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# A BILL FOR AN ACT

RELATING TO STATE FUNDS.

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

1 PART I

2 SECTION 1. Section 247-7, Hawaii Revised Statutes, is  
3 amended to read as follows:

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

10 (1) Ten per cent or \$5,100,000, whichever is less, shall  
11 be paid into the land conservation fund established  
12 pursuant to section 173A-5; and

13 (2) Fifty per cent or \$38,000,000, whichever is less,  
14 shall be paid into the rental housing revolving fund  
15 established by section 201H-202.

16 (b) Notwithstanding subsection (a), for the period  
17 beginning July 1, 2021, through June 30, 2023, all taxes



1 collected under this chapter shall be deposited into the general  
2 fund and expended for the purposes of paying the principal and  
3 interest of general obligation bonds pursuant to section 39-12."

4 PART II

5 SECTION 2. The director of finance is authorized to issue  
6 general obligation bonds in the sum of \$ or so much  
7 thereof as may be necessary and the same sum or so much thereof  
8 as may be necessary is appropriated for fiscal year 2021-2022 to  
9 be deposited into the land conservation fund established  
10 pursuant to section 173A-5, Hawaii Revised Statutes.

11 SECTION 3. The director of finance is authorized to issue  
12 general obligation bonds in the sum of \$ or so much  
13 thereof as may be necessary and the same sum or so much thereof  
14 as may be necessary is appropriated for fiscal year 2022-2023 to  
15 be deposited into the land conservation fund established  
16 pursuant to section 173A-5, Hawaii Revised Statutes.

17 SECTION 4. There is appropriated out of the land  
18 conservation fund established pursuant to section 173A-5, Hawaii  
19 Revised Statutes, the sum of \$ or so much thereof as  
20 may be necessary for fiscal year 2021-2022 and the same sum or  
21 so much thereof as may be necessary for fiscal year 2022-2023



1 for the purposes for which the land conservation fund is  
2 established.

3 The sums appropriated shall be expended by the department  
4 of land and natural resources for the purposes of this part.

5 PART III

6 SECTION 5. The director of finance is authorized to issue  
7 general obligation bonds in the sum of \$ or so much  
8 thereof as may be necessary and the same sum or so much thereof  
9 as may be necessary is appropriated for fiscal year 2021-2022 to  
10 be deposited into the rental housing revolving fund established  
11 pursuant to section 201H-202, Hawaii Revised Statutes.

12 SECTION 6. The director of finance is authorized to issue  
13 general obligation bonds in the sum of \$ or so much  
14 thereof as may be necessary and the same sum or so much thereof  
15 as may be necessary is appropriated for fiscal year 2022-2023 to  
16 be deposited into the rental housing revolving fund established  
17 pursuant to section 201H-202, Hawaii Revised Statutes.

18 SECTION 7. There is appropriated out of the rental housing  
19 revolving fund established pursuant to section 201H-202, Hawaii  
20 Revised Statutes, the sum of \$ or so much thereof as  
21 may be necessary for fiscal year 2021-2022 and the same sum or



1 so much thereof as may be necessary for fiscal year 2022-2023  
2 for the purposes for which the rental housing revolving fund is  
3 established.

4 The sums appropriated shall be expended by the Hawaii  
5 housing finance and development corporation for the purposes of  
6 this part.

7 PART IV

8 SECTION 8. Section 236E-6, Hawaii Revised Statutes, is  
9 amended by amending subsection (a) to read as follows:

10 "(a) An exclusion from a Hawaii taxable estate shall be  
11 allowed to the estate of every decedent against the tax imposed  
12 by section 236E-8. For the purpose of this section, the  
13 applicable exclusion amount is ~~[equal to:~~

- 14 ~~(1) The federal applicable exclusion amount;~~
- 15 ~~(2) The exemption equivalent of the unified credit reduced~~  
16 ~~by the amount of taxable gifts made by the decedent~~  
17 ~~that reduces the amount of the federal applicable~~  
18 ~~exclusion amount; or~~
- 19 ~~(3) The exemption equivalent of the unified credit on the~~  
20 ~~decedent's federal estate tax return,~~



1 ~~as set forth for the decedent in chapter 11 of the Internal~~  
2 ~~Revenue Code as amended as of December 21, 2017, as if the~~  
3 ~~decedent died on December 31, 2017,] \$3,500,000, and as further~~  
4 adjusted pursuant to subsection (b)."

5 PART V

6 SECTION 9. Chapter 237, Hawaii Revised Statutes, is  
7 amended by adding two new sections to be appropriately  
8 designated and to read as follows:

9 "§237- Temporary suspension of exemption of certain  
10 amounts; levy of tax. (a) Notwithstanding any other law to the  
11 contrary, the exemption of the following amounts from taxation  
12 under this chapter shall be suspended from July 1, 2021, through  
13 June 30, 2023:

14 (1) Reimbursements received by federal cost-plus  
15 contractors for the costs of purchased materials,  
16 plant, and equipment as described under section  
17 237-13(3)(C);

18 (2) Gross receipts of home service providers acting as  
19 service carriers providing mobile telecommunications  
20 services to other home service providers as described  
21 under section 237-13(6)(D);



- 1        (3) Amounts deducted from the gross income of real
- 2            property lessees because of receipt from sublessees as
- 3            described under section 237-16.5;
- 4        (4) Amounts received by sugarcane producers as described
- 5            under section 237-24(14);
- 6        (5) Amounts received from the loading, transportation, and
- 7            unloading of agricultural commodities shipped
- 8            interisland as described under section 237-24.3(1);
- 9        (6) Amounts received or accrued from the loading or
- 10           unloading of cargo as described under section
- 11           237-24.3(3)(A);
- 12        (7) Amounts received or accrued from tugboat and towage
- 13           services as described under section 237-24.3(3)(B);
- 14        (8) Amounts received or accrued from the transportation of
- 15           pilots or governmental officials and other
- 16           maritime-related services as described under section
- 17           237-24.3(3)(C);
- 18        (9) Amounts received by exchanges and exchange members as
- 19           described under section 237-24.5;



1       (10) Amounts received as high technology research and  
2       development grants under section 206M-15 as described  
3       under section 237-24.7(10);

4       (11) Gross proceeds from the sale of the following:

5       (A) Intoxicating liquor, as described under section  
6       237-25(a)(1), to the United States (including any  
7       agency or instrumentality of the United States  
8       that is wholly owned or otherwise so constituted  
9       as to be immune from the levy of a tax under  
10       chapter 238 or 244D, but not including national  
11       banks) or any organization to which the sale is  
12       permitted by the proviso of "Class 3" of section  
13       281-31 that is located on any Army, Navy, or Air  
14       Force reservation;

15       (B) Tobacco products and cigarettes, as described  
16       under section 237-25(a)(2), to the United States  
17       (including any agency or instrumentality thereof  
18       that is wholly owned or otherwise so constituted  
19       as to be immune from the levy of tax under  
20       chapter 238 or 245, but not including national  
21       banks); and



- 1           (C) Other tangible personal property, as described
- 2           under section 237-25(a)(3), to the United States
- 3           (including any agency, instrumentality, or
- 4           federal credit union thereof, but not including
- 5           national banks) and any state-chartered credit
- 6           union;
  
- 7           (12) Amounts received by petroleum product refiners from
- 8           other refiners for further refining of petroleum
- 9           products as described under section 237-27;
  
- 10          (13) Gross proceeds received from the construction,
- 11          reconstruction, erection, operation, use, maintenance,
- 12          or furnishing of air pollution control facilities, as
- 13          described under section 237-27.5, that do not have
- 14          valid certificates of exemption on July 1, 2021;
  
- 15          (14) Gross proceeds received from shipbuilding and ship
- 16          repairs as described under section 237-28.1;
  
- 17          (15) Amounts received by telecommunications common carriers
- 18          from call center operators for interstate or foreign
- 19          telecommunications services as described under section
- 20          237-29.8;





1       (16) Gross proceeds received by qualified businesses in  
2       enterprise zones, as described under section 209E-11,  
3       that do not have valid certificates of qualification  
4       from the department of business, economic development,  
5       and tourism on July 1, 2021; and

6       (17) Gross proceeds received by contractors licensed under  
7       chapter 444 for construction within enterprise zones  
8       performed for qualified businesses within the  
9       enterprise zones or businesses approved by the  
10       department of business, economic development, and  
11       tourism to enroll into the enterprise zone program, as  
12       described under section 209E-11.

13       (b) Except as otherwise provided under subsection (e),  
14       (f), or (g), there is levied, assessed, and collected annually  
15       against a taxpayer receiving or deriving previously exempt gross  
16       income or gross proceeds of sale from July 1, 2021, to June 30,  
17       2023, a tax at the rate of four per cent on that previously  
18       exempt gross income or gross proceeds of sale.

19       (c) The taxpayer against whom the tax is levied and  
20       assessed under this section shall be responsible for payment of  
21       the tax to the director of taxation.



1        (d) Notwithstanding section 237-8.6, no county surcharge  
2 shall be levied, assessed, or collected on any previously exempt  
3 gross income or gross proceeds of sale that is subject to  
4 taxation under subsection (b).

5        (e) This section shall not apply to gross income or gross  
6 proceeds from binding written contracts entered into prior to  
7 July 1, 2021, that do not permit the passing on of increased  
8 rates of taxes.

9        (f) This section shall not apply to gross income or gross  
10 proceeds from stevedoring services and related services, as  
11 defined in section 382-1, furnished to a company by its wholly  
12 owned subsidiary.

13        (g) The tax imposed under subsection (b) shall not apply  
14 to any gross income or gross proceeds of sale that cannot  
15 legally be so taxed under the Constitution or laws of the United  
16 States, but only so long as, and only to the extent, to which  
17 the State is without power to impose the tax.

18        To the extent that any exemption, exclusion, or  
19 apportionment is necessary to comply with the preceding  
20 sentence, the director of taxation shall:



1        (1) Exempt or exclude the gross income or gross proceeds  
2        of sale from the tax under subsection (b); or  
3        (2) Apportion the gross income or gross proceeds of sale  
4        derived within the State by persons engaged in  
5        business both within and without the State to  
6        determine the gross income or gross proceeds of sale  
7        that is subject to taxation under this chapter for the  
8        purposes of section 237-21.

9        (h) This chapter shall apply to the payment, collection,  
10       enforcement, and appeal of the tax levied under this section.

11       (i) The director of taxation may establish additional  
12       requirements, procedures, and forms pursuant to rules adopted  
13       under chapter 91 to effectuate this section.

14       (j) As used in this section, "previously exempt gross  
15       income or gross proceeds of sale" means the amount of the gross  
16       income or gross proceeds of sale the exemption for which is  
17       suspended under subsection (a).

18       **§237- Information reporting.** Beginning July 1, 2021,  
19       the director of taxation shall require information reporting on  
20       all exclusions or exemptions of all amounts, persons, or  
21       transactions from this chapter, except for the following:



- 1        (1) Amounts received that are exempt under section
- 2                237-24(1) through (7); and
- 3        (2) Any other amounts, persons, or transactions as
- 4                determined by the director to be in the best interest
- 5                of tax administration and made by official
- 6                pronouncement."

7                SECTION 10. Chapter 238, Hawaii Revised Statutes, is  
 8 amended by adding two new sections to be appropriately  
 9 designated and to read as follows:

10                "§238-        Temporary suspension of exemption of certain  
 11 amounts; levy of tax. (a) Notwithstanding any other law to the  
 12 contrary, the exemption of the following from taxation under  
 13 this chapter shall be suspended from July 1, 2021, through  
 14 June 30, 2023:

- 15                (1) The use or sale of intoxicating liquor and cigarettes
- 16                and tobacco products imported into the State and sold
- 17                to any person or common carrier in interstate
- 18                commerce, whether ocean-going or air, for consumption
- 19                out of State by the person, crew, or passengers on the
- 20                shipper's vessels or airplanes, as described under
- 21                section 238-3(g);



1       (2) The use of any vessel constructed under section 189-25  
2       prior to July 1, 1969, as described under section  
3       238-3(h); and

4       (3) The use of any air pollution control facility subject  
5       to section 237-27.5 as described under section  
6       238-3(k).

7       (b) Except as otherwise provided under subsection (e) or  
8       (f), there is levied, assessed, and collected annually against a  
9       taxpayer who imports or purchases previously exempt property,  
10       services, or contracting for use in this State that becomes  
11       subject to the State's taxing jurisdiction from July 1, 2021, to  
12       June 30, 2023, a tax at the rate of four per cent on the value  
13       of that previously exempt property, services, or contracting.

14       (c) The taxpayer against whom the tax is levied and  
15       assessed under this section shall be responsible for payment of  
16       the tax to the director of taxation.

17       (d) Notwithstanding section 238-2.6, no county surcharge  
18       shall be levied, assessed, or collected on the value of any  
19       previously exempt property, services, or contracting that is  
20       subject to taxation under subsection (b).



1       (e) This section shall not apply to any property,  
2 services, or contracting imported or purchased under binding  
3 written contracts entered into prior to July 1, 2021, that do  
4 not permit the passing on of increased rates of taxes.

5       (f) The tax imposed under subsection (b) shall not apply  
6 to any property, services, or contracting or to any use of the  
7 property, services, or contracting that cannot legally be so  
8 taxed under the Constitution or laws of the United States, but  
9 only so long as, and only to the extent to which, the State is  
10 without power to impose the tax.

11       To the extent that any exemption, exclusion, or  
12 apportionment is necessary to comply with the preceding  
13 sentence, the director of taxation shall:

14       (1) Exempt or exclude the property, services, or  
15 contracting or the use of the property, services, or  
16 contracting, from the tax under subsection (b); or

17       (2) Apportion the gross value of services or contracting  
18 sold to customers within the State by persons engaged  
19 in business both within and without the State to  
20 determine the value of that portion of the services or



1           contracting that is subject to taxation under chapter  
2           237 for the purposes of section 237-21.

3           (g) This chapter shall apply to the payment, collection,  
4 enforcement, and appeal of the tax levied under this section.

5           (h) The director of taxation may establish additional  
6 requirements, procedures, and forms pursuant to rules adopted  
7 under chapter 91 to effectuate this section.

8           (i) As used in this section, "previously exempt property,  
9 services, or contracting" means property, services, or  
10 contracting, the exemption for which is suspended under  
11 subsection (a).

12           §238- Information reporting. Beginning July 1, 2021,  
13 the director of taxation shall require information reporting on  
14 all exclusions or exemptions of all amounts, persons, or  
15 transactions from this chapter, except for any amounts, persons,  
16 or transactions as determined by the director to be in the best  
17 interest of tax administration and made by official  
18 pronouncement."

19           SECTION 11. Section 247-2, Hawaii Revised Statutes, is  
20 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~~] For properties with a  
12           value of less than \$600,000[+]: ten cents per  
13           \$100;

14           (B) [~~Twenty cents per \$100 for~~] For properties with a  
15           value of at least \$600,000, but less than  
16           \$1,000,000[+]: twenty cents per \$100;

17           (C) [~~Thirty cents per \$100 for~~] For properties with a  
18           value of at least \$1,000,000, but less than  
19           \$2,000,000[+]: thirty cents per \$100;





1 (D) [~~Fifty cents per \$100 for~~] For properties with a  
2 value of at least \$2,000,000, but less than  
3 \$4,000,000[+]: fifty cents per \$100;

4 (E) [~~Seventy cents per \$100 for~~] For properties with  
5 a value of at least \$4,000,000, but less than  
6 \$6,000,000[+]: \$1.40 per \$100;

7 (F) [~~Ninety cents per \$100 for~~] For properties with a  
8 value of at least \$6,000,000, but less than  
9 \$10,000,000[+ and]: \$2.70 per \$100; and

10 (G) [~~One dollar per \$100 for~~] For properties with a  
11 value of \$10,000,000 or greater[+ and]: \$4.00 per  
12 \$100; and

13 (2) For the sale of a condominium or single family  
14 residence for which the purchaser is ineligible for a  
15 county homeowner's exemption on property tax:

16 (A) [~~Fifteen cents per \$100 for~~] For properties with  
17 a value of less than \$600,000[+]: fifteen cents  
18 per \$100;

19 (B) [~~Twenty five cents per \$100 for~~] For properties  
20 with a value of at least \$600,000, but less than  
21 \$1,000,000[+]: twenty-five cents per \$100;



1 (C) [~~Forty cents per \$100 for~~] For properties with a  
2 value of at least \$1,000,000, but less than  
3 \$2,000,000[~~+~~]: forty cents per \$100;

4 (D) [~~Sixty cents per \$100 for~~] For properties with a  
5 value of at least \$2,000,000, but less than  
6 \$4,000,000[~~+~~]: sixty cents per \$100;

7 (E) [~~Eighty five cents per \$100 for~~] For properties  
8 with a value of at least \$4,000,000, but less  
9 than \$6,000,000[~~+~~]: \$1.70 per \$100;

10 (F) [~~One dollar and ten cents per \$100 for~~] For  
11 properties with a value of at least \$6,000,000,  
12 but less than \$10,000,000[~~+~~ and]: \$3.30 per \$100;  
13 and

14 (G) [~~One dollar and twenty five cents per \$100 for~~]  
15 For properties with a value of \$10,000,000 or  
16 greater[~~+~~]: \$5.00 per \$100,

17 of such actual and full consideration; provided that in the case  
18 of a lease or sublease, this chapter shall apply only to a lease  
19 or sublease whose full unexpired term is for a period of five  
20 years or more, and in those cases, including [~~where~~  
21 ~~appropriate~~], where appropriate, those cases where the lease



1 has been extended or amended, the tax in this chapter shall be  
2 based on the cash value of the lease rentals discounted to  
3 present day value and capitalized at the rate of six per cent,  
4 plus the actual and full consideration paid or to be paid for  
5 any and all improvements, if any, that shall include on-site as  
6 well as off-site improvements, applicable to the leased  
7 premises; and provided further that the tax imposed for each  
8 transaction shall be [~~not~~] no less than \$1."

9 PART VI

10 SECTION 12. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 13. This Act shall take effect on January 1, 2050.



**Report Title:**

Conveyance Tax; Disposition; General Obligation Bonds; Land Conservation Fund; Rental Housing Revolving Fund

**Description:**

Temporarily reallocates conveyance tax revenues for purposes of paying the principal and interest of general obligation bonds. Authorizes the issuance of general obligation bonds to be appropriated into and out of the land conservation fund and rental housing revolving fund. Amends the exclusion amount of Hawaii's estate tax. From 7/1/2021 through 6/30/2023, temporarily repeals certain general excise tax exemptions. Increases conveyance taxes for the sale of properties valued at \$4,000,000 or greater. Effective 1/1/2050. (SD1 Proposed)

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

