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A GUIDE FOR OUT OF STATE OWNERS

Selling Your Oahu Property From the Mainland

The withholding, the deadlines, the paperwork and the people, in the order you will actually meet them.

Every tax figure in this guide is sourced to the State of Hawaii Department of Taxation. Nothing here is tax advice.

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START HERE

If you own Oahu property and live somewhere else

You are not a hard case. You are most of my business.

Selling a property in Hawaii while you live two thousand five hundred miles away is not harder than selling one you can drive to. It is just front loaded. Almost everything that goes wrong for a mainland seller goes wrong because a form had a deadline nobody mentioned, or because a number at closing was not the number they had in mind.

This guide covers the part of the sale that is specific to being out of state. It does not cover how to price a house or how to stage one. It covers the money the state holds back, the two forms that can stop it being held back, the way a 1031 exchange interacts with all of that, how you sign from where you live, and who needs to be involved before you list.

What is inside

One. The 7.25 percent withholding, and the three things people get wrong about it.

Two. Form N-288B and the ten working day rule that decides whether it works.

Three. The 1031 exchange, Form N-289, and the one word that disqualifies both.

Four. Signing and notarizing from the mainland, including Hawaii's remote notary law.

Five. The two things out of state owners actually say to me, and the honest answers.

Six. A pre listing checklist you can work through before you call anyone.

Seven. The four people who need to be in the room, and what each one is for.

This guide explains how the rules work. It is not tax advice and it does not tell you what you will owe. Every situation turns on facts only your own CPA or tax attorney can see. Confirm yours with them before you sign anything.

The 7.25 percent, and what it is not

The single most misunderstood number in a Hawaii sale.

When a nonresident sells real property in Hawaii, the buyer is required to withhold **7.25 percent of the amount realized** on the sale and remit it to the state. It is reported on Forms N-288 and N-288A and is due by the twentieth day after the transfer date. The rule is commonly called HARPTA.

Three corrections worth more than the rest of this chapter

It is not a tax. It is an estimated tax payment, credited against your Hawaii income tax return for the year of the sale. If it turns out you owed less than was withheld, the difference is refunded to you. People hear 7.25 percent and think it is a fee for selling. It is not.

It is not 7.25 percent of the sale price. It is 7.25 percent of the amount realized, which includes the fair market value of any property you receive and **any liability the buyer assumes**. The state's own example: a seller who receives $3,000 in cash while the buyer assumes a $1,500,000 mortgage has an amount realized of $1,503,000, not $3,000.

It is not only for nonresidents. The withholding applies unless the seller gives the buyer Form N-289. The Department of Taxation specifically calls the belief that Hawaii residents are automatically exempt "a common misperception." Without that form in hand, a buyer must withhold even knowing the seller lives here.

The one that costs people the most: gain is not equity. The state's own worked example shows a seller with no equity at all and a taxable gain of $203,182. This happens routinely after a cash out refinance. You can walk away from closing with nothing and still owe Hawaii tax on a gain.

One last piece of mechanics. Escrow cannot ask for your money back. Only you can. If too much was withheld, the refund comes through your return, or through Form N-288C after closing.

Source: State of Hawaii Department of Taxation, Tax Facts 2010-1, Understanding HARPTA, revised April 2025. Not tax advice. Confirm your situation with your CPA or tax attorney.

Ten working days, and who is counting them

This is the chapter most sellers wish they had read a month earlier.

You do not have to accept the withholding as a foregone conclusion. Form N-288B is a withholding certificate. It asks the state to reduce or eliminate what the buyer holds back, on the grounds that there is no gain on the sale, or that the proceeds are not sufficient to cover the withholding.

> **Form N-288B must be filed at least ten working days before the transfer date, or it will not be approved.**

Read that as two full calendar weeks, because working days do not include weekends or holidays. This is the deadline that quietly decides the outcome. A seller who first hears the word HARPTA during escrow has usually already lost the chance to do anything about it, and that is not their fault. Nobody tells them.

Which form does what

N-288 and N-288A	Filed by the buyer. Reports and pays the withholding, due the twentieth day after transfer.
N-288B	Filed before closing. Reduces or eliminates the withholding. Ten working day deadline.
N-288C	Filed after closing. Requests a tentative refund without waiting for your return.
N-289	Given to the buyer. Claims an exemption so nothing is withheld in the first place.

The trap inside the federal exclusion

Hawaii conforms to the federal home sale exclusion, $250,000 filing single and $500,000 married filing jointly. But the interaction is sharp: **if any gain remains after the exclusion is applied, Form N-288B cannot be used**, and the full 7.25 percent is withheld anyway. Partly excluded is not the same as excluded.

Short sales and foreclosures are still dispositions, so the withholding still applies. N-288B is often the right tool there, because the proceeds genuinely are insufficient, but it is the same ten working days.

Source: State of Hawaii Department of Taxation, Tax Facts 2010-1, revised April 2025. Not tax advice. Your CPA or tax attorney should confirm which form fits your sale.

1031, Form N-289, and the word that undoes both

There is a genuinely useful Hawaii angle here that almost nobody explains correctly.

If you are selling an Oahu investment property and rolling into a like kind replacement under IRC section 1031, Hawaii conforms. A 1031 is one of the nonrecognition provisions the state recognizes, alongside gift, bequest and divorce transfers.

Here is the part worth knowing. A nonresident doing a 1031 can avoid the 7.25 percent withholding **entirely**, by giving the buyer Form N-289 claiming the nonrecognition provision, with a description of the transfer and a summary of the supporting law and facts. Not reduced. Not refunded later. Not withheld at all.

And your replacement property does not have to be in Hawaii. The Department of Taxation says so plainly. For an owner who wants to trade out of Oahu into something near where they live, that is the whole ballgame.

The word that undoes it: boot

If any gain is recognized, Form N-289 cannot be used and the buyer withholds the full 7.25 percent. Gain is recognized when you receive cash, receive property that is not like kind, or are relieved of debt. That last one catches people, because relief of a mortgage is not something you feel in your hand.

Worth saying twice: gift, bequest, divorce and 1031 all still require Form N-289 to be given to the buyer. The exemption is not automatic because the situation qualifies. The form is what makes it real.

Sources: Hawaii Department of Taxation, Tax Facts 2010-1, revised April 2025. Not tax advice.

One more thing before you engage anyone. The IRS requires a qualified intermediary to hold the proceeds, and **you may never touch the money yourself.** There are strict rules about who is allowed to be that intermediary, including one that rules me out. Both are in the checklist at the back of this guide.

How you actually sign, from where you are

The logistics question every out of state seller asks in the first call.

You do not need to fly in. A Hawaii sale can be signed and closed from anywhere, and in practice there are two routes. What matters is picking the route early, because escrow has to agree to it and a deed that comes back wrong is a week you do not have.

Route one: notarize where you are

Escrow couriers the documents to you, you sign in front of a notary commissioned in the state where you live, and the package goes back. This is the ordinary path and it works. Build in shipping time in both directions, and ask escrow early whether any document in your particular file has to be notarized a specific way.

Route two: Hawaii remote online notarization

Hawaii law allows a remotely located individual to satisfy a personal appearance requirement by appearing before a remote online notary public using communication technology. The technology has to let both people see and hear each other simultaneously, and the notary has to be commissioned by the Attorney General specifically as a remote online notary. Note one detail that matters for scheduling: the statute contemplates a remote online notary **located in Hawaii**, while you are the one who is remote. That is a five hour time difference from the east coast, so appointments get booked around Hawaii business hours.

Ask escrow which route they accept before you need it. Title and escrow companies set their own requirements on top of the law, and the answer is not the same everywhere. This is a two minute question at the start and a lost week at the end.

The rest of the logistics

- Wire instructions get verified by phone, using a number you looked up yourself, never a number in an email. Wire fraud in real estate is targeted and convincing, and remote sellers are the preferred target.
- Keys, lockbox, utilities, yard service and final cleaning all need a local pair of hands. Decide who that is before you list rather than the week of closing.
- If the property is tenant occupied, notice requirements and the tenant's rights do not pause because you are away. That conversation happens before the listing goes live.

Source: Hawaii Revised Statutes sections 456-23 and 456-24, notarial acts for remotely located individuals and remote online notary commissions; Hawaii Department of the Attorney General. Escrow requirements vary by company.

The two things out of state owners say to me

Both of these are fair. Neither gets a sales answer here.

"We already have several agents sending us market stats."

You do, and they are mostly the same email. A monthly median price for a whole island tells an owner in Kailua nothing about Kailua, and tells an owner of a Diamond Head condo nothing at all. It is sent because it is easy to send.

What is actually useful to a remote owner is narrower and harder to get: what homes like yours are really trading at once seller credits are counted, how long the ones that sold took, and how many listings in your pocket came off the market without a buyer. That last number never appears in a market stats email, because it is not flattering.

"I do not need to know the odds of selling. I either need to sell or I do not."

That is correct, and it is the best objection I get. Statistics do not decide whether you sell. Your life does. A job, an estate, a tenant who left, a property that has become a chore from three time zones away.

> So here is the honest version. The odds do not change whether you sell. They change what to expect when you do. In a pocket where most listings clear, you price at market and plan on weeks. In a pocket where many come off unsold, the same house takes months and the first offer matters far more than it feels like it should.

That is the only reason data belongs in this conversation. Not to talk you into anything. To tell you what the next ninety days will probably look like, so you can plan around them from where you live.

What I will not tell you

I will not tell you what you will net. Not in a listing presentation, not in an email, not in a guide. A recorded sale price minus a seller credit is a price after credits, and it is still not your proceeds, because commission, escrow, conveyance tax and title all come out after that, and your tax position is yours alone. Anyone who hands a remote seller a confident net figure before those are known is guessing at your expense.

The pre listing checklist

Work through this before you call anyone, including me.

DOCUMENTS TO FIND

- ☐ The closing statement from when you bought, or the date of death value if you inherited.
- ☐ Records of capital improvements, with receipts if you have them. They affect your basis.
- ☐ Any refinance paperwork. A cash out refinance is the usual reason gain and equity have come apart.
- ☐ The current mortgage statement, including the payoff figure and whether the loan is assumable.
- ☐ Your most recent Honolulu property tax bill and the parcel's assessment record.
- ☐ If tenant occupied: the lease, the security deposit accounting, and the rent roll.

QUESTIONS TO ANSWER FOR YOURSELF

- ☐ Is this a straight sale, a 1031 exchange, or are you not sure yet? The answer changes the timeline.
- ☐ Is the property your principal residence, a second home, or an investment? It changes the forms.
- ☐ Do you need the proceeds on a particular date, and for what? Withholding can delay part of them.
- ☐ Who on Oahu can physically get into the property, and how quickly?

CALLS TO MAKE, IN THIS ORDER

- ☐ Your CPA or tax attorney. Ask specifically whether you will have recognized gain, and whether N-288B or N-289 applies to you.
- ☐ A qualified intermediary, but only if a 1031 is genuinely on the table. Before escrow opens, never after.
- ☐ Escrow or title, to ask how they want you to sign from out of state.
- ☐ Your agent, to build the calendar backwards from the ten working day deadline.

The ordering is the point. Every item above is easy on its own. What makes a remote sale expensive is doing them in the wrong sequence, usually by opening escrow first and asking the tax question second.

The four people who need to be in it

Five if the property came to you through an estate.

1. Your CPA or tax attorney

The only person who can tell you what you will owe. They decide whether you have recognized gain, whether the federal exclusion covers it, and which form fits. Engage them before the property is listed, not when escrow asks.

2. Escrow and title

They run the closing and they set the rules for how a remote seller signs. Ask early about notarization, wire verification, and their document turnaround for out of state packages. A company that closes nonresident sales often is worth more than a cheaper one.

3. A qualified intermediary, if and only if you are doing a 1031

Engaged before the relinquished property transfers. They hold the proceeds you are not allowed to touch. They cannot be your accountant, attorney, employee or agent, under the two year rule in chapter three.

4. Your listing agent

Runs the sale and, for a remote owner, runs everything physical: access, vendors, staging, photography, showings, and the calendar. For a seller who is not on the island, coordination is most of the job.

And a probate attorney, if the property came through an estate

If you inherited the property, the estate has to be in a position to convey before anything else matters. A personal representative has authority, but it is defined authority, and what it covers is worth knowing in week one rather than week nine. The date of death value also becomes your basis, which is why chapter one's gain discussion often lands very differently for an heir.

APPENDIX | TEAR OUT AND KEEP

The 1031 exchange checklist

Two pages. Work top to bottom. Nothing here replaces your CPA.

STAGE ONE: BEFORE YOU LIST

- ☐ Confirm with your CPA that the property qualifies. Investment or business use, not a personal residence.
- ☐ Confirm you want a 1031 at all. If the tax on a straight sale is small, the constraints may not be worth it.
- ☐ Engage a qualified intermediary. The IRS requires one, they prepare the documentation and hold the proceeds, and you may never touch that money yourself. Constructive receipt disqualifies the exchange outright.
- ☐ Verify who they are not. A qualified intermediary cannot be your employee, attorney, accountant, investment banker or broker, or real estate agent or broker, at any point in the two year period ending on the date you transfer the relinquished property. That rules out your accountant, and it rules out me.
- ☐ Tell escrow and title, in writing, that this will be an exchange. They structure the file differently.
- ☐ Ask your CPA whether Form N-289 will be used to claim the nonrecognition provision, and who prepares it.

STAGE TWO: UNDER CONTRACT

- ☐ Exchange language goes in the purchase contract. Do not assume it is standard.
- ☐ The intermediary's exchange agreement is signed BEFORE closing on the property you are selling.
- ☐ Form N-289 is given to the buyer, with a description of the transfer and a summary of the supporting law and facts.
- ☐ Confirm that no cash, non like kind property, or debt relief is coming to you at closing. Any of the three is boot.
- ☐ Confirm the proceeds are wiring to the intermediary and not to you. You may never touch them.

Boot is the failure point. If any gain is recognized, Form N-289 cannot be used and the buyer withholds the full 7.25 percent. Debt relief counts as boot even though no money reaches you.

APPENDIX | CONTINUED

The 1031 checklist, part two

STAGE THREE: THE CLOCKS

Two federal deadlines run from the day your relinquished property transfers. They run at the same time, not one after the other, and they do not pause for weekends or holidays. Confirm both dates with your intermediary in writing on day one.

Identification period	Identify your replacement property or properties in writing to the intermediary.
Exchange period	Close on the replacement property. This period includes the identification period, it does not follow it.

STAGE FOUR: CHOOSING THE REPLACEMENT

- ☐ Remember it does not have to be in Hawaii. The Department of Taxation is explicit on this point.
- ☐ Identify more than one property if your CPA advises it. Deals fall apart and the clock does not care.
- ☐ Check that the replacement's value and debt work against what you relinquished. A shortfall on either can create boot.
- ☐ Have financing lined up before you identify. You cannot extend the exchange period to wait for a lender.

STAGE FIVE: AFTER CLOSING

- ☐ Keep the intermediary's full accounting. Your CPA will need it.
- ☐ Report the exchange on both your federal and Hawaii returns for the year of the transfer.
- ☐ If withholding happened anyway, ask your CPA about Form N-288C for a tentative refund rather than waiting for the return.

Sources: State of Hawaii Department of Taxation, Tax Facts 2010-1, revised April 2025; IRC section 1031. Identification and exchange period lengths are set by federal law and should be confirmed in writing with your qualified intermediary and your CPA for your specific transfer date. Not tax advice.

NEXT STEP

One conversation, before you list

If you own Oahu property and live somewhere else, the most valuable twenty minutes you can spend is the one that happens before anything is signed. Not a listing presentation. A look at your actual situation, the forms it points to, and the calendar it implies.

I will tell you what I do not know and who you should ask instead. That is most of the value.

Book a twenty minute call at islandlivingoahu.com/strategy

Or reply to the email this guide came in. No cost, and I will not call you unless you ask me to.

Aksana Tupalskaya

Economics degree, master's in Digital Marketing, and more than ten years working with homeowners in Hawaii and New York. I analyze the last seventy two months of local sales data before I price anything, and most of my clients are people who are not on the island.

This guide explains how the rules work. It is not tax advice and it does not tell you what you will owe. Every situation turns on facts only your own CPA or tax attorney can see. Confirm yours with them before you sign anything.

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