June 15, 2009

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2009-07


On May 8, 2009, the Legislature overrode Governor Linda Lingle's veto and House Bill 1741, HD 1, SD 1, CD1 became law as Act 59.

Beginning July 1, 2009, Act 59 increases conveyance tax rates for higher value properties, and changes the percentages of the conveyance tax revenue distributed into the rental housing trust fund and the natural area reserve fund.

For the sale of a condominium or single family residence for which the purchaser is ineligible for a county homeowner's exemption on property tax, the rates increase for property with a value of at least $1,000,000, as follows:

- 40 cents per $100 for properties with a value of at least $1,000,000, but less than $2,000,000;
- 60 cents per $100 for properties with a value of at least $2,000,000, but less than $4,000,000;
- 85 cents per $100 for properties with a value of at least $4,000,000, but less than $6,000,000;
- $1.10 per $100 for properties with a value of at least $6,000,000, but less than $10,000,000;
- $1.25 per $100 for properties with a value of $10,000,000 or greater.

For all other property, the rates increase for transfers or conveyances of property with a value of at least $2,000,000, as follows:

- 50 cents per $100 for properties with a value of at least $2,000,000, but less than $4,000,000;
- 70 cents per $100 for properties with a value of at least $4,000,000, but less than $6,000,000;
- 90 cents per $100 for properties with a value of at least $6,000,000, but less than $10,000,000;
- $1.00 per $100 for properties with a value of $10,000,000 or greater.

The new tax rate schedule will apply on a transaction-date basis, not on a recording-date basis. The new tax rates are imposed on any transfer or conveyance or realty or any interest therein (unless exempt) that occurs on or after July 1, 2009. According to § 18-247-1.1, Hawaii Administrative Rules, the date the document is executed, or the date of the last acknowledgment, whichever is later,
is the "date of transaction." The date of last acknowledgment is described in the Instructions for Form P-64A, Conveyance Tax Certificate, as the date that the last formal declaration is noted on a document. Any conveyance of real property that has a "date of transaction" before July 1, 2009 (the effective date of this Act) will be subject to the prior law, while conveyances with a "date of transaction" on or after July 1, 2009, will be subject to the new law's tax rate schedules.

For more information on Act 59, please contact the Rules Office at 808-587-1577.

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