



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the Senate Committee on Ways and Means  
Thursday, April 5, 2018 at 10:15 A.M.  
Conference Room 211, State Capitol**

**LATE**

**RE: HOUSE BILL 207 HD2 PROPOSED SD1 RELATING TO TAXATION**

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

The Chamber of Commerce Hawaii ("The Chamber") **opposes** the proposed SD1 for HB 207, HD2, which increases estate taxes for Hawaii net taxable estates valued at over \$10,000,000. The bill also raises the conveyance tax rates for residential investment properties with a value of at least \$2,000,000.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The conveyance tax was created to cover the administrative costs of recording real estate transactions, such as those performed by the Bureau of Conveyance. As such, we are opposed to this measure, because we do not believe that the conveyance tax is being used in a manner consistent with the purpose for which it was originally established. There is no rational nexus between the real estate transactions that are being taxed at conveyance and the disposition of the taxes to the beneficiary funds identified in HRS 247-7, such as the Rental Housing Trust Fund and the Land Conservation Fund.

Thank you for the opportunity to testify.

**LATE**

**HB-207-HD-2**

Submitted on: 4/4/2018 7:49:25 PM

Testimony for WAM on 4/5/2018 10:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ellen Godbey Carson	Testifying for Faith Action for Community Equity & Housing Now!	Comments	Yes

Comments:

Comments on HB 207 Proposed SD1

I am writing on behalf of Faith Action for Community Equity (FACE) and its Housing Now! taskforce. FACE is a 501(c)(3) organization of approximately 40 churches and other faith organizations who are committed to improving the quality of life for all the people of Hawai'i. Central to this mission is addressing the state's affordable housing crisis.

If your committee is considering Proposed SD 1 for HB207, which would raise the real estate conveyance taxes for investment properties over \$2 million, **we request an amendment of the bill to eliminate the \$38 million cap in Haw Rev Stat section 247-7(2)**, to allow the incremental increase in real estate conveyance taxes from this bill to flow 50% to the rental housing revolving fund. That would leave the remainder of all new revenues to address other infrastructure needs that can pave the way for more affordable housing. Without such an amendment, the bill raises revenues without abiding by the legislature's commitment to address our affordable housing needs.

This request is supported by the following factors:

1. Hawaii is in a housing crisis with insufficient appropriate housing for local residents. More and more luxury condos are being built and bought by off-shore investors who can afford to pay a higher tax and have a moral obligation to support the community that they are investing in.
2. Our state is missing out on receiving more money from off-shore investors, and this is one way to recover some of those missing opportunities.
3. The state has shown it understands this nexus/close relationship between real estate sales and affordability, as it has for many years imposed a progressive tax on these conveyances, and has previously amended the Real Estate Conveyance Tax law to devote a substantial portion of those tax revenues to the Rental Housing Revolving Fund, via Haw Rev Stat 247-7(2).

4. The nexus (relationship) between the proposed Real Estate Conveyance Tax and affordable housing is that the rising cost of housing in Hawaii is a major factor in why so many working people and families cannot afford housing here. Taxing real estate conveyances, particularly at progressively higher tax rates, generates state funds to address the problems of affordability of housing and homelessness, both of which are exacerbated by our high cost of housing. Imposing higher tax rates on higher priced properties may also create a mild disincentive for even higher prices on those properties.
5. If this bill is amended to remove the current \$38 million cap on real estate conveyance funds flowing into the Rental Housing Revolving Fund (Haw Rev Stat. 247-7(2)), this would not only increase the amount of money going to affordable housing, but also would increase the amount of money going to infrastructure and related programs that receive the other 50% of the conveyance tax.

Respectfully submitted,

Ellen Godbey Carson

**LATE**

**HB-207-HD-2**

Submitted on: 4/5/2018 7:49:17 AM  
Testimony for WAM on 4/5/2018 10:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jeff Gilbreath	Testifying for Hawaiian Community Assets	Support	No

Comments:

**LATE**

COMMITTEE ON WAYS AND MEANS

THURSDAY, APRIL 5, 10:15 A.M., ROOM 211

HB207, PROPOSED SD1 RELATING TO ESTATE TAXES

**TESTIMONY**

Beppie J. Shapiro, testifying as individual

Chair Delacruz, Vice-Chair Keith-Agaran and Committee Members:

**I support the intent of HB207, Proposed SD1 as well as its substance, and suggest strengthening it to fully address its intent. This measure proposes to capture money from estates which will not be taxed under the new federal tax law as it has been previously, in order to provide increased funding to the state of Hawaii.**

The Estate Tax rightly aims to prevent the concentration of wealth in a limited number of families, by taking part of an estate's value and returning it to government where it will benefit the public. Estate taxes generally increase with the size of an estate as they do in Hawaii under current law.

Hawaii's Estate Tax exemption value has been tied to the federal Estate Tax exemption value for years, which has resulted in more estates being untaxed, or taxed at a lower amount, than any other state except Delaware.

The new tax law raises the federal level of exemption from estate taxation dramatically. Thus many, many estates which previously were subject to federal Estate Taxes will no longer be so taxed.

This provides an opportunity for Hawaii to collect some of this money which is being "left on the table". HB207, Proposed SD1 takes advantage of this situation by defining a new level of estate wealth, corresponding to the new federal exemption threshold, and establishing a new and higher State Estate Tax on these extremely wealthy estates.

However, HB207, Proposed SD1 seems to me to miss a significant opportunity to implement its intent. Previously the federal government taxed estates valued at more than \$5 million; now it will only tax those valued at more than \$10 million. Thus estates in

Hawaii between \$5 and \$10 million will now not be subject to federal Estate Taxes. HB207, Proposed SD1 could increase the taxes on estates with values between \$5 million and \$10 million to collect some of this newly untaxed wealth. I encourage this committee to amend HB207, Proposed SD1 to accomplish this by further amending HRS section 236-8.

Thank you for the opportunity to submit testimony.