

STAND. COM. REP. NO.

1062

Honolulu, Hawaii

MAR 16 2007

RE: H.B. No. 1002
H.D. 2
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Commerce, Consumer Protection, and Affordable Housing, to which was referred H.B. No. 1002, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INCOME TAX,"

begs leave to report as follows:

The purpose of this measure is to reduce speculative investment in real property and increase affordable housing by establishing an anti-speculation capital gains tax, which is to be deposited into the Rental Housing Trust Fund.

Subject to certain exceptions, this measure creates a tax of sixty per cent of the capital gains tax owed if the real property is held by the seller for less than six months, thirty per cent of the capital gains tax owed if the real property is held by the seller for more than six months but less than twelve months, and fifteen per cent of the capital gains tax owed if the real property is held for more than twelve months and less than twenty-four months.

Your Committee received testimony in support of this measure from the Hawaii County Planning Department. The Department of Taxation, the Hawaii Association of Realtors, the National Federation of Independent Businesses, and two individuals submitted testimony in opposition. The Tax Foundation of Hawaii submitted comments.



The Department of Taxation did not provide testimony as to the fiscal impact of this measure.

Your Committee finds that the intent of this measure is to deter real estate speculation by creating an anti-speculation capital gains tax, which will be deposited into the Rental Housing Trust Fund to assist with increasing the inventory affordable rental housing in the State.

Your Committee has amended this measure by:

- (1) Changing the basis of the percentages of taxes owed from capital gains tax owed to a percentage of the actual capital gain;
- (2) Removing the inclusion of unimproved land from the types of properties subject to the anti-speculation capital gains tax;
- (3) Exempting the sale of residential property in which the owner has made a substantial investment in physical improvements and infrastructure;
- (4) Adding an exemption for residential property acquired from a decedent, as provided in section 1014(b) of the Internal Revenue Code;
- (5) Adding an exemption for the sale of unimproved land;
- (6) Changing the effective date to promote further discussion; and
- (7) Making technical, nonsubstantive changes for the purposes of clarity and to comply with preferred drafting style.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1002, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1002, H.D. 2, S.D. 1, and be referred to the Committee on Economic Development and Taxation.



Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Affordable
Housing,


BRIAN T. TANIGUCHI, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Commerce, Consumer Protection and Affordable Housing
CPH

| Bill / Resolution No.:* | Committee Referral: | Date: | | |
|--|----------------------|--------------------------|----------|-------------------------|
| <i>HB1002 HD2</i> | <i>CPH, EDT, WAM</i> | <i>3/14/07</i> | | |
| <input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____ | | | | |
| The Recommendation is: | | | | |
| <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 | | | | |
| Members | Aye | Aye (WR) | Nay | Excused |
| TANIGUCHI, Brian T. (C) | ✓ | | | |
| IGE, David Y. (VC) | | | | ✓ |
| ESPERO, Will | | ✓ | | |
| IHARA, Jr., Les | | | | ✓ |
| SAKAMOTO, Norman | ✓ | | | |
| SLOM, Sam | | | ✓ | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| TOTAL | <i>2</i> | <i>1</i> | <i>1</i> | <i>2</i> |
| Recommendation: | | | | |
| <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted | | | | |
| Chair's or Designee's Signature: | | | | |
| <i>Will Espero</i> | | | | |
| Distribution: | | | | |
| Original File with Committee Report | | Yellow Clerk's Office | | Pink Drafting Agency |

*Only one measure per Record of Votes