

Honolulu, Hawaii

Feb 14, 2006

RE: H.B. No. 1981
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1981 entitled:

"A BILL FOR AN ACT RELATING TO LEASEHOLD CONVERSION,"

begs leave to report as follows:

The purpose of this bill is to provide an incentive for the sale of multi-family residential leasehold property to the lessees of the property, by establishing an income tax exemption for taxable years 2007 through 2011, for 100 percent of the capital gains realized from the sale of the leased fee interest in residential house lots or multi-family residential units or property, to the lessee.

The Hawaii Council of Associations of Apartment Owners, Hawaii Association of Realtors, and Hawaii Independent Condominium and Cooperative Owners submitted testimony in support of this bill. The Department of Taxation commented on the measure.

Your Committee finds that the term "planned unit development" is not defined in statute or in this bill, and there is some question whether there are leasehold planned unit developments in Hawaii. Accordingly, this bill has been amended by removing the reference to "planned unit development."

Technical, nonsubstantive amendments were also made for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1981, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as H.B. No. 1981, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



