

STAND. COM. REP. NO. 3143

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 3059  
H.D. 1  
S.D. 2

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 3059, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO LOW-INCOME HOUSING TAX CREDITS,"

begs leave to report as follows:

The purpose of this measure is to reduce the term in which state low-income housing tax credits are claimed from ten to five years, and to enact provisions to implement and administer tax procedures for claiming the credit.

Testimony in support of this measure was submitted by the Department of Taxation, Hawaii Housing Finance and Development Corporation, Office of Housing and Community Development for the County of Hawaii, Kaua'i County Housing Agency, Hawaii Association of REALTORS, EAH Housing, Castle & Cooke Hawaii, and Catholic Charities Hawai'i. Comments on this measure were submitted by the Tax Foundation of Hawaii.

Your Committee recognizes that affordable housing is an important issue. To effectively eliminate the affordable housing crisis, sufficient incentives must be available in order to leverage public-private partnerships to construct additional housing in Hawaii. Through the use of low-income housing tax credits, partnerships between the State and private developers are leveraged through attractive tax incentives that subsidize investments in projects.

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Your Committee previously heard and approved a similar measure, S.B. No. 2981, S.D. 2. Your Committee has amended this measure by deleting and replacing its contents with S.B. No. 2981, S.D. 2 and making technical, nonsubstantive amendments for the purpose of clarity. As amended, this measure increases the low-income housing tax credit to one hundred per cent of the qualified basis for each building located in Hawaii and applies it to buildings placed in service after December 31, 2008.

Your Committee received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in the following revenue losses to the State:

FY 2009:	None
FY 2010:	\$1,250,000
FY 2011:	\$2,500,000
FY 2012:	\$3,130,000
FY 2013:	\$3,250,000

Their methodology is as follows:

Absent this measure, state low-income housing tax credits for new developments issued in 2007 would total \$1,250,000 for tax year 2009. This measure would increase the tax credits to \$5,000,000, which would result in net decreased tax revenue of \$3,750,000 for fiscal year 2010. The net cost for additional years would already include the additional credits from new investments in that particular year, along with the additional credits awarded from the investments in previous years.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3059, H.D. 1, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as H.B. No. 3059, H.D. 1, S.D. 2.



Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,

*Carol Fukunaga*

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CAROL FUKUNAGA, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

Bill / Resolution No.:*	Committee Referral:	Date:
HB 3059 HD1 SD1	HSP, EDT, WAM	3/18/08

The committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312     Pass, with amendments 2311     Hold 2310     Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
BAKER, Rosalyn H.				✓
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam				✓
<b>TOTAL</b>	4			2

Recommendation:  Adopted     Not Adopted

Chair's or Designee's Signature: *Will Espero*

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\*Only one measure per Record of Votes