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# A BILL FOR AN ACT

RELATING TO THE CONVEYANCE TAX.

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

1           SECTION 1. The legislature finds that immediate action is  
2 needed to secure Hawaii's water supply. Hotter, drier  
3 conditions and damaged watershed forests are escalating the  
4 costs and conflicts over water.

5           Protecting forest watersheds is a very cost-effective and  
6 efficient way to absorb rainwater and replenish ground water.  
7 Watersheds also reduce impacts from climate change by absorbing  
8 greenhouse gases. Additionally, forests ensure sustainability  
9 of irreplaceable cultural values and natural resources.

10           Half of Hawaii's forests have already been lost.  
11 Introduced animals, such as feral pigs, sheep, deer, and goats,  
12 trample and devour vegetation, leaving bare ground or openings  
13 for invasive plants that consume more water and increase runoff.  
14 Controlling these and other threats requires a large-scale  
15 effort to protect irreplaceable natural assets.

16           Governor Neil Abercrombie's "A New Day in Hawaii" plan  
17 calls for the stewardship of the natural resources on which our  
18 way of life and economy depend. Priority actions of the plan



1 include managing invasive species, protecting forests, and  
2 restoring capabilities of the department of land and natural  
3 resources by finding additional sources of funding. The  
4 Abercrombie administration's New Day Status Report also tasks  
5 the department of land and natural resources to ensure mauka  
6 watersheds are fully functioning so fresh water resources can be  
7 utilized and enjoyed by the people of Hawaii in perpetuity. To  
8 implement these central goals of the Abercrombie administration,  
9 the department of land and natural resources released "The Rain  
10 Follows the Forest - A Plan to Protect Hawaii's Source of  
11 Water."

12 "The Rain Follows the Forest - A Plan to Protect Hawaii's  
13 Source of Water" identifies priority watersheds and outlines on-  
14 the-ground actions and projects required to protect and sustain  
15 Hawaii's critical water sources. The forests, and their ability  
16 to capture water, depend on the protection provided by the  
17 actions listed in this plan. Currently, only ten per cent  
18 (approximately ninety thousand acres) of the priority watershed  
19 areas are protected. This level of management has taken forty  
20 years to achieve. The department of land and natural resources'  
21 goal is to double the amount of protected watershed areas in



1 just ten years. This will require approximately \$11,000,000 per  
2 year, and create over one hundred fifty local jobs.

3 The legislature also finds that there is sufficient nexus  
4 to warrant the use of a portion of the conveyance tax for  
5 watershed protection. The development, sale, and improvement of  
6 real estate in Hawaii puts additional pressure on watersheds,  
7 Hawaii's water resources, and watershed recharge areas.  
8 Protecting watersheds benefits Hawaii's economy, environment,  
9 and quality of life. While watershed protection is one of the  
10 purposes of the natural area reserve fund, additional funding is  
11 needed to restore Hawaii's watershed health and function and  
12 control invasive species. This additional funding will support  
13 the goals of the Abercrombie administration and the department  
14 of land and natural resources' watershed plan, ensuring that  
15 watershed protection funding is commensurate with the magnitude  
16 of effort needed to ensure Hawaii's water supply for the future.

17 The purpose of this Act is to increase the amount of the  
18 conveyance tax and the portion of conveyance tax revenues  
19 directed toward watershed protection and invasive species  
20 control.

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



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

- 10           (1) Except as provided in paragraph (2):
  - 11                   (A) Ten cents per \$100 for properties with a value of
  - 12                               less than \$600,000;
  - 13                   (B) Twenty cents per \$100 for properties with a value
  - 14                               of at least \$600,000, but less than \$1,000,000;
  - 15                   (C) Thirty cents per \$100 for properties with a value
  - 16                               of at least \$1,000,000, but less than \$2,000,000;
  - 17                   (D) [~~Fifty~~] \_\_\_\_\_ cents per \$100 for properties with
  - 18                               a value of at least \$2,000,000, but less than
  - 19                               \$4,000,000;
  - 20                   (E) [~~Seventy cents~~] \_\_\_\_\_ per \$100 for properties
  - 21                               with a value of at least \$4,000,000, but less
  - 22                               than \$6,000,000;



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



1 (F) [~~One dollar and ten~~] \_\_\_\_\_ cents per \$100 for  
2 properties with a value of at least \$6,000,000,  
3 but less than \$10,000,000; and

4 (G) [~~One dollar and twenty five cents~~] \_\_\_\_\_ per  
5 \$100 for properties with a value of \$10,000,000  
6 or greater,

7 of [~~such~~] the actual and full consideration; provided that in  
8 the case of a lease or sublease, this chapter shall apply only  
9 to a lease or sublease whose full unexpired term is for a period  
10 of five years or more, and in those cases, including (where  
11 appropriate) those cases where the lease has been extended or  
12 amended, the tax in this chapter shall be based on the cash  
13 value of the lease rentals discounted to present day value and  
14 capitalized at the rate of six per cent, plus the actual and  
15 full consideration paid or to be paid for any and all  
16 improvements, if any, that shall include on-site as well as off-  
17 site improvements, applicable to the leased premises; and  
18 provided further that the tax imposed for each transaction shall  
19 be not less than \$1."

20 SECTION 3. Section 247-7, Hawaii Revised Statutes, is  
21 amended to read as follows:



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

6           (1) Ten per cent shall be paid into the land conservation  
7 fund established pursuant to section 173A-5;

8           (2) [~~Twenty five per cent from July 1, 2009, until June~~  
9 ~~30, 2012, and thirty~~] Forty per cent [~~in each fiscal~~  
10 ~~year thereafter~~] shall be paid into the rental housing  
11 trust fund established by section 201H-202; and

12           (3) [~~Twenty per cent from July 1, 2009, until June 30,~~  
13 ~~2012, and twenty five~~] Thirty-five per cent [~~in each~~  
14 ~~fiscal year thereafter~~] shall be paid into the natural  
15 area reserve fund established by section 195-9;  
16 provided that the funds paid into the natural area  
17 reserve fund shall be annually disbursed by the  
18 department of land and natural resources [~~in~~] for the  
19 following [~~priority:~~] purposes:

20           (A) To natural area partnership and forest  
21 stewardship programs after joint consultation



- 1 with the forest stewardship committee and the  
2 natural area reserves system commission;
- 3 (B) Projects undertaken in accordance with watershed  
4 management plans pursuant to section 171-58 or  
5 watershed management plans negotiated with  
6 private landowners, and management of the  
7 natural area reserves system pursuant to section  
8 195-3; [~~and~~]
- 9 (C) The youth conservation corps established under  
10 chapter 193[~~-~~];
- 11 (D) Projects undertaken in accordance with  
12 departmental watershed management plans to  
13 protect and restore the health and functionality  
14 of watersheds in the State; and
- 15 (E) Projects for invasive species control, including  
16 those developed under chapter 194."

17 SECTION 4. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

19 SECTION 5. This Act shall take effect on July 1, 2050.



**Report Title:**

Watershed Protection and Invasive Species Control; Conveyance Tax

**Description:**

Increases the conveyance tax on certain real estate transactions and increases portions of conveyance tax revenues allocated to the natural area reserve fund and rental housing trust fund. Effective July 1, 2050. (SB1166 HD1)

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

