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June 29, 2018

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2018-11

Re: Change in Rate on Withholding of Tax for the Disposition of Hawaii Real Property Occurring on or After September 15, 2018

This Announcement summarizes Senate Bill (S.B) 508, S.D. 1, H.D. 1, C.D. 1, relating to the withholding of tax for the disposition of Hawaii real property by nonresident persons, commonly referred to as "HARPTA."

Section 235-68, Hawaii Revised Statutes (HRS), requires every transferee or buyer of Hawaii real property to withhold and pay to the Department of Taxation a percentage of the amount realized on the disposition of the real property, unless the disposition is exempt from withholding. S.B. 508, S.D. 1, H.D. 1, C.D. 1 amends section 235-68, HRS, by changing the withholding rate from 5 percent to 7.25 percent. The change in rate will apply to all real property dispositions that occur on or after September 15, 2018.[1]

In sum, a transferee or buyer must withhold 7.25 percent of the amount realized by the transferor on the disposition of Hawaii real property if the transfer occurs on or after September 15, 2018, unless an exemption applies.

This Announcement supplements the Instructions for Forms N-288 and N-288A. Revised versions of these forms reflecting the new 7.25 percent HARPTA withholding rate will be available in January of 2019. For more information, please contact the Technical Section at (808) 587-1577 or by email at Tax.Technical.Section@hawaii.gov.

LINDA CHU TAKAYAMA
Director of Taxation

[1] The bill is effective upon approval and applies to all real estate dispositions that occur on or after September 15, 2018. The bill will become law on July 10, 2018, unless the Governor signs it on an earlier date.