

Honolulu, Hawaii

March 17, 2006

RE: S.B. No. 2076
S.D. 2
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 Housing, to which was referred S.B. No. 2076, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this bill is to allow, for the 2007 taxable year, a fee owner to exclude from taxable income 50 percent of the gain realized from the sale of the leased fee interest in a residential leasehold house lot or multi-family residential leasehold unit to the lessee of the house lot or unit. The exclusion may not exceed \$75,000 in the aggregate for all taxpayers.

The Hawaii Association of Realtors supported the intent of this bill. The Hawaii Council of Associations of Apartment Owners, Monarch Properties, Inc., and Date Laau Community Association and Iolani Banyan Coop., did not support this measure. The Department of Taxation, Tax Foundation of Hawaii, and Hawaii Independent Condominium & Cooperative Owners offered comments.

Your Committees notes that many of the testifiers stated that although they did not support this measure in its current form, they were supportive of S.B. No. 2076, S.D. 1.



Accordingly, your Committee has amended this bill by:

- (1) Changing the exclusion amount to 100 percent of the gains realized from the sale of the leased fee interest;
- (2) Applying the exclusion to the sale of a leased fee interest in a multi-family residential leasehold property to an association of apartment owners or the residential cooperative corporation of a multi-family residential leasehold property;
- (3) Removing the \$75,000 cap on the aggregate exclusion amount for all taxpayers;
- (4) Applying the exclusion to the 2007 to 2011 taxable years; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2076, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2076, S.D. 2, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Housing,

Michael P. Kahikina

MICHAEL P. KAHIKINA, Chair



