



*First American Title*TM

STATE OF HAWAII CONVEYANCE TAXES FREQUENTLY ASKED QUESTIONS

Q: I am purchasing a single family home in the City and County of Honolulu that I intend to use as my principal home but will be taking title in my revocable living trust, not my individual name. Will I still be eligible for the lower conveyance tax rates when I purchase the property?

A: YES. The lower conveyance tax rates apply to the purchase of a single family home or condominium if the purchaser is eligible for a county real property tax homeowner's exemption. Under the Revised Ordinances of Honolulu, you may qualify for the homeowner's exemption when you take title in your revocable living trust.

The Revised Ordinances of Honolulu state that trustees "shall be entitled to the exemption where: (i) the settlor of the trust occupies the property as the settlor's principal home; or (ii) the settlor of the trust dies and a beneficiary entitled to live in the home under the terms of the trust document occupies the property as the beneficiary's principal home." ROH § 8-10.4(a).

Q: I am purchasing a condominium unit in the City and County of Honolulu that I may use as a principal home, but for liability reasons, I am taking title in my Limited Liability Company (LLC). May I still qualify for the lower conveyance tax rates?

A: NO. The higher conveyance tax rates apply to the transfer unless you qualify for a county homeowner's exemption. Only individuals and trustees of certain trusts may qualify for the county home exemption. Corporations, co-partnerships, and companies are specifically excluded from the county homeowner's exemption. ROH § 8-10.4.

Q: I am changing the ownership of a single family home that I use as my principal home and own as a tenant in severalty to my trust. Do I need to pay conveyance taxes when I record the deed from myself to my revocable living trust?

A: NO. A transfer from a grantor to a grantor's own revocable living trust, or from a grantor's revocable living trust to the grantor who is the primary beneficiary of the trust, is exempt from conveyance taxes.

Please note that if you are claiming a home exemption from real property taxes on property located in the City and County of Honolulu, then the City and County of Honolulu requires that you re-file a claim for home exemption when you change ownership of the property. Depending on how your trust is named, there may be questions as to your qualification for the exemption. To minimize these questions, the City suggests that you send in a copy of your trust when filing the claim for exemption.

Q: My husband and I are purchasing a condominium that we will occupy as our principal home. We will take title in our joint trust, but would like to take advantage of the new law that allows tenancy by the entirety creditor protection for the trust. We have been advised that we will need to record two deeds: first, a deed to ourselves as individuals as tenants by the entirety, and, second, a deed from ourselves to our joint trust. Will we pay conveyance taxes on both conveyances?

A: NO. Conveyances taxes must be paid upon recording of the first deed placing you and your husband on title as tenants by the entirety. The second deed should be exempt from conveyance taxes because it is a transfer to your revocable living trust. HRS § 247-3 (14).

Q: I am in the process of setting up an estate plan with my attorney. In the meantime, I am recording a quitclaim deed for a timeshare interest I own to my nephew, which is to be effective upon my death, under the new Hawaii law that allows me to do so. Will I need to sign a Conveyance Tax Certificate and pay conveyance taxes to the Bureau of Conveyances when I record that deed?

A: NO. The State of Hawaii does not collect conveyance taxes or require a Conveyance Tax Certificate for "documents that conform to the transfer on death deed as authorized under chapter 527, HRS." HRS § 247-3 (17). Please note that because this is a new law, it is still unclear how conveyance tax must be paid by your nephew when title is transferred upon your death.

version: 100714