling interest transactions that are potentially taxable under this bill. We question how the Department of Taxation, or anyone else, would be apprised of the necessary information to enforce the law. And if the only way that the information would come to the Department is by voluntary compliance, it would seem that a large advantage could be gained by bad actors or even taxpayers ignorant of the law's requirements over the law-abiding chumps who know about the law and comply.

Re: HB 1918 HD1

Page 4

Should this bill move forward, more serious thought should be given to reporting and compliance issues, as well as delineating responsibilities for its enforcement.

Digested: 3/1/2026

LATE

March 16, 2026

Senator Chris Lee, Chair
Senator Lorraine Inouye, Vice Chair
Committee on Water, Land and Culture and the Arts

RE: **HB 1918– RELATING TO TAXATION**
Hearing date – March 16, 2026 at 1:00 PM

Aloha Chair Lee, Vice Chair Inouye, and members of the committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to HB 1918– RELATING TO CONTROLLING INTEREST TRANSFER TAX**. NAIOP Hawaii is the Hawaii chapter of the nation’s leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders, and other professionals.

As drafted, HB 1918 would expand Hawaii’s conveyance tax to apply not only to recorded transfers of real property, but also to transfers of a “controlling interest” in an entity that owns real property in the State. The bill further aggregates transfers occurring within a twelve-month period and applies when persons are deemed to be “acting in concert.” Although certain transfers with no change in beneficial ownership are excluded, the measure significantly broadens the scope of taxable transactions beyond traditional conveyances.

NAIOP Hawaii opposes this bill because it would impose conveyance tax on many entity-level transactions that are not traditional deed conveyances and that commonly arise in legitimate commercial real estate ownership, capitalization, financing, and restructuring activity. In the commercial real estate context, interests in owning entities are often transferred for bona fide business reasons, including recapitalizations, admissions of new capital partners, sponsor buyouts, affiliate restructurings, phased joint venture transactions, and succession planning. These transactions are not always equivalent to a direct sale of the underlying real property, yet the bill would treat many of them as taxable conveyances. For example, if a project requires new capital, a developer may admit a new partner that invests a majority interest in the entity as part of a recapitalization, workout or refinancing solution. No deed is recorded, and the

Senator Chris Lee, Chair
Senator Lorraine Inouye, Vice Chair
Committee on Water, Land and Culture and the Arts
March 16, 2026
Page 2

transaction is fundamentally a financing or restructuring event rather than a traditional sale of the real property. Yet under H.B. 1918, that transfer may still be treated as a taxable conveyance based on the value of the underlying real estate. This creates an unintended penalty on responsible financing and investment practices and may reduce the feasibility of smaller projects.

In addition, the 12-month aggregation rule complicates phased financings, which are common in large scale development projects, milestone based investments, and distressed investment situations, particularly if multiple parties make the investment during said 12-month period. This bill reduces flexibility and staged capital infusions which are critical for development projects.

The bill also creates uncertainty and administrative complexity. The definitions of “controlling interest” and “acting in concert,” combined with the aggregation of transactions over a twelve-month period, introduce ambiguity as to when the tax will apply. Businesses will face difficulty determining compliance obligations in advance, increasing the likelihood of disputes, audits, and litigation. These compliance challenges will fall particularly hard on small and locally owned businesses that lack the resources to navigate new tax structures.

Ultimately, this measure is likely to result in:

1. fewer transactions that meaningfully generate new tax revenue; and
2. reduced economic activity due to higher transaction and compliance costs.

NAIOP Hawaii is concerned that expanding the conveyance tax in this manner will reduce private sector investment in long-term projects that generate jobs, housing, and tax revenue. Hawaii is already viewed as one of the least business-friendly states in the nation, and this bill would further undermine efforts to attract and retain capital investment.

Rather than expanding the conveyance tax to cover entity ownership changes, the State should pursue policies that encourage development, promote investment, and stimulate economic growth. For these reasons, NAIOP Hawaii respectfully recommends that **HB 1918 be deferred.**

Mahalo for your consideration,

Ken Hayashida, President
NAIOP Hawaii

HB-1918-HD-1

Submitted on: 3/12/2026 7:15:20 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Tim Huycke	Individual	Support	Written Testimony Only

Comments:

I strongly support HB1918.

HB-1918-HD-1

Submitted on: 3/12/2026 7:34:33 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lily Troy MD	Individual	Support	Written Testimony Only

Comments:

I support

HB1918 HD1

HB-1918-HD-1

Submitted on: 3/12/2026 7:39:19 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Nancy D Moser	Individual	Support	Written Testimony Only

Comments:

In support

HB-1918-HD-1

Submitted on: 3/13/2026 8:03:28 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lois Crozer	Individual	Support	Written Testimony Only

Comments:

I wholeheartedly SUPPORT increasing the conveyance tax for expensive houses. Too many people sell their houses at a HUGE profit, and take the money and leave the islands to invest in a place where they can get much more for their money and they don't give back to the place where they made their money. The real estate people have been making out like bandits as well. Investors reap the profits of our Aloha, and we are left with damaged oceans, invasive species and overstressed infrastructure. We cannot continue like this folks.

HB-1918-HD-1

Submitted on: 3/13/2026 10:03:49 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
James E Raymond	Individual	Support	Written Testimony Only

Comments:

Thank you. I am a member of Indivisible Windward

HB-1918-HD-1

Submitted on: 3/13/2026 11:17:38 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Marcela Montalto	Individual	Support	Written Testimony Only

Comments:

The conveyance tax is a one-time tax paid to the state when a property is sold. It’s different from property taxes, which homeowners pay to the county every year. Money from the conveyance tax helps build affordable housing and protect natural areas—two things that have been hurt by Hawai‘i’s real estate prices. Even though property values have soared, especially for luxury homes, owners of expensive properties still pay very low conveyance tax rates—only about 0.5 to 1.25 percent.

Other expensive cities like Seattle and San Francisco have much higher transfer taxes, ranging from 2 to 7 percent on high-value properties. If Hawai‘i raised its tax rates to between 2 and 6 percent for homes worth \$2 million or more, the state could bring in an extra \$300–400 million each year. A proposal called Senate Bill 678 would use that new revenue to fund affordable housing, homelessness programs, land conservation, and the state’s general fund—adding tens of millions of dollars to each.

This tax structure could be improved by switching to a marginal rate, similar to income taxes, where only the portion above each price threshold is taxed at higher rates. It could also be improved by increasing the rates on luxury homes and second homes.

- As a result, middle-class homeowners would pay a lower conveyance tax and owners of high-value homes (including out-of-state homeowners) would pay more.
- The extra revenue from these changes would go to key priorities like affordable rental housing, transportation infrastructure, and the Department of Hawaiian Homelands.

HB-1918-HD-1

Submitted on: 3/13/2026 11:53:38 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lisa Gollin	Testifying for Indivisible	Support	Written Testimony Only

Comments:

I strongly support this conveyance tax on luxury homes. I have watched our islands being gobbled up by outside investors who contribute little to Hawai`i while monster homes and gated communities increasingly pepper the neighborhoods. Particularly hard to watch as a renter when fair housing is so scarce.

Mahalo, Lisa Gollin

HB-1918-HD-1

Submitted on: 3/13/2026 1:55:08 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kehaulani Coleman	Individual	Support	Written Testimony Only

Comments:

Thank you

HB-1918-HD-1

Submitted on: 3/13/2026 11:08:55 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Cory Harden	Individual	Support	Written Testimony Only

Comments:

Aloha legislators,

Please support this bill. We need more revenue to offset Federal cuts, and everyone should pay their fair share.

mahalo,

Cory Harden, Hilo, Indivisible member

HB-1918-HD-1

Submitted on: 3/14/2026 1:33:54 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kanani Kai	Individual	Support	Written Testimony Only

Comments:

I SUPPORT HB1918.

Mahalo,

Kanani Kai

Member Indivisible Hawaii.

HB-1918-HD-1

Submitted on: 3/14/2026 7:33:33 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Belinda Pate	Individual	Support	Written Testimony Only

Comments:

Hawaii is a prime choice for real estate deals, because the values seem to stay steady and increase over time. I am resident of Kailua-Kona, HI and have bought and sold properties here several times.

A higher conveyance tax, especially for the highest earners, means that we get to keep the value of our real estate high- IF the funds are used appropriately to conserve and improve our state.

This is a win-win. The highest earners have the most impact on the land, and, are the mostly obvious source to mitigate our multiple environmental catastrophes.

Please support Hawaii and support this bill as the common sense approach to maintain our high real estate values.

HB-1918-HD-1

Submitted on: 3/14/2026 7:36:26 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kathleen Dickson	Individual	Support	Written Testimony Only

Comments:

It makes sense to support this bill. Conveyance tax relative to the value of the property puts equitable balance on buyers.

I completely support the following:

- the Legacy Land Conservation Fund and the Rental Housing Revolving Fund. The Legacy Land Fund helps buy and protect land with important natural and cultural resources. The Rental Housing Fund helps build affordable rental housing for low-income families. By law, these funds are capped:
 - \$5.1 million a year for land conservation and \$38 million for affordable housing, even if the state collects more.
- This proposal would also dedicate some of the conveyance tax revenue to the Department of Hawaiian Homelands

thank you for the opportunity to testify.

kate dickson

Waikiki

HB-1918-HD-1

Submitted on: 3/14/2026 8:17:40 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Denize Machit	Individual	Support	Written Testimony Only

Comments:

Mahalo for allowing me to express my voice on this.

we know we have a housing crisis here in Hawai'i. We also know that we have a lot of people who own property here, but do not live here as their primary residence. We should be seeking ways to get more tax dollars out of these vacation homes.

Other expensive cities like Seattle and San Francisco have much higher transfer taxes, ranging from 2 to 7 percent on high-value properties. If Hawai'i raised its tax rates to between 2 and 6 percent for homes worth \$2 million or more, the state could bring in an extra \$300–400 million each year. A proposal called Senate Bill 678 would use that new revenue to fund affordable housing, homelessness programs, land conservation, and the state's general fund—adding tens of millions of dollars to each.

HB-1918-HD-1

Submitted on: 3/14/2026 9:11:42 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Michelle Bonk	Individual	Support	Written Testimony Only

Comments:

I ask you to support and pass this bill.

Money from the conveyance tax helps build affordable housing and protect natural areas—two things that have been hurt by Hawai‘i’s real estate prices. Even though property values have soared, especially for luxury homes, owners of expensive properties still pay very low conveyance tax rates—only about 0.5 to 1.25 percent.

As a result of this bill, middle-class homeowners would pay a lower conveyance tax and owners of high-value homes (including out-of-state homeowners) would pay more.

The extra revenue from these changes would go to key priorities like affordable rental housing, transportation infrastructure, and the Department of Hawaiian Homelands.

Thank you for your consideration.

HB-1918-HD-1

Submitted on: 3/14/2026 6:27:02 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Tammy DeBernardi	Individual	Support	Written Testimony Only

Comments:

Money from the conveyance tax helps build affordable housing and protect natural areas—two things that have been hurt by Hawai‘i’s real estate prices. Even though property values have soared, especially for luxury homes, owners of expensive properties still pay very low conveyance tax rates—only about 0.5 to 1.25 percent.

Other expensive cities like Seattle and San Francisco have much higher transfer taxes, ranging from 2 to 7 percent on high-value properties. If Hawai‘i raised its tax rates to between 2 and 6 percent for homes worth \$2 million or more, the state could bring in an extra \$300–400 million each year.

I support increasing the conveyance tax

HB-1918-HD-1

Submitted on: 3/14/2026 8:35:44 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kiana Lee	Individual	Support	Written Testimony Only

Comments:

Aloha, I am testifying in strong support of HB1918 HD1.

Mahalo.

HB-1918-HD-1

Submitted on: 3/14/2026 8:37:40 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Robert Justice, M.D.	Individual	Support	Written Testimony Only

Comments:

Aloha,

I am a resident of Kapolei and a member of Indivisible Hawai`i. I am writing to testify in strong support for HB1918 HD1. More of Hawai`i's real estate is being bought by investors. The conveyance tax is a one-time tax paid to the state when a property is sold. It's different from property taxes, which homeowners pay to the county every year. Money from the conveyance tax helps build affordable housing and protect natural areas, two things that have been hurt by Hawai`i's real estate prices. Even though property values have soared, especially for luxury homes, owners of expensive properties still pay very low conveyance tax rates, only about 0.5 to 1.25 percent.

Other expensive cities like Seattle and San Francisco have much higher transfer taxes, ranging from 2 to 7 percent on high-value properties. If Hawai`i raised its tax rates to between 2 and 6 percent for homes worth \$2 million or more, the state could bring in an extra \$300–400 million each year. A proposal called Senate Bill 678 would use that new revenue to fund affordable housing, homelessness programs, land conservation, and the state's general fund, adding tens of millions of dollars to each.

This tax structure could be improved by switching to a marginal rate, similar to income taxes, where only the portion above each price threshold is taxed at higher rates. It could also be improved by increasing the rates on luxury homes and second homes. As a result, middle-class homeowners would pay a lower conveyance tax and owners of high-value homes (including out-of-state homeowners) would pay more.

The extra revenue from these changes would go to key priorities like affordable rental housing, transportation infrastructure, and the Department of Hawaiian Homelands. Part of Hawai`i's conveyance tax revenue goes into two special funds: the Legacy Land Conservation Fund and the Rental Housing Revolving Fund. The Legacy Land Fund helps buy and protect land with important natural and cultural resources. The Rental Housing Fund helps build affordable rental housing for low-income families. This proposal would also dedicate some of the conveyance tax revenue to the Department of Hawaiian Homelands.

Mahalo for the opportunity to testify on this bill.

Respectfully,

Robert L. Justice, M.D.

HB-1918-HD-1

Submitted on: 3/14/2026 10:04:32 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jackie Keefe	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Lee, Vice Chair Inouye, and Members of the Senate Committee on Water, Land, Culture, and the Arts,

My name is Jackie Keefe, and I am **in strong support of HB1918 HD1**, which closes a loophole that has allowed certain high-value commercial real estate transactions to avoid paying the conveyance tax.

This bill updates Hawai‘i’s conveyance tax to ensure consistent treatment of property transfers. Under current law, conveyance tax clearly applies when real estate is directly sold. However, when a controlling interest in a business entity that owns real property changes hands, the transaction can avoid conveyance tax even though ownership of the underlying property effectively changes. H.B. 1918 closes that gap by applying the existing conveyance tax to transfers of controlling interests in entities that hold real property.

If property ownership changes in substance, it should be treated the same for tax purposes — regardless of how the transaction is structured. Importantly, the bill maintains exemptions where beneficial ownership does not actually change and preserves the lowest tax rate for certain transactions, including those involving certified low-income housing developers, mergers, and transfers within wholly owned entities. This strikes a careful balance between fairness and legitimate business activity.

A resilient and regenerative economy depends on equal treatment under the law. By treating property sales and equivalent entity transfers the same, this bill promotes fairness, prevents wealthy investors from avoiding taxes, and helps maintain the resources local families depend on. It does so without raising tax rates, simply making the system consistent and equitable.

Please pass HB1918 HD1.

Mahalo for the opportunity to testify.

Jackie Keefe, Lahaina

HB-1918-HD-1

Submitted on: 3/15/2026 8:35:06 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jane Aquino	Individual	Support	Written Testimony Only

Comments:

I support this bill for the following reasons.

This tax structure could be improved by switching to a marginal rate, similar to income taxes, where only the portion above each price threshold is taxed at higher rates. It could also be improved by increasing the rates on luxury homes and second homes.

- As a result, middle-class homeowners would pay a lower conveyance tax and owners of high-value homes (including out-of-state homeowners) would pay more.
- The extra revenue from these changes would go to key priorities like affordable rental housing, transportation infrastructure, and the Department of Hawaiian Homelands.

Revenue from the conveyance tax goes to affordable housing and conservation

- Part of Hawai‘i’s conveyance tax revenue goes into two special funds: the Legacy Land Conservation Fund and the Rental Housing Revolving Fund. The Legacy Land Fund helps buy and protect land with important natural and cultural resources. The Rental Housing Fund helps build affordable rental housing for low-income families. By law, these funds are capped:
 - \$5.1 million a year for land conservation and \$38 million for affordable housing, even if the state collects more.
- This proposal would also dedicate some of the conveyance tax revenue to the Department of Hawaiian Homelands
- Thanks, Jane Aquino Indivisible

HB-1918-HD-1

Submitted on: 3/15/2026 11:41:09 AM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Brodie Lockard	Individual	Support	Written Testimony Only

Comments:

I support HB1918.

HB-1918-HD-1

Submitted on: 3/15/2026 12:28:24 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jessica Kuzmier	Individual	Comments	Written Testimony Only

Comments:

Aloha, I am for a conveyance tax on luxury homes. Mahalo for your consideration.

LATE

HB-1918-HD-1

Submitted on: 3/15/2026 2:54:29 PM
Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Calvin Black	Individual	Support	Written Testimony Only

Comments:

I am a member of Indivisible. Thank you for supporting this bill.

HB-1918-HD-1

Submitted on: 3/15/2026 5:34:11 PM

Testimony for WLA on 3/16/2026 1:00:00 PM



Submitted By	Organization	Testifier Position	Testify
Gail Morrison	Individual	Support	Written Testimony Only

Comments:

I support this bill for the following reasons:

- Middle-class homeowners would pay a lower conveyance tax and owners of high-value homes (including out-of-state homeowners) would pay more.
- The extra revenue from these changes would go to key priorities like affordable rental housing, transportation infrastructure, and the Department of Hawaiian Homelands.
- This proposal would also dedicate some of the conveyance tax revenue to the Department of Hawaiian Homelands

LATE

HB-1918-HD-1

Submitted on: 3/15/2026 6:31:30 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Judith Mura	Individual	Support	Written Testimony Only

Comments:

STRONGLY SUPPORT HB1918 HD1

LATE

HB-1918-HD-1

Submitted on: 3/15/2026 9:25:37 PM

Testimony for WLA on 3/16/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jesse Hutchison	Individual	Support	Written Testimony Only

Comments:

I strongly support this bill.

Thank you!