

JAN 25 2006

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# A BILL FOR AN ACT

RELATING TO HOUSING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The senate and house of representatives of the  
2 twenty-third legislature of the State of Hawaii, regular session  
3 of 2005, enacted Act 196, Relating to Housing, and section 35 of  
4 that act established the joint legislative housing and homeless  
5 task force to further identify near-term solutions to Hawaii's  
6 affordable housing and homeless problem. The task force issued  
7 its report with findings and recommendations in January 2006.  
8 The task force recommended in general that the State: (1)  
9 leverage more sources of financing for affordable housing; (2)  
10 make available more public land for the development of  
11 affordable housing; (3) streamline government approvals and  
12 permitting of affordable housing projects; (4) build more  
13 offsite infrastructure to serve affordable housing; (5)  
14 appropriate additional funds for transitional housing, shelters,  
15 and services for the homeless population; and (6) preserve and  
16 maintain the existing public housing stock.

17           The specific recommendations of the task force for  
18 financing affordable housing include: (1) increasing the amount



1 of conveyance tax revenues deposited into the rental housing  
2 trust fund; (2) establishing a new state affordable housing tax  
3 credit decoupled from the federal tax credit; (3) allowing state  
4 rent supplement funds to be used for operating expenses of state  
5 low-income housing; (4) providing a state income tax deduction  
6 for contributions of land for affordable housing and for keeping  
7 private rental units affordable; (5) increasing the low-income  
8 renters' tax credit and eligibility therefor; (6) authorizing  
9 issuance of revenue bonds to finance maintenance and repair of  
10 public housing units, infrastructure development for affordable  
11 housing, housing loan programs, and mortgage security and  
12 guarantee programs; (7) authorizing issuance of general  
13 obligation bonds to finance downpayment loans for eligible  
14 homebuyers and interim construction loans; and (8) appropriating  
15 funds for operating subsidies of state low-income housing units  
16 and homeless and transitional housing and services.

17 The purpose of this Act is to implement the recommendations  
18 of the task force with regard to financing affordable housing.

19 SECTION 2. Chapter 201G, Hawaii Revised Statutes, is  
20 amended by adding a new section to subpart F of part II to be  
21 appropriately designated and to read as follows:



1           "§201G-A Credit against income taxes. (a) In accordance  
2 with section 235-A, the administration may approve and certify  
3 for credit against state income taxes the qualified basis of any  
4 newly constructed or moderately or substantially rehabilitated  
5 project:

6           (1) Developed under this subpart;

7           (2) Developed under a government assistance program  
8 approved by the administration, including but not  
9 limited to, the United States Department of  
10 Agriculture 502 program and Federal Housing  
11 Administration 235 program;

12           (3) Developed under the sponsorship of a private nonprofit  
13 corporation that provides home rehabilitation or new  
14 homes for qualified families in need of decent, low-  
15 cost housing; or

16           (4) Developed by a person or firm qualified under section  
17 201G-116 where at least fifty per cent of the  
18 available units are for households with incomes at or  
19 below eighty per cent of the area median family  
20 income, as determined by the United States Department  
21 of Housing and Urban Development, of which at least  
22 twenty per cent of the available units are for



1           households with incomes at or below sixty per cent of  
2           the area median family income as determined by the  
3           United States Department of Housing and Urban  
4           Development.

5           (b) All claims for tax credit under this section shall be  
6           filed with and certified by the administration and forwarded to  
7           the department of taxation. Any claim for tax credit that is  
8           filed and approved shall not be considered a subsidy for the  
9           purpose of this subpart.

10           (c) For the purposes of this section, "moderate  
11           rehabilitation" and "substantial rehabilitation" shall have the  
12           same meanings as in section 201G-116.

13           (d) The administration may establish, revise, charge, and  
14           collect a reasonable service fee, as necessary, in connection  
15           with its approvals and certifications under this section. The  
16           fees shall be deposited into the dwelling unit revolving fund."

17           SECTION 3. Chapter 201G, Hawaii Revised Statutes, is  
18           amended by adding a new section to subpart H of part III to be  
19           appropriately designated and to read as follows:

20           "§201G-B Downpayment loan program revolving fund. There  
21           is created within the state treasury a revolving fund to be  
22           administered by the administration and to be known as the



1 downpayment loan revolving fund. The revolving fund shall be  
2 funded from the proceeds of general obligation bonds or other  
3 appropriations from the state legislature, and shall be used to  
4 carry out the purposes of this subpart."

5 SECTION 4. Chapter 235, Hawaii Revised Statutes, is  
6 amended by adding a new section to part VI to be appropriately  
7 designated and to read as follows:

8 **"§235-A Affordable housing tax credit.** (a) Each taxpayer  
9 subject to the tax imposed by this chapter, who has filed a net  
10 income tax return for a taxable year, may claim an affordable  
11 housing tax credit against the taxpayer's net income tax  
12 liability. The amount of the credit shall be deductible from  
13 the taxpayer's net income tax liability, if any, imposed by this  
14 chapter for the taxable year in which the credit is properly  
15 claimed on a timely basis. A credit under this section shall  
16 not be claimed if the taxpayer claims a low-income housing tax  
17 credit pursuant to section 235-110.8.

18 (b) The affordable housing tax credit shall be fifteen per  
19 cent of the qualified basis of each project calculated pursuant  
20 to section 201G-A.

21 (c) The credit allowed under this section shall be claimed  
22 against net income tax liability for the taxable year. For the



1 purpose of deducting this tax credit, net income tax liability  
2 means net income tax liability reduced by all other credits  
3 allowed the taxpayer under this chapter. A tax credit under  
4 this section which exceeds the taxpayer's income tax liability  
5 may be used as a credit against the taxpayer's income tax  
6 liability in subsequent years until exhausted.

7 (d) All claims for a tax credit under this section must be  
8 filed on or before the end of the twelfth month following the  
9 close of the taxable year for which the credit may be claimed.  
10 Failure to properly and timely claim the credit shall constitute  
11 a waiver of the right to claim the credit. A taxpayer may claim  
12 a credit under this section only if the project is a qualified  
13 project under section 201G-A.

14 (e) The director of taxation may adopt any rules under  
15 chapter 91 and forms necessary to carry out this section."

16 SECTION 5. Section 201G-44, Hawaii Revised Statutes, is  
17 amended to read as follows:

18 **"§201G-44 Administration of state low-income public**  
19 **housing projects and programs.** (a) The administration [~~may~~]  
20 shall construct, develop, and administer property or housing for  
21 the purpose of state low-income public housing projects and  
22 programs.



1           (b) The administration [~~may~~] shall offer any  
2 decommissioned low-income public housing project, except for  
3 federal housing projects, to nonprofit or for-profit  
4 organizations or government agencies for rehabilitation into  
5 emergency or transitional shelter facilities for the homeless or  
6 rehabilitation into rental units that set aside at least fifty  
7 per cent of the units to persons or families with incomes at or  
8 below fifty per cent of the area median family income; provided  
9 that:

- 10           (1) The housing project is wholly owned by the State on  
11           either state-owned or ceded lands;
- 12           (2) The administration has determined that the housing  
13           project is no longer suitable for its original use and  
14           intends to demolish the housing project;
- 15           (3) The administration has determined that the housing  
16           project is not eligible for rehabilitation using the  
17           administration's current resources; and
- 18           (4) The nonprofit or for-profit organization or government  
19           agency demonstrates expertise in rehabilitation of  
20           housing projects and has community, public, and  
21           private resources to substantially pay for the  
22           rehabilitation.



1 The land and improvements may be leased to the nonprofit or for-  
2 profit organization or government agency for a period not to  
3 exceed ninety-nine years for a sum of \$1 per year.

4 (c) The administration shall adopt necessary rules in  
5 accordance with chapter 91, including the establishment and  
6 collection of reasonable fees for administering the public  
7 housing projects or programs and to carry out any state program  
8 under subsection (a)."

9 SECTION 6. Section 201G-45, Hawaii Revised Statutes, is  
10 amended to read as follows:

11 **"§201G-45 State low-income housing revolving fund.** The  
12 director of finance shall establish a revolving fund to be known  
13 as "the state low-income housing revolving fund".

14 Notwithstanding any law to the contrary, moneys received by the  
15 administration under or pursuant to this subpart, including  
16 appropriations, refunds, reimbursements, rentals, fees, and  
17 charges received from tenants, shall be deposited in the state  
18 low-income housing revolving fund. Except as otherwise provided  
19 in this chapter, the state low-income housing revolving fund may  
20 be expended by the administration for any and all of the  
21 purposes of this subpart, including, without prejudice to the  
22 generality of the foregoing, the expenses of management,





1 operation, and maintenance of state low-income housing,  
2 including but not limited to the cost of insurance, a  
3 proportionate share of the administrative expenses of the  
4 administration, and the cost of repairs, equipment, and  
5 improvement; the acquisition, clearance, and improvement of  
6 property; the construction and reconstruction of building sites;  
7 the construction, reconstruction, repair, remodeling, extension,  
8 equipment, and furnishing of any public housing project; the  
9 development and administration of any public housing project;  
10 the payment of rentals; and administration and other expenses."

11 SECTION 7. Section 201G-161, Hawaii Revised Statutes, is  
12 amended by amending subsection (f) to read as follows:

13 "(f) Any pledge made by the administration shall create a  
14 perfected security interest in the revenues, moneys, or property  
15 so pledged and thereafter received by the administration from  
16 and after the time that a financing statement with respect to  
17 the revenues, moneys, or property so pledged and thereafter  
18 received shall be filed with the bureau of conveyances. Upon  
19 the filing, the revenues, moneys, or property so pledged and  
20 thereafter received by the administration shall immediately be  
21 subject to the lien of such pledge without any physical delivery  
22 thereof or further act, and the lien of any such pledge shall be



1 ~~[prior to the lien of all parties having claims by any kind in~~  
 2 ~~tort, contract, or otherwise against the administration,~~  
 3 ~~irrespective of whether such parties have notice thereof]~~  
 4 subject to section 39-63 and part VIII of chapter 39 relating to  
 5 security interests. This section shall apply to any financing  
 6 statement heretofore or hereafter filed with the bureau of  
 7 conveyances with respect to any pledge made to secure revenue  
 8 bonds issued under this part."

9 SECTION 8. Section 201G-162, Hawaii Revised Statutes, is  
 10 amended to read as follows:

11 **"§201G-162 Issuance of bonds for the development of**  
 12 **infrastructure.** Without limiting section 201G-161, the  
 13 administration, pursuant to and in accordance with this subpart,  
 14 is hereby authorized to issue bonds for the purpose of financing  
 15 the development of infrastructure ~~[on land owned by the~~  
 16 ~~administration]~~ for projects under section 201G-118."

17 SECTION 9. Section 201G-231, Hawaii Revised Statutes, is  
 18 amended to read as follows:

19 **"[+]§201G-231[+] Rent supplements.** (a) The administration  
 20 is authorized to make, and contract to make, annual payments to  
 21 a "housing owner" on behalf of a "qualified tenant", as those  
 22 terms are defined in this subpart, in such amounts and under



1 such circumstances as are prescribed in or pursuant to this  
2 subpart. No payment on behalf of a qualified tenant shall  
3 exceed a segregated amount of \$160 a month.

4 (b) The administration is authorized to pay, from funds  
5 available under this subpart, for expenses of maintenance and  
6 repair of state low-income housing under subpart B of part II of  
7 this chapter."

8 SECTION 10. Section 201G-232, Hawaii Revised Statutes, is  
9 amended to read as follows:

10 **"§201G-232 Housing owner defined.** As used in this  
11 subpart, the term "housing owner" means:

- 12 (1) A private nonprofit corporation or other private  
13 nonprofit legal entity, a limited dividend corporation  
14 or other limited dividend legal entity, or a  
15 cooperative housing corporation, that is a mortgagor  
16 under section 202, 207, 213, 221(d)(3), 221(d)(5), or  
17 231 of the National Housing Act, as amended, or that  
18 conforms to the standards of those sections but that  
19 is not a mortgagor under those sections or any other  
20 private mortgagor under the National Housing Act, as  
21 amended, for very low income, low-income, or moderate-  
22 income family housing, regulated or supervised under



1 federal or state laws or by political subdivisions of  
2 the State, or agencies thereof, as to rents, charges,  
3 capital structure, rate of return, and methods of  
4 operation, from the time of issuance of the building  
5 permit for the project [~~and~~];

6 (2) The administration, for purposes of maintenance of any  
7 housing project under subpart B of part II of this  
8 chapter; and

9 [~~2~~] (3) Any other owner of a standard housing unit or  
10 units deemed qualified by the administration."

11 SECTION 11. Section 201G-436, Hawaii Revised Statutes, is  
12 amended by amending subsection (c) to read as follows:

13 "(c) The administration shall establish an application  
14 process for fund allocation that gives preference to projects  
15 [~~meeting the criteria set forth below that are listed in~~  
16 ~~descending order of priority:~~

17 ~~(1) Serve the original target group;~~

18 ~~(2) Provide at least five per cent of the total number of~~  
19 ~~units for persons and families with incomes at or~~  
20 ~~below thirty per cent of the median family income;~~



- 1        ~~(3) Provide maximum number of units for persons or~~
- 2                ~~families with incomes at or below eighty per cent of~~
- 3                ~~the median family income;~~
- 4        ~~(4) Are committed to serving the target population over a~~
- 5                ~~longer period of time;~~
- 6        ~~(5) Increase the integration of income levels of the~~
- 7                ~~immediate community area;~~
- 8        ~~(6) Meet the geographic needs of the target population of~~
- 9                ~~the proposed rental housing project, such as proximity~~
- 10               ~~to employment centers and services; and~~
- 11        ~~(7) Have favorable past performance in developing, owning,~~
- 12               ~~managing, or maintaining affordable rental housing]~~
- 13        in accordance with the priorities set forth in subsection
- 14        201G-432(e).

15                The administration may include other criteria in the above  
 16 process as it deems necessary to carry out the purposes of this  
 17 part [-], including but not limited to:

- 18                (1) Commitment to serving the target population over a
- 19                longer period of time;
- 20                (2) Increase in the integration of income levels of the
- 21                immediate community area;



- 1        (3) Ability to meet the geographic needs of the target
- 2            population of the proposed rental housing project,
- 3            such as proximity to employment centers and services;
- 4            and
- 5        (4) Favorable past performance in developing, owning,
- 6            managing, or maintaining affordable rental housing.

7            If the administration, after applying the process described  
8 in this subsection, finds a nonprofit project equally ranked  
9 with a for-profit or government project, the administration  
10 shall give preference to the nonprofit project in allotting fund  
11 moneys."

12            SECTION 12. Section 235-7, Hawaii Revised Statutes, is  
13 amended to read as follows:

14            **"§235-7 Other provisions as to gross income, adjusted**  
15 **gross income, and taxable income.** (a) There shall be excluded  
16 from gross income, adjusted gross income, and taxable income:

17            (1) Income not subject to taxation by the State under the  
18 Constitution and laws of the United States;

19            (2) Rights, benefits, and other income exempted from  
20 taxation by section 88-91, having to do with the state  
21 retirement system, and the rights, benefits, and other  
22 income, comparable to the rights, benefits, and other



- 1 income exempted by section 88-91, under any other  
2 public retirement system;
- 3 (3) Any compensation received in the form of a pension for  
4 past services;
- 5 (4) Compensation paid to a patient affected with Hansen's  
6 disease employed by the State or the United States in  
7 any hospital, settlement, or place for the treatment  
8 of Hansen's disease;
- 9 (5) Except as otherwise expressly provided, payments made  
10 by the United States or this State, under an act of  
11 Congress or a law of this State, which by express  
12 provision or administrative regulation or  
13 interpretation are exempt from both the normal and  
14 surtaxes of the United States, even though not so  
15 exempted by the Internal Revenue Code itself;
- 16 (6) Any income expressly exempted or excluded from the  
17 measure of the tax imposed by this chapter by any  
18 other law of the State, it being the intent of this  
19 chapter not to repeal or supersede any such express  
20 exemption or exclusion;
- 21 (7) Income received by each member of the reserve  
22 components of the Army, Navy, Air Force, Marine Corps,



1 or Coast Guard of the United States of America, and  
2 the Hawaii national guard as compensation for  
3 performance of duty, equivalent to pay received for  
4 forty-eight drills (equivalent of twelve weekends) and  
5 fifteen days of annual duty, at an:

6 (A) E-1 pay grade after eight years of service;  
7 provided that this subparagraph shall apply to  
8 taxable years beginning after December 31, 2004;

9 (B) E-2 pay grade after eight years of service;  
10 provided that this subparagraph shall apply to  
11 taxable years beginning after December 31, 2005;

12 (C) E-3 pay grade after eight years of service;  
13 provided that this subparagraph shall apply to  
14 taxable years beginning after December 31, 2006;

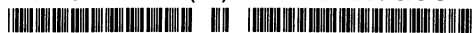
15 (D) E-4 pay grade after eight years of service;  
16 provided that this subparagraph shall apply to  
17 taxable years beginning after December 31, 2007;  
18 and

19 (E) E-5 pay grade after eight years of service;  
20 provided that this subparagraph shall apply to  
21 taxable years beginning after December 31, 2008;





- 1           (8)   Income derived from the operation of ships or aircraft  
2                    if the income is exempt under the Internal Revenue  
3                    Code pursuant to the provisions of an income tax  
4                    treaty or agreement entered into by and between the  
5                    United States and a foreign country, provided that the  
6                    tax laws of the local governments of that country  
7                    reciprocally exempt from the application of all of  
8                    their net income taxes, the income derived from the  
9                    operation of ships or aircraft that are documented or  
10                  registered under the laws of the United States;
- 11           (9)   The value of legal services provided by a prepaid  
12                    legal service plan to a taxpayer, the taxpayer's  
13                    spouse, and the taxpayer's dependents;
- 14           (10)   Amounts paid, directly or indirectly, by a prepaid  
15                    legal service plan to a taxpayer as payment or  
16                    reimbursement for the provision of legal services to  
17                    the taxpayer, the taxpayer's spouse, and the  
18                    taxpayer's dependents;
- 19           (11)   Contributions by an employer to a prepaid legal  
20                    service plan for compensation (through insurance or  
21                    otherwise) to the employer's employees for the costs



1 of legal services incurred by the employer's  
2 employees, their spouses, and their dependents; and  
3 (12) Amounts received in the form of a monthly surcharge by  
4 a utility acting on behalf of an affected utility  
5 under section 269-16.3 shall not be gross income,  
6 adjusted gross income, or taxable income for the  
7 acting utility under this chapter. Any amounts  
8 retained by the acting utility for collection or other  
9 costs shall not be included in this exemption.

10 (b) There shall be included in gross income, adjusted  
11 gross income, and taxable income: (1) unless excluded by this  
12 chapter relating to the uniformed services of the United States,  
13 cost-of- living allowances and other payments exempted by  
14 section 912 of the Internal Revenue Code, but section 119 of the  
15 Internal Revenue Code nevertheless shall apply; (2) unless  
16 expressly exempted or excluded as provided by subsection (a)(6),  
17 interest on the obligations of a State or a political  
18 subdivision thereof.

19 (c) The deductions of or based on dividends paid or  
20 received, allowed to a corporation under chapter 1, subchapter  
21 B, Part VIII of the Internal Revenue Code, shall not be allowed.  
22 In lieu thereof there shall be allowed as a deduction the entire

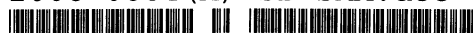


1 amount of dividends received by any corporation upon the shares  
2 of stock of a national banking association, qualifying  
3 dividends, as defined in section 243(b) of the Internal Revenue  
4 Code, received by members of an affiliated group, or dividends  
5 received by a small business investment company operating under  
6 the Small Business Investment Act of 1958 (Public Law 85-699)  
7 upon shares of stock qualifying under paragraph (3), seventy per  
8 cent of the amount received by any corporation as dividends:

9 (1) Upon the shares of stock of another corporation, if at  
10 the date of payment of the dividend at least ninety-  
11 five per cent of the other corporation's capital stock  
12 is owned by one or more corporations doing business in  
13 this State and if the other corporation is subjected  
14 to an income tax in another jurisdiction (but  
15 subjection to federal tax does not constitute  
16 subjection to income tax in another jurisdiction);

17 (2) Upon the shares of stock of a bank or insurance  
18 company organized and doing business under the laws of  
19 the State;

20 (3) Upon the shares of stock of another corporation, if at  
21 least fifteen per cent of the latter corporation's  
22 business, for the taxable year of the latter



1 corporation preceding the payment of the dividend, has  
2 been attributed to this State.

3 However, except for national bank dividends, the deductions  
4 under this subsection are not allowed when they would not have  
5 been allowed under section 243 of the Internal Revenue Code, as  
6 amended by Public Law 85-866, by reason of subsections (b) and  
7 (c) of section 246 of the Internal Revenue Code. For the  
8 purposes of this subsection fifteen per cent of a corporation's  
9 business shall be deemed to have been attributed to this State  
10 if fifteen per cent or more of the entire gross income of the  
11 corporation as defined in this chapter (which for the purposes  
12 of this subsection shall be computed without regard to source in  
13 the State and shall include income not taxable by reason of the  
14 fact that it is from property not owned in the State or from a  
15 trade or business not carried on in the State in whole or in  
16 part), under section 235-5 and the other provisions of this  
17 chapter, shall have been attributed to the State and subjected  
18 to assessment of the taxable income therefrom (including the  
19 determination of the resulting net loss, if any).

20 (d) (1) For taxable years ending before January 1, 1967,  
21 the net operating loss deductions allowed as  
22 carrybacks and carryovers by the Internal Revenue Code



1 shall not be allowed. In lieu thereof the net  
2 operating loss deduction shall consist of the excess  
3 of the deductions allowed by this chapter over the  
4 gross income, computed with the modifications  
5 specified in paragraphs (1) to (4) of section 172(d)  
6 of the Internal Revenue Code, and with the further  
7 modification stated in paragraph (3) hereof; and shall  
8 be allowed as a deduction in computing the taxable  
9 income of the taxpayer for the succeeding taxable  
10 year;

11 (2) (A) With respect to net operating loss deductions  
12 resulting from net operating losses for taxable  
13 years ending after December 31, 1966, the net  
14 operating loss deduction provisions of the  
15 Internal Revenue Code shall apply; provided that  
16 there shall be no net operating loss deduction  
17 carried back to any taxable year ending prior to  
18 January 1, 1967;

19 (B) In the case of a taxable year beginning in 1966  
20 and ending in 1967, the entire amount of all net  
21 operating loss deductions carried back to the  
22 taxable year shall be limited to that portion of



1 taxable income for such taxable year which the  
2 number of days in 1967 bears to the total days in  
3 the taxable year ending in 1967; and

4 (C) The computation of any net operating loss  
5 deduction for a taxable year covered by this  
6 subsection shall require the further  
7 modifications stated in paragraphs (3), (4), and  
8 (5) of this subsection;

9 (3) In computing the net operating loss deduction allowed  
10 by this subsection, there shall be included in gross  
11 income the amount of interest which is excluded from  
12 gross income by subsection (a), decreased by the  
13 amount of interest paid or accrued which is disallowed  
14 as a deduction by subsection (e). In determining the  
15 amount of the net operating loss deduction under this  
16 subsection of any corporation, there shall be  
17 disregarded the net operating loss of such corporation  
18 for any taxable year for which the corporation is an  
19 electing small business corporation;

20 (4) No net operating loss carryback or carryover shall be  
21 allowed by this chapter if not allowed under section  
22 172 of the Internal Revenue Code;



1           (5) The election to relinquish the entire carryback period  
2           with respect to a net operating loss allowed under  
3           section 172(b)(3)(C) of the Internal Revenue Code  
4           shall be operative for the purposes of this chapter;  
5           provided that no taxpayer shall make such an election  
6           as to a net operating loss of a business where such  
7           net operating loss occurred in the taxpayer's business  
8           prior to the taxpayer entering business in this State;  
9           and

10          (6) The five-year carryback period for net operating  
11          losses for any taxable year ending during 2001 and  
12          2002 in section 172(b)(1)(H) of the Internal Revenue  
13          Code shall not be operative for purposes of this  
14          chapter.

15          (e) There shall be disallowed as a deduction the amount of  
16          interest paid or accrued within the taxable year on indebtedness  
17          incurred or continued, (1) to purchase or carry bonds the  
18          interest upon which is excluded from gross income by subsection  
19          (a); or (2) to purchase or carry property owned without the  
20          State, or to carry on trade or business without the State, if  
21          the taxpayer is a person taxable only upon income from sources  
22          in the State.



1           (f) Losses of property as the result of tidal wave,  
2 hurricane, earthquake, or volcanic eruption, or as a result of  
3 flood waters overflowing the banks or walls of a river or  
4 stream, or from any other natural disaster, to the extent of the  
5 amount deductible, under this chapter, not compensated for by  
6 insurance or otherwise, may be deducted in the taxable year in  
7 which sustained, or at the option of the taxpayer may be  
8 deducted in equal installments over a period of five years, the  
9 first such year to be the calendar year or fiscal year of the  
10 taxpayer in which such loss occurred.

11           (g) In computing taxable income there shall be allowed as  
12 a deduction of twice the fair market value of contributions of  
13 land, not in excess of           in any year, by any taxpayer to the  
14 State for the purposes of projects under section 201G-118. Any  
15 amount in excess of the allowable contribution under this  
16 subsection in the year made may be used as a deduction in  
17 subsequent years until exhausted.

18           (h) In computing taxable income there shall be allowed as  
19 a deduction the amount equal to the difference between the fair  
20 market rental of a dwelling unit and the rental received by a  
21 housing owner from a qualified tenant pursuant to subpart D of  
22 part III of chapter 201G.





1        [~~g~~] (i) In computing taxable income there shall be  
2 allowed as a deduction:

3        (1) Political contributions by any taxpayer not in excess  
4        of \$250 in any year; provided that such contributions  
5        are made to a central or county committee of a  
6        political party whose candidates shall have qualified  
7        by law to be voted for at the immediately previous  
8        general election; or

9        (2) Political contributions by any individual taxpayer in  
10       an aggregate amount not to exceed \$1,000 in any year;  
11       provided that such contributions are made to  
12       candidates as defined in section 11-191, who have  
13       agreed to abide by the campaign expenditure limits as  
14       set forth in section 11-209; and provided further that  
15       not more than \$250 of an individual's total  
16       contribution to any single candidate shall be  
17       deductible for purposes of this section."

18       SECTION 13. Section 235-55.7, Hawaii Revised Statutes, is  
19 amended by amending subsection (c) to read as follows:

20       "(c) Each taxpayer with an adjusted gross income of less  
21 than [~~\$30,000~~] \$50,000 who has paid more than \$1,000 in rent  
22 during the taxable year for which the credit is claimed may

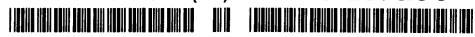


1 claim a tax credit of [~~\$50~~] \$75 multiplied by the number of  
 2 qualified exemptions to which the taxpayer is entitled; provided  
 3 that each taxpayer with an adjusted gross income less than  
 4 \$30,000 who has paid more than \$1,000 in rent during the taxable  
 5 year for which the credit is claimed may claim a tax credit of  
 6 \$100 multiplied by the number of qualified exemptions to which  
 7 the taxpayer is entitled; provided further, that each taxpayer  
 8 sixty-five years of age or over may claim double the tax credit;  
 9 and provided that a resident individual who has no income or no  
 10 income taxable under this chapter may also claim the tax credit  
 11 as set forth in this section."

12 SECTION 14. Section 247-7, Hawaii Revised Statutes, is  
 13 amended to read as follows:

14 **"§247-7 Disposition of taxes.** All taxes collected under  
 15 this chapter shall be paid into the state treasury to the credit  
 16 of the general fund of the State, to be used and expended for  
 17 the purposes for which the general fund was created and exists  
 18 by law; provided that of the taxes collected each fiscal year:

- 19 (1) Ten per cent shall be paid into the land conservation
- 20 fund established pursuant to section 173A-5;



1           (2)    ~~Thirty~~ Fifty per cent shall be paid into the rental  
2                   housing trust fund established by section 201G-432;  
3                   and

4           (3)    Twenty-five per cent shall be paid into the natural  
5                   area reserve fund established by section 195-9;  
6                   provided that the funds paid into the natural area  
7                   reserve fund shall be annually disbursed by the  
8                   department of land and natural resources in the  
9                   following priority:

10           (A)    To natural area partnership and forest  
11                   stewardship programs after joint consultation  
12                   with the forest stewardship committee and the  
13                   natural area reserves system commission;

14           (B)    Projects undertaken in accordance with watershed  
15                   management plans pursuant to section 171-58 or  
16                   watershed management plans negotiated with  
17                   private landowners, and management of the natural  
18                   area reserves system pursuant to section 195-3;  
19                   and

20           (C)    The youth conservation corps established under  
21                   chapter 193."



1           SECTION 15. Act 291, Session Laws of Hawaii 1980, section  
2 11, as amended by Act 304, Session Laws of Hawaii 1996, section  
3 1, and by Act 185, Session Laws of Hawaii 2004, is amended to  
4 read as follows:

5           "SECTION 11. **Issuance of revenue bond; amount authorized.**

6 Revenue bonds may be issued by the [~~housing and community~~  
7 ~~development corporation of Hawaii~~] Hawaii housing finance and  
8 development administration pursuant to part III, chapter 39 and  
9 part III of chapter 201G, Hawaii Revised Statutes, in an  
10 aggregate principal amount not to exceed [~~\$300,000,000,~~  
11 , at such times and in such amounts as the [~~housing and~~  
12 ~~community development corporation of Hawaii~~] Hawaii housing  
13 finance and development administration deems advisable for the  
14 purpose of undertaking and maintaining any of the housing loan  
15 programs under subpart B of part III of chapter 201G, Hawaii  
16 Revised Statutes, relating to the funding or purchasing of  
17 eligible project loans."

18           SECTION 16. Act 291, Session Laws of Hawaii 2001, section  
19 1, is amended to read as follows:

20           "SECTION 1. The [~~housing and community development~~  
21 ~~corporation of Hawaii,~~] Hawaii housing finance and development  
22 administration, with the approval of the director of finance and



1 the governor, is authorized pursuant to part III, chapter 39,  
2 Hawaii Revised Statutes, and part III, chapter 201G, Hawaii  
3 Revised Statutes, to issue revenue bonds in an aggregate  
4 principal amount not to exceed [~~\$30,000,000,~~] \_\_\_\_\_ at  
5 such times and in such amounts as it deems advisable for the  
6 purpose of carrying out the provisions of subpart Q of part III  
7 of chapter 201G, Hawaii Revised Statutes[~~-~~], relating to the  
8 rental housing trust fund.

9 The proceeds of such revenue bonds shall be deposited into  
10 the rental housing trust fund created in section 201G-432,  
11 Hawaii Revised Statutes."

12 SECTION 17. There is appropriated out of the rental  
13 housing trust fund the sum of \$10,000,000, or so much thereof as  
14 may be necessary, for fiscal year 2006-2007, to carry out the  
15 purposes of the rental housing trust fund relating to the  
16 preservation and substantial rehabilitation of rental housing  
17 units; provided that \$50,000 of the sum appropriated shall be  
18 used for a study of the feasibility of decommissioning public  
19 housing units and an action plan for placing them under private  
20 ownership and management.

21 The sum appropriated shall be expended by the Hawaii  
22 housing finance and development administration to repair and



1 modernize vacant public housing units; provided that the  
2 administration shall report to the legislature its determination  
3 of dilapidated units not feasible to repair, and its action plan  
4 for decommissioning these units, no later than twenty days prior  
5 to the convening of the regular session of 2007.

6 SECTION 18. The Hawaii housing finance and development  
7 administration, with the approval of the director of finance and  
8 the governor, is authorized pursuant to part III, chapter 39,  
9 Hawaii Revised Statutes, and part III, chapter 201G, Hawaii  
10 Revised Statutes, to issue revenue bonds in an aggregate  
11 principal amount not to exceed \_\_\_\_\_, at such times and in  
12 such amounts as it deems advisable for the purpose of carrying  
13 out the provisions of subpart A of part III of chapter 201G,  
14 Hawaii Revised Statutes, relating to the development of  
15 infrastructure and the purchase of low-income housing projects.

16 The proceeds of such revenue bonds shall be deposited into  
17 the housing finance revolving fund created in section 201G-170,  
18 Hawaii Revised Statutes.

19 SECTION 19. There is appropriated out of the housing  
20 finance revolving fund the sum of \_\_\_\_\_, or so much thereof  
21 as may be necessary, for fiscal year 2006-2007, to carry out the



1 purposes of section 201G-162, Hawaii Revised Statutes, relating  
2 to the development of infrastructure for affordable housing.

3 The sum appropriated shall be expended by the Hawaii  
4 housing finance and development administration.

5 SECTION 20. There is appropriated out of the housing  
6 finance revolving fund the sum of , or so much thereof  
7 as may be necessary, for fiscal year 2006-2007, to carry out the  
8 purposes of section 201G-163, Hawaii Revised Statutes, relating  
9 to the purchase of low-income housing projects.

10 The sum appropriated shall be expended by the Hawaii  
11 housing finance and development administration.

12 SECTION 21. The Hawaii housing finance and development  
13 administration, with the approval of the director of finance and  
14 the governor, is authorized pursuant to part III, chapter 39,  
15 Hawaii Revised Statutes, and part III, chapter 201G, Hawaii  
16 Revised Statutes, to issue general obligation bonds in an  
17 aggregate principal amount not to exceed , at such  
18 times and in such amounts as it deems advisable for the purpose  
19 of carrying out the provisions of subpart H of part III of  
20 chapter 201G, Hawaii Revised Statutes, relating to the  
21 downpayment loan program.



1 The proceeds of such general obligation bonds shall be  
2 deposited into the downpayment loan program revolving fund  
3 created in section 201G-B, Hawaii Revised Statutes.

4 SECTION 22. There is appropriated out of the downpayment  
5 loan program revolving fund the sum of , or so much  
6 thereof as may be necessary, for fiscal year 2006-2007, to carry  
7 out the purposes of the downpayment loan program revolving fund  
8 relating to direct downpayment loans to eligible borrowers.

9 The sum appropriated shall be expended by the Hawaii  
10 housing finance and development administration.

11 SECTION 23. The Hawaii housing finance and development  
12 administration, with the approval of the director of finance and  
13 the governor, is authorized pursuant to part III, chapter 39,  
14 Hawaii Revised Statutes, and part III, chapter 201G, Hawaii  
15 Revised Statutes, to issue general obligation bonds in an  
16 aggregate principal amount not to exceed , at such  
17 times and in such amounts as it deems advisable for the purpose  
18 of carrying out the provisions of subpart N of part III of  
19 chapter 201G, Hawaii Revised Statutes, relating to the homes  
20 revolving fund.





1 The proceeds of such general obligation bonds shall be  
2 deposited into the homes revolving fund created in section 201G-  
3 401, Hawaii Revised Statutes.

4 SECTION 24. There is appropriated out of the homes  
5 revolving fund the sum of \$2,000,000, or so much thereof as may  
6 be necessary, for fiscal year 2006-2007, to carry out the  
7 purposes of the homes revolving fund relating to interim  
8 construction loans for self-help housing.

9 The sum appropriated shall be expended by the Hawaii  
10 housing finance and development administration.

11 SECTION 25. There is appropriated out of the general  
12 revenues of the State of Hawaii the sum of \$20,000,000, or so  
13 much thereof as may be necessary for fiscal year 2006-2007, for  
14 the purpose of homeless assistance.

15 The sum appropriated shall be expended by the Hawaii  
16 housing finance and development administration for homeless and  
17 transitional housing and services.

18 SECTION 26. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.

20 SECTION 27. This Act shall take effect on July 1, 2006.

21 J. Kai Goh 25.11  
INTRODUCED BY: Ron Merritt  
Norman Sacramento Will Sykes Rosalyn de Boker  
2006-0664 (A) SB SMA.doc  
Di'kanna Clarence Michael Trizanne Chun Alphonse  
Carol Fulemaka

**Report Title:**

Affordable Housing; Taxation; Bonds; Appropriations

**Description:**

Increases the amount of conveyance tax revenues deposited into the rental housing trust fund. Establishes a new state affordable housing tax credit decoupled from the federal tax credit. Allows rent supplement funds to be used for operating expenses of state low-income housing. Provides income tax deductions for contribution of land for affordable housing and for keeping private rental units affordable. Increases the low-income renters' tax credit and eligibility therefor. Authorizes issuance of revenue bonds to finance maintenance and repair of public housing units, infrastructure development for affordable housing, housing loan programs, and mortgage security and guarantee programs. Authorizes issuance of general obligation bonds to finance downpayment loans for eligible homebuyers and interim construction loans. Appropriates funds for operating subsidies of state low-income housing units and homeless and transitional housing and services.

