**LINDA LINGLE**
GOVERNOR

**JAMES R. AIONA, JR.**
LT. GOVERNOR

**KURT KAWAFUCHI**
DIRECTOR OF TAXATION

**MARIE C. LADERTA**
DEPUTY DIRECTOR

STATE OF HAWAII
**DEPARTMENT OF TAXATION**
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

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# DEPARTMENT OF TAXATION ANNOUNCEMENT 2005-08

RE: Act 156, Session Laws of Hawaii 2005, Relating to Land Conservation (Act 156)

On June 23, 2005, the Governor signed into law H.B. No. 1308, H.D. 1, S.D. 2, C.D. 1, as Act 156. As it relates to taxation, the Act amends the conveyance tax law to implement new sliding-scale tax rate schedules, which increase the conveyance tax for various types of real property transfers, and also changes the distribution of the conveyance tax revenues collected. The anticipated increase in revenues is intended to provide a permanent and adequate source of funding for the land conservation fund established by § 173A-5, Hawaii Revised Statutes ("HRS").

The Act became effective on July 1, 2005.[1]

The Act amends § 247-2, HRS, to impose the following rate schedule on all transfers or conveyances of realty or any interest therein:

1. 10 cents per $100 for properties with a value of less than $600,000;
2. 20 cents per $100 for properties with a value of $600,000, but less than $1,000,000; and
3. 30 cents per $100 for per $100 for properties with a value of $1,000,000 or more.

However, if the conveyance involves the sale of a condominium or single-family residence for which the purchaser is ineligible for a county homeowner's exemption from real property tax, the following rate schedule applies:

1. 15 cents per $100 for properties with a value of less than $600,000;
2. 25 cents per $100 for properties with a value of $600,000, but less than $1,000,000; and

[1] Under prior law, the conveyance tax was levied on all transfers or conveyances of realty, or any interest therein. The tax imposed was levied at the rate of 10 cents per $100 of the actual and full consideration of the conveyance of realty or interest that exceeds $100. The revenues raised from the conveyance tax was allocated as follows:

1. 25 percent to the Rental Housing Trust Fund;
2. 25 percent to the Natural Area Reserve Fund; and
3. 50 percent to the general fund.

3. 35 cents per $100 for per $100 for properties with a value of $1,000,000 or more.

The Department of Taxation ("Department") has revised Form P-64A and the accompanying instructions in accordance with the new law. Because the higher rate schedule applies only to sales of condominium and single-family residences to purchasers who are ineligible for a homeowner's exemption (e.g., purchase is for investment reasons), the revised Form P-64A requires only the purchaser's signature to certify that the purchaser is eligible for a county homeowner's exemption with respect to the condominium or single-family residence. In addition, any conveyance of real property that is executed before July 1, 2005 (the effective date of this Act) will be subject to the prior law, while conveyances executed on or after July 1, 2005, will be subject to the new law's tax rate schedules.

Section 247-7, HRS, as amended by this Act requires the disposition of conveyance tax revenues to be as follows:

1. 10% to the land conservation fund established pursuant to § 173A-5, HRS.
2. 30% to the rental housing trust fund established by § 201G-432; and
3. 25% to the natural area reserve fund established by § 195-9, HRS (to be disbursed by the Department of Land and Natural Resources to: (a) natural area partnership and forest stewardship programs in joint consultation with the forest stewardship committee and the natural area reserves systems commission); (b) projects undertaken in accordance with watershed management plans under § 171-58, HRS, or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to § 195-3, HRS); and (c) the youth conservation corps established under § 195-3, HRS.
4. The balance of revenues collected will be credited to the general fund.

Current forms and other tax information are available at the Department's website at: www.state.hi.us/tax. If you know which tax form or publication you need, please call the Department's request line at 808-587-7572, or toll-free from the neighbor islands and continental U.S. at 1-800-222-7572. This service is available 24 hours a day, 7 days a week.



KURT KAWAFUCHI
Director of Taxation

HRS Sections Explained: HRS §§ 247-2, 247-7