



**STATE OF HAWAII
OFFICE OF PLANNING
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Statement of
MARY ALICE EVANS, Director

before the
SENATE COMMITTEE ON WAYS AND MEANS
Wednesday, February 25, 2026
10:57 AM
State Capitol, Conference Room 211

in consideration of
SB 3028, SD1
RELATING TO PROPERTY CONVEYANCE.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Senate Committee on Ways and Means.

The Office of Planning and Sustainable Development (OPSD) **supports** SB 3028, which restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. Adjusts allocations of conveyance tax collections to Section 171-19, the Special Land Development and Development Fund, and to Section 198D-2, Na Ala Hele. It also allocates a portion of conveyance tax collections to the Dwelling Unit Revolving Fund (DURF) to fund infrastructure programs in county-designated transit-oriented development (TOD) areas that meet minimum standards of transit-supportive density.

OPSD supports State investment in higher-density, mixed-use communities around rail stations and areas designated for TOD served by public transit—this allows individuals and households of all income ranges to live in proximity to goods, services, and other amenities and promotes more walkable, vibrant communities for all residents. The *TOD Infrastructure Finance and Delivery Strategy Study* conducted by OPSD pursuant to Act 88, Session Laws of Hawai'i 2021, found that new revenue sources were needed to help address the significant funding gap for public infrastructure required in key TOD areas statewide. A key recommendation of the Study was to increase revenues from available tax mechanisms, such as the conveyance tax, and to dedicate a portion of the increased tax revenues to address infrastructure and housing needs in TOD areas. Thus, OPSD supports amendments that direct portions of the conveyance tax revenues to supportive housing and DURF for housing and infrastructure in county-designated TOD areas. These funding sources are essential to increasing and preserving Hawai'i's housing stock and increasing housing in transit-oriented communities.

Thank you for the opportunity to testify on this measure.

February 25, 2026

The Honorable Donovan M. Dela Cruz, Chair

Senate Committee on Ways and Means

State Capitol, Conference Room 211 & Videoconference

RE: Senate Bill 3028, SD1, Relating to Property Conveyance

HEARING: Wednesday, February 25, 2026, at 10:57 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 10,000 members. HAR **opposes** Senate Bill 3028, SD1, which restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. Adjusts allocations of conveyance tax collections to the Land Conservation Fund and Rental Housing Revolving Fund. Adds the Special Land and Development Fund (to fund land acquisition for the Hawai'i Statewide Trail and Access Program) and the Dwelling Unit Revolving Fund (to fund infrastructure programs in county-designated transit-oriented development areas). Effective 7/1/2050.

The Conveyance Tax, as it stands today, applies not only to residential property such as single-family homes and condominiums, but also to the conveyance of affordable housing projects, multi-family rentals, land for residential subdivisions, mixed-income and mixed-use properties, and commercial, resort, and agricultural lands.

Historically, the Conveyance Tax was not intended as a revenue-generating tax. It was originally designed to cover the administrative costs to assist the Department of Taxation in determining the market value of properties transferred. Over the years, the Legislature increased Conveyance Tax rates to increase funding for the general fund and to carve out special funding for the Land Conservation Fund and the Rental Housing Revolving Fund. While these programs have inherent value, we believe these programs are best funded through the general fund and should go through the regular budgetary process, like any other state program funded by the Legislature.

HAR believes that the Conveyance Tax structure could benefit from reform and appreciates the Legislature's willingness to entertain such changes. However, we have concerns about changes to the caps for the existing special funds and the additional funding carve-outs created, as this sets a precedent for future programs and departments to seek special funding through the Conveyance Tax instead of the regular budgetary process overseen directly by legislators.

Moreover, the challenge with linking funding to the Conveyance Tax is that when the real estate market is down, there may not be enough funds to pay for the programs it supports. The Conveyance Tax is then often targeted for an increase to cover these



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programs. However, when the market is up, there are excess funds over and above the programs' needs. This becomes a cyclical issue, and the Conveyance Tax is never lowered, even in an up market, thereby contributing to the ever-increasing cost of housing in our state.

HAR would also note that the Conveyance Tax applies even if someone sells a property at a loss. Often, it is the seller who pays the Conveyance Tax. This makes it a punishing tax, especially for someone who is already struggling financially and needs to sell their assets. One pays the same Conveyance Tax regardless of whether the property is sold at a loss or a profit. If there is a profit, real property is also taxed with capital gains.

We appreciate the Legislature's consideration of these concerns and respectfully request the opportunity to participate in future discussions regarding potential reforms to the Conveyance Tax.

Mahalo for the opportunity to testify on this measure.





Testimony Before The
Senate Committee on Ways and Means (WAM)
COMMENTS ON SB3028 SD1
February 25, 2026, 10:57 a.m. Room 211 & via Videoconference

We are Olan Leimomi Fisher and Kevin Chang, Kua'āina Advocate and Executive Director, respectively, testifying on behalf of [Kua'āina Ulu 'Auamo \(or KUA\)](#). "Kua'āina Ulu 'Auamo" stands for "grassroots growing through shared responsibility," and our acronym "KUA" means "backbone." **Our mission is to connect and empower communities to improve their quality of life through the collective care for their biocultural (natural and cultural) heritage, serving as a "backbone organization" that supports creative and community driven solutions to problems stemming from environmental degradation.** Hawai'i's biocultural resources continue to be negatively impacted by political, economic, and social changes, and the increasing dangers of climate change make fostering and empowering resilient communities acutely critical.

Currently KUA supports three statewide networks of: (1) over 40 mālama 'āina (caring for our 'āina or "that which feeds") community groups collectively referred to as E Alu Pū (moving forward together); (2) over 60 loko i'a (fishpond aquaculture systems unique to Hawai'i) and wai 'ōpae (anchialine pool systems) sites in varying stages of restoration and development, with numerous caretakers, stakeholders, and volunteers known as the Hui Mālama Loko I'a ("caretakers of fishponds"); and (3) the Limu Hui made up of over 50 loea (traditional experts) and practitioners in all things "limu" or locally-grown "seaweed." **Our shared vision is to once again experience what our kūpuna (ancestors) referred to as 'ĀINA MOMONA – abundant and healthy ecological systems that sustain our community resilience and well-being.**

KUA provides comments on SB3028 SD1 as a potential set-back to 'āina momona.

This bill proposes to make various changes to conveyance tax laws, including adjusting allocations to the Land Conservation Fund (LCF) under Hawai'i Revised Statutes §§ 173A-5 and 247-7(1), and adding a new fund for acquiring lands for Hawai'i public trails. SB3028 would change both the percentage and spending ceilings to the LCF from the current 10% or \$5.1M, whichever is less, to an unspecified amount. Although we take no position on the other provisions of this measure, KUA **strongly opposes** any decrease in percentage or spending ceilings allocated to the LCF, but would support increasing the current limits.

The state has an affirmative duty to mālama'āina, as articulated in our Hawai'i State Constitution, Articles XII, Section 7, and XI, Section 1, and confirmed through case law in *Ching v. Case*, 145 Hawai'i 148 (2019). The Legacy Land Conservation Program supports the mālama of important 'āina (both mauka and makai) throughout Hawai'i including native habitats and watersheds, as well as the Native Hawaiian traditional and customary practices dependent on the health and abundance of these places. Several of our KUA network members have utilized this fund for these very purposes. **As long acknowledged, the existing**

LCF \$5.1M revenue cap does *not* meet the urgent need and demand by communities wanting to mālama‘āina. Each year the Legacy Land Conservation Program is inundated with requests for promising projects that ultimately go unfunded due to this outdated limit. KUA would therefore wholeheartedly support an *increase* to the revenue and percentage ceilings, but strongly opposes any decrease. **Likewise, since the acquisition of lands for public trails is already an allowed use through the LCF, maintaining or ideally *increasing* the current percentage and spending ceilings would also benefit access to public trails, and no separate fund is necessary for that purpose.**

The resourceful and bright community members that KUA works with and supports are committed to ensuring the long-term health of our biocultural resources that they have cared for and depended on for generations – committing their lives to mālama i ka ‘āina o Hawai‘i, hugely benefiting everyone in our state and local governments. **We believe protecting our environment, the foundation of our very existence, is about long-term investment and a vision of ‘āina momona.** To get there it requires taking the steps necessary for greater self-sufficiency, development of a pipeline of new and more innovative career pathways, mindsets, relationships, and resources for mālama ‘āina efforts. Protecting the LCF and its funding stream is one such pathway as an ‘auwai “resource flow” that helps communities invest in the long-term vision of caring for our ‘āina – “that which feeds” and supports our collective future.

We urge you to not decrease the LCF percentage or revenue ceilings in SB3028 SD1, but either maintain or *increase* the outdated \$5.1M revenue cap. Mahalo for the opportunity to comment on this measure.

Aloha ‘Āina Momona no nā kau ā kau.

Feb. 25, 2026, 10:57 a.m.

Hawaii State Capitol

Conference Room 211 and Videoconference

To: Senate Committee on Ways and Means

Sen. Donovan M. Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

TESTIMONY IN OPPOSITION TO SB3028 SD1 — RELATING TO PROPERTY CONVEYANCE

Aloha chair, vice chair and other committee members,

The Grassroot Institute of Hawaii **opposes** [SB3028 SD1](#), which aims to increase existing conveyance tax revenues, largely through raising rates on higher residential tiers as well as commercial and investment real estate.

It is difficult to properly evaluate the impact of a bill with no listed tax rates. But based on the stated intent to increase tax revenues in order to fund certain projects, we must assume that this bill is intended to impose a sizable tax hike on higher-tiered properties.

We appreciate and support a marginal conveyance tax rate more generally; however, we are concerned that the proposed tax hikes could harm the economy and negatively affect Hawaii's already fragile housing market.

A report by the Sage Policy Group on real estate transfer taxes — exactly the type of tax proposed in this bill — noted that such laws 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.

When applied to higher-value properties, transfer taxes reduce investment in both commercial and residential properties, leading to lost jobs and reduced economic activity.

We at Grassroot believe it is counterintuitive to pursue affordable housing initiatives while simultaneously making it more expensive to buy and sell property.

Further, this measure could discourage the conversion of old buildings to new purposes, which is already taking place in Honolulu.² These so-called adaptive reuse projects have the potential to add to the state's housing stock. But higher conveyance taxes could discourage the sale of old buildings, which might not necessarily qualify as "multifamily residential property" at the time of sale.

Moreover, higher taxes will be a significant burden to businesses in general, regardless of whether they are planning to adapt a property for residential use. The Sage report stated: "Many properties will need to be upgraded and/or adaptively reused to remain viable. Excessive transfer tax rates can frustrate the exchange of property that is often required to return to commercial viability."³

This bill deserves some praise for seeking to adjust the tax for multifamily residential properties to reflect value on a per-unit basis, which would help address some concerns related to the purchase of property for affordable housing or rentals. However, it would not fully mitigate the potential harm that could come from increasing the conveyance tax.

Ultimately, the conveyance tax should only cover administrative needs. It is not the proper mechanism to create revenue for new projects.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

² Lana Teramae, "[Local Architects Talk About Repurposing Existing Buildings in Post-Pandemic Hawai'i](#)," Hawaii Business Magazine, Sept. 6, 2021.

³ "[The Unintended Consequences of Excessive Transfer Taxes](#)," p. 3.



February 25, 2026

Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair
Committee on Ways and Means

RE: **SB 3028 SD1 - Relating to Conveyance Tax**
Hearing date – February 25, 2026 at 10:57 AM

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

Thank you for allowing NAIOP Hawaii to submit testimony in **OPPOSITION to SB 3028 SD1– RELATING TO CONVEYANCE 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.

SB 3028 SD1 restructures the current conveyance tax system with the following proposed amendments:

1. Changes the current flat conveyance tax structure from a flat bracket to a marginal tax rate system for residential properties (both owner occupant and non-owner occupant properties).
2. Proposes blanked out increases in the conveyance tax rates per tier.
3. Reclassifies certain multifamily housing and creating a new conveyance tax category for property with no residential dwelling units.
4. Introduces an annual cost-of-living adjustment (COLA) to the conveyance tax value thresholds.
5. Changes allocations of conveyance tax to the Land Conservation Fund, Rental Housing Revolving Fund (RHRF), and the Dwelling Unit Revolving Fund (DURF) (to fund infrastructure programs in county-designated transit-oriented development areas), and establishes a Special Land and Development Fund (SLDF) (to fund land acquisition for the Hawai‘i Statewide Trail and Access Program).

NAIOP Hawaii recognizes and appreciates the Legislature's intent to generate funding for housing and infrastructure needs. NAIOP Hawaii has always held the position that the conveyance tax was intended as an administrative fee to cover the State's cost to record conveyances and was never intended to be a revenue generating tax.

SB 3028 SD1 materially increases transaction costs for commercial and investment real estate. Large commercial properties including office, industrial, retail, hospitality, and mixed-use assets already face significant upfront acquisition and redevelopment costs. Increasing conveyance tax rates directly reduces the capital available for tenant improvements, building upgrades, sustainability investments, and adaptive reuse. In many cases, these increased transaction costs will render otherwise viable transactions economically infeasible.

This reduction in transaction activity will likely have the opposite effect of what is intended—leading to fewer property transfers, less redevelopment activity, fewer construction jobs, lower general excise tax revenues, and potentially even **less overall conveyance tax revenue** collected by the State.

SB 3028 SD1 also disproportionately impacts high-value residential and multifamily housing projects. By imposing sharply higher marginal rates at the upper tiers and calculating multifamily conveyance tax based on per-unit value, the bill penalizes projects that are often best positioned to produce new housing supply. These projects already contribute disproportionately to State and County revenues through property taxes, construction-related GET revenues, and employment. Singling them out for steep conveyance tax increases risks discouraging investment in housing production rather than encouraging it.

The COLA indexing mechanism adds complexity and uncertainty. Primarily, the language remains unclear as to whether the language for the COLA applies to the tiers or the actual rates applied for each tier. This lack of clarity is concerning which could materially alter the impact of the legislation. While indexing may reduce “bracket creep” in inflationary environments, SB 3028 SD1's COLA provision introduces ambiguity regarding how thresholds will be adjusted and increases unpredictability for long-term investment underwriting. Real estate development and acquisition require multi-year planning horizons. Automatic statutory adjustments without legislative review increase uncertainty and risk, which must be priced into projects and ultimately borne by tenants and homebuyers.

Increased conveyance tax burdens will be passed through to tenants and consumers. Although conveyance tax is paid at the time of transfer, higher transaction costs are capitalized into rents and sales prices. SB 3028 SD1 will therefore increase costs for small businesses leasing commercial space and for residents in multifamily housing, exacerbating Hawai'i's already high cost of living and cost of doing business.

NAIOP Hawaii understands and supports the goal of funding housing and infrastructure programs. However, if the conveyance tax is to be transformed into a significant revenue-generating tax, then revenues should be allocated in a manner that supports **housing production broadly**, including the Rental Housing Revolving Fund

and Dwelling Unit Revolving Fund programs that serve projects based on readiness and feasibility rather than through narrowly restricted funding categories.

Hawai'i is already among the least business-friendly states in the nation. Increasing transaction taxes on real estate will further discourage private investment at a time when the State urgently needs new housing, redevelopment, and job creation. For these reasons, NAIOP Hawaii respectfully recommends that **SB 3028 SD1 be deferred.**

Mahalo for your consideration,

A handwritten signature in cursive script, appearing to read "Ken K. Hayashida".

Ken Hayashida, President
NAIOP Hawaii

**Testimony of The Nature Conservancy
Commenting on SB3028 SD1, Relating to Property Conveyance
Committee on Ways and Means
February 25, 2026 at 10:57 am
Conference Room 211 and via Videoconference**

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Mahalo for the opportunity to testify today. The Nature Conservancy (TNC) Hawai'i and Palmyra respectfully comments on SB3028 SD1, which restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis and adjusts allocations of conveyance tax collections to the Land Conservation Fund (LCF), and Rental Housing Revolving Fund and adds the Special Land and Development Fund (to fund land acquisition for the Hawai'i Statewide Trail and Access Program), and the Dwelling Unit Revolving Fund (to fund infrastructure programs in county-designated transit-oriented development areas).

The LCF supports the Legacy Land Conservation Program, which funds grants to state and county governments and non-profit land conservation organizations to acquire land and protect valuable resources for public benefit. Protecting these lands offers wide benefits for the people of Hawai'i, including reforestation efforts that help mitigate the impacts of climate change by providing freshwater and preventing runoff, drought, and wildfires. In recent years, decreased LCF funding has directly hindered opportunities for the protection of lands that is widely favored by local communities, with worthy projects being turned down each year due to lack of funding.

Recent CTX collections have ranged widely, from \$61.1 million to \$188.4 million annually in the last six fiscal years, demonstrating both the importance and the variability of this revenue source. Given this range, a higher cap on the LCF would provide more stable, reliable conservation funding that enables Hawai'i to meet its growing land protection and climate resilience needs. We therefore support an approach that increases the LCF cap to ensure consistent investment in conserving the natural and cultural resources that sustain our communities.

Mahalo for the opportunity to comment on SB3028 SD1.

Guided by science, TNC is a non-profit organization dedicated to the preservation of the lands and waters upon which all life depends. The Conservancy has helped protect more than 200,000 acres of natural lands in Hawai'i and Palmyra Atoll. We manage 84,000 acres in 13 nature preserves and 18 managed areas and have supported over 50 coastal communities to help protect and restore the nearshore reefs and fisheries of the main Hawaiian Islands.

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To: Senate Committee on Ways and Means
 Re: **SB3028 SD1 – Relating to Property Conveyance**
 Hawai'i State Capitol & Via Videoconference
 February 25, 2026, 10:57 AM

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **SUPPORT of SB3028 SD1**. This bill restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. It also adjusts allocations of conveyance tax collections to the Land Conservation Fund and Rental Housing Revolving Fund as well as adds the Special Land and Development Fund and the Dwelling Unit Revolving Fund.

In recent years, real estate prices in Hawai'i have skyrocketed to record highs over and over again. The conveyance tax is like a sales tax, applied when property is transferred between owners, but **current conveyance tax rates are only 0.1 percent to 1.25 percent, even on multi-million dollar properties.**

The original version of this bill would **increase tax liability on the sale of higher-value properties while keeping lower-value properties at a similar or even a slightly lower rate**, as you can see in this table:

Property Value	Owner-Occupied Principal Home			Second Home / Investment Property		
	Current Tax	SB3028 Tax	Difference	Current Tax	SB3028 Tax	Difference
\$1,000,000	\$3,000	\$2,000	-\$1,000	\$4,000	\$2,500	-\$1,500
\$5,000,000	\$35,000	\$37,000	+\$2,000	\$42,500	\$74,000	+\$31,500
\$10,000,000	\$100,000	\$119,000	+\$19,000	\$125,000	\$229,000	+\$104,000
\$25,000,000	\$250,000	\$569,000	+\$319,000	\$312,500	\$8441,000	+\$531,500

This bill would also help alleviate our homelessness and affordable housing crises. Some of the conveyance tax is allocated to the Rental Housing Revolving Fund, which provides low-interest loans or grants for affordable housing projects. In addition, it directs part of the conveyance tax to the Dwelling Unit Revolving Fund, which funds infrastructure programs in transit-oriented development areas, as well as the Hawaiian Home Lands Trust Fund.

It makes sense to ask wealthy sellers to pay a more when they sell their multi-million dollar properties – especially second homes or investment properties – and use those revenues to help those who are struggling to afford housing.

Mahalo for the opportunity to provide this testimony. Please pass this bill.

Sincerely,

Nicole Woo
 Director of Research and Economic Policy



HAWAI'I LAND TRUST

Senate Committee on Ways and Means

Date: Wednesday, February 25, 2026

Time: 10:57 AM

Place: Conference Room 211 & Videoconference

Re: COMMENTS – SB3028 SD1, Relating to Property Conveyance

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committees,

Hawai'i Land Trust respectfully submits these COMMENTS on SB3028 SD1, focusing specifically on the proposed provision that would affect the allocation of real estate conveyance tax revenues (CTX) to the Land Conservation Fund (LCF).

Considering the potential for increases in CTX revenue generated through the proposed restructured CTX system, we urge the Committee to increase the allocation of CTX to the LCF to at least \$10 million per year, if not greater. As the amount is currently blank, we strongly oppose any reduced allocation, regardless of the percentage rate or spending cap.

The LCF is an essential and highly effective tool utilized by the Department of Land and Natural Resources and its dedicated partners to ensure that lands and natural, cultural, and historic resources are protected and retained for our collective public benefit in perpetuity. The LCF is widely recognized as one of the State's most effective and vital programs for conserving critical agricultural lands, preserving irreplaceable cultural and historic sites, protecting vital watersheds, safeguarding coastal resources, and maintaining essential open spaces. By doing so, it contributes profoundly and directly to the health, resilience, and sustainability of Hawai'i's lands, communities, and economy.

The Legacy Lands Program consistently falls short of meeting the demands of the ever-growing list of worthy acquisition proposals due to insufficient funding. Increasing the allocation of CTX to the Land Conservation Fund is not just beneficial; it is absolutely necessary to bolster the State's ability to proactively conserve these irreplaceable assets, especially as rapidly escalating land prices present a significant and increasing challenge.

Mahalo nui loa for this opportunity to submit testimony and share our strong support for enhancing the LCF.

'Olu Campbell

President and Chief Executive Officer



HAWAII

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TRUST FOR PUBLIC LAND'S TESTIMONY IN OPPOSITION TO SB 3028 SD 1 Senate Committees on Ways & Means Wednesday, February 25, 2026, 10:57 a.m., Conf. Rm. 22

Aloha e Chairs Dela Cruz, Vice Chair Moriwaki and Members of the Committee,

Trust for Public Land (TPL) opposes SB3028 SD 1 which proposes modifying the percentage and spending ceiling of conveyances taxes that support the Legacy Land Conservation Program and newly sets aside an unspecified portion of conveyance tax revenues specifically for land acquisition for trails in the special land development fund, among other things (including modifying the conveyance tax structure, modifying conveyance tax revenues that go to the affordable housing rental trust fund, and newly setting aside conveyance tax revenue for the dwelling unit revolving fund under the Hawaii Housing Finance and Development Corporation).

First, the bill proposes unspecified blank modifications to the amount of conveyance tax funding the Legacy Land Conservation Program. TPL opposes reduction of the percentage rate (currently at 10%) or spending cap (currently \$5.1 million), but would support an increase of the spending cap.

In 2005, HRS Section 247-7(1) established funding for the State's Legacy Land Conservation Program under the Department of Land and Natural Resources, Division of Forestry and Wildlife (DLNR/DOFAW) setting aside up to 10% of the State's real estate conveyance tax (but currently capped at \$5.1M) to protect/purchase important agricultural, coastal, cultural/ historic, habitat, natural, open space/scenic, parks, recreation/hunting, and watershed lands throughout the state. With this funding, many culturally important areas have been protected with strong support from local communities – for example, heiau sites (Maunawila Heiau, Hāwea Heiau), larger cultural landscapes (Lapakahi State Historic Park, Mahukona Navigation and Ecological Complex, Kaunamano, Kawa, Mokae to Maka'alaē), and trail systems (e.g., Ala Kahakai National Historic Trail through Kaunāmano, Waikapuna, Kiolaka'a, and 'Anaehoomalu-Kapalaoa, Lahaina Pali trail at Ma'alaea). Every year, the program is inundated with worthy projects needing double, triple, or quadruple the amount of funding available – projects that are community led and supported, and protect special places throughout Hawai'i Nei.

Second, as discussed above – land acquisition for trails is already an allowed use of funds under the Legacy Land Conservation Program. A new and special allocation of conveyance taxes for land acquisition for trails may be duplicative and unneeded.

We have no comment about other provisions in this bill. I apologize that I will not be able to attend this hearing in person or by Zoom as I have a pre-existing conflict that cannot be moved.

Respectfully,

Lea Hong
Associate Vice President & Hawai'i State Director
Edmund C. Olson Trust Fellow

SB-3028-SD-1

Submitted on: 2/23/2026 4:44:42 PM

Testimony for WAM on 2/25/2026 10:57:00 AM

Submitted By	Organization	Testifier Position	Testify
Bianca Isaki	Individual	Support	Written Testimony Only

Comments:

Aloha Senators - please support SB3028 and ensure proper funding for land conservation.

Yours,

Bianca Isaki, Kane`ohe.

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
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**Testimony of
RYAN K.P. KANAKA'OLE
Acting Chairperson**

**Before the Senate Committee on
WAYS AND MEANS**

**Wednesday, February 25, 2026
10:57 AM
State Capitol, Conference Room 211**

**In consideration of
SENATE BILL 3028, SENATE DRAFT 1
RELATING TO PROPERTY CONVEYANCE**

Senate Bill 3028, Senate Draft 1 restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis; adjusts allocations of conveyance tax collections to the Land Conservation Fund and Rental Housing Revolving Fund; and adds the Special Land and Development Fund (to fund land acquisition for the Hawai'i Statewide Trail and Access Program) and the Dwelling Unit Revolving Fund (to fund infrastructure programs in county-designated transit-oriented development areas). **The Department of Land and Natural Resources (Department) supports this measure.**

The Department supports establishing land acquisition as an allowable use of conveyance tax funds allocated to the Special Land Development Fund, in addition to managing, maintaining, and developing trails and trail accesses under the Department's jurisdiction.

The Department also supports any changes to the Land Conservation Fund allocation that assist in achieving our goal of \$10 million each year.

Mahalo for the opportunity to comment on this measure.

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GOVERNOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 3028, S.D.1, Relating to Property Conveyance

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, February 25, 2026

TIME: 10:57 a.m.

LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 3028, S.D.1, for your consideration.

Section 3 of S.B. 3028, S.D.1, amends section 201H-191, Hawaii Revised Statutes (HRS), to direct conveyance taxes received pursuant to section 247-7(3), HRS, be deposited into the "dwelling unit revolving fund," and restricting those proceeds to fund infrastructure programs in areas that meet "transit-supportive density" requirements.

Definitions are provided for "county-designated transit-oriented development area," "floor area ratio," "ministerial permit," and "transit-supportive density requirements."

Section 4 of S.B. 3028, S.D.1, amends sections 247-2(a)(1) and (a)(2), HRS, to restructure the conveyance tax to a marginal rate system imposing new, unspecified tax rates.

Section 4 of the bill further amends 247-2(a)(2), HRS, by expanding the applicable property description from "a condominium or single-family residence" to also include "land zoned agricultural with a residential dwelling unit," and by adding a provision clarifying that the new, unspecified tax rates will apply to the transfer of a "multifamily residential property," which is defined as a structure that is located within the state urban land use district that is divided into five or more dwelling units. The

applicable rate is determined by dividing the actual and full consideration for the transfer by the number of residential dwelling units in the property to derive a per unit value, then identifying the corresponding marginal rate and applying the rate to the total consideration.

Section 4 of the bill also adds subsection 247-2(b), HRS, to require DOTAX to recompute, no later than December 15 of the preceding calendar year, the "rates" in subsection 247-2(a), HRS, based on a "cost-of-living adjustment factor."

Section 5 amends section 247-7, HRS, by removing and replacing the minimum distribution amounts for the two special funds currently receiving allocations from conveyance tax revenue, with unspecified new percentage and dollar value limits. It also directs that two additional, existing special funds are to receive unspecified allocation amounts of conveyance tax revenues.

The bill also makes several conforming amendments to section 171-19, HRS, and 198D-2, HRS, to effectuate the bill's purpose.

The measure has a defective effect date of July 1, 2050.

DOTAX reiterates its prior concern that the bill as currently drafted will annually increase the conveyance tax "rates," instead of the property "value" thresholds, based on inflation adjustments. If the intent is to apply the inflation adjustments to the "value" thresholds (i.e., the bracket amounts) DOTAX recommends amending section 247-2(b) as follows:

(b) For each taxable year beginning after December 31, 2027, the director of taxation, no later than December 15 of the preceding calendar year, shall recompute the "value" in sections 247-2(a)(1) and (a)(2) by multiplying the dollar amounts for the preceding taxable year by a cost-of-living adjustment factor, if the cost-of-living adjustment factor is greater than 1.0, and rounding off the resulting product to the nearest \$1; provided that if the cost of-living adjustment factor is less than or equal to 1.0 in a given year, then no adjustment shall occur in the following year.

DOTAX further notes that if the rates in the bill are specified, DOTAX can implement the conveyance tax law changes in the bill with a January 1, 2027 effective date.

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

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SUBJECT: CONVEYANCE, Restructure to Marginal Rate System, Adjust Earmarks

BILL NUMBER: SB 3028 SD1

INTRODUCED BY: LEE, C.

EXECUTIVE SUMMARY: Restructures the conveyance tax to a marginal rate system and adjusts the tax for multifamily properties to reflect value on a per-unit basis. Adjusts allocations of conveyance tax collections to the Land Conservation Fund, and Rental Housing Revolving Fund and adds the Special Land and Development Fund (to fund land acquisition for the Hawai'i Statewide Trail and Access Program), and the Dwelling Unit Revolving Fund (to fund infrastructure programs in county-designated transit-oriented development areas). Takes effect 7/1/2050.

SYNOPSIS: Amends sec 201H-191, HRS, to deposit HRS sec 247-7(3) conveyance taxes, to the Dwelling Unit revolving fund, which amounts can only be used to fund infrastructure programs in areas that meet "transit supportive density" requirements. Transit-supportive density has the same meaning as in section 206E-246, HRS.

Amends tax rates in section 247-2(a)(2), HRS, as follows:

1. For sale of a property with a residential dwelling unit for which the purchaser is eligible for a county homeowner's property tax exemption:
 - A) for properties with a value of less than \$600,000: (no change) blank cents per \$100;
 - B) for properties with a value of at least \$600,000, but less than \$1,000,000: \$ blank plus blank cents per \$100 of excess over \$600,000;
 - C) for properties with a value of at least \$1,000,000, but less than \$2,000,000: \$ blank plus blank cents per \$100 of excess over \$1,000,000;
 - D) for properties with a value of at least \$2,000,000, but less than \$4,000,000: \$ blank plus blank cents per \$100 of excess over \$2,000,000;
 - E) for properties with a value of at least \$4,000,000, but less than \$6,000,000: \$ blank plus \$ blank per \$100 of excess over \$4,000,000;
 - F) for properties with a value of at least \$6,000,000, but less than \$10,000,000: \$ blank plus \$ blank per \$100 of excess over \$6,000,000; and
 - G) for properties with a value of at least \$10,000,000: \$ blank plus \$ blank per \$100 of excess over \$10,000,000.

2. For the sale of a property with a residential dwelling unit for which the purchaser is ineligible for a county homeowner's exemption on property tax
 - A) for properties with a value of less than \$600,000: blank cents per \$100;
 - B) for properties with a value of at least \$600,000, but less than \$1,000,000: \$ blank plus blank cents per \$100 of excess over \$600,000;
 - C) for properties with a value of at least \$1,000,000, but less than \$2,000,000: \$ blank plus blank cents per \$100 of excess over \$1,000,000;
 - D) for properties with a value of at least \$2,000,000, but less than \$4,000,000: \$ blank plus \$ blank per \$100 of excess over \$2,000,000;
 - E) for properties with a value of at least \$4,000,000, but less than \$6,000,000: \$4 plus \$ blank per \$100 of excess over \$4,000,000;
 - F) for properties with a value of at least \$6,000,000, but less than \$10,000,000: \$ blank plus \$ blank per \$100 of excess over \$6,000,000; and
 - G) for properties with a value of at least \$10,000,000 or greater: \$ blank plus \$ blank per \$100 of excess over \$10,000,000.

Adds that these rates shall apply to the conveyance of a "multifamily residential property"; however, the "value" for purposes of determining the rate, shall be an amount calculated by dividing the actual and full consideration by the number of residential dwelling units in the property. Multifamily residential property is defined as a structure that is located within the state urban land use district and divided into five or more dwelling units.

Adds section 247-2(b), HRS, for taxable years beginning after December 31, 2026, the director of taxation shall recompute the rates in subparagraph (a) by the cost-of-living adjustment factor, as defined in this added section.

Amends the disposition of conveyance tax in section 247-7, HRS, as follows:

- ___% (currently 10%) or \$_____ (currently, \$5,100,000), whichever is less, paid into the land conservation fund established pursuant to section 173A-5;
- ___% (currently 50%) or \$_____ (currently \$38,000,000), whichever is less, paid into the rental housing revolving fund established by section 201H-202;
- ___% or \$_____, whichever is less, paid into the special land and development fund established pursuant to section 171-19, for land acquisition for trails pursuant to section 198D-2; and
- ___% paid into the dwelling unit revolving fund established pursuant to section 201H-191.

EFFECTIVE DATE: July 1, 2050.

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 conveyance tax now has discontinuities at the bracket break points, which means that if taxable income increases by \$1 at a break point, such as from \$9,999,999 to \$10,000,000, the increase in tax will be substantially more than \$1. In this example the tax would go from \$200,000 to \$300,000.

Substantial discontinuities such as these may motivate behavior for taxpayers near a break point. This behavior might not be desirable from an economic standpoint. This bill restructures the conveyance tax brackets more like the existing income tax brackets which do not have this problem.

Conveyance Tax Hike

This bill proposes to presumably raise conveyance tax rates although the magnitude cannot be determined in as the measure contains only blanks..

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Tax Earmarks

Until 2005, 50% of the receipts went into the general fund and the other half was split with the affordable rental housing program and the natural area reserve program. Beginning in 2005, another 10% was taken for the land conservation fund.

Act 84, SLH 2015, imposed a \$6.8 million cap on the earmark to the land conservation fund and a \$38 million cap on the earmark to the rental housing revolving fund. In 2015, the Conference Committee explained the rationale for the cap on the earmark as follows:

Your Committee on Conference finds that budgetary planning and transparency are key components to ensuring the ongoing fiscal health of the State. Your Committee on Conference believes that, by establishing maximum amounts to be distributed to various non-general funds from the conveyance tax, this measure will make forecasts of general fund revenues more reliable, will increase legislative oversight of agencies and programs supported by the non-general funds, and will subject those agencies and programs to competition for limited public funds if the agencies or programs want more than the amount automatically distributed to their non-general funds.

Conf. Comm. Rep. No. 156 (2015).

The cap on the earmark to the land conservation fund was reduced to \$5.1 million in the budget bill of 2020, Act 9, SLH 2020.

The bill provides earmarks to two additional funds; the special land and development fund established pursuant to new section 171-19 and to the dwelling unit revolving fund.

The measure has blanked out all earmarks of the conveyance tax in sec 247-7, HRS., seemingly to encourage review, consequently making the measure difficult to vet.

Raising the cap on the existing earmarked revenues should be done only with great caution. As with any earmarking of revenues, the legislature will be preapproving each of the programs fed by the fund into which the tax monies are diverted, expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether the fund has too little or too much revenue.

If the legislature deems the programs and purposes funded by this fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each program.

Digested: 2/23/2026