LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
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

June 26, 2007

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2007-08

RE: Act 166, Session Laws of Hawaii 2007, Relating to Leasehold Conversion

On June 8, 2007, Governor Linda Lingle signed into law Senate Bill 600 HD 2, CD 1, as Act 166

Act 166 amends Section 235-7(a), Hawaii Revised Statutes (HRS), by excluding from gross income 100% of the gain realized by a fee simple owner who sells a leased fee interest in certain condominiums, cooperative projects, or planned unit developments. In order to qualify for the 100% exclusion, the leased fee interest must be sold to the Association of Apartment Owners or the Residential Cooperative Corporation of the leased units.

Act 166 also defines various terms by reference to Chapters 514C and 516, HRS.

Act 166 takes effect on June 8, 2007 and applies to taxable years beginning after December 31, 2007 and ending before January 1, 2013. On January 13, 2013, amendments made by Act 166 will be repealed and HRS § 235-7(a) will be reenacted in the form in which it read prior to enactment of Act 166.

For more information on Act 166, please contact the Rules Office at 808-587-1577.

KURT KAWAFUCHI
Director of Taxation