

STAND. COM. REP. NO. 2529

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 2981  
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 S.B. No. 2981, 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.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; Hawaii Association of Realtors; and Castle & Cooke Hawai'i. Comments were received from 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 credit, partnerships between the State and private developers are leveraged through attractive tax incentives that subsidize investments in projects.

The intent of this measure is to reduce the horizon of years over which the low-income housing tax credit must be claimed.

2008-1476 SSCR SMA.doc



This makes the credit far more attractive to investors, and more useful to project partnerships because cash from government is released in a much shorter time.

The revenue estimate of the Department of Taxation is:

FY2009	(loss):	none;
FY2010	(loss):	\$1,250,000;
FY2011	(loss):	\$2,500,000;
FY2012	(loss):	\$3,130,000;
FY2013	(loss):	\$3,250,000.

Absent this measure, state low-income housing tax credits for new developments issued in 2007 would total \$1,250,000 in tax year 2009. The proposal would increase this to \$2,500,000, which would result in net decreased tax revenue of \$1,250,000 for fiscal year 2010. The net cost for additional years includes the additional credit from new investments in that particular year, along with the additional credits awarded from previous years investments.

Your Committee has amended this measure by correcting a statutory cross-reference, clarifying references to sections of the Internal Revenue Code.

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 S.B. No. 2981, 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 S.B. No. 2981, S.D. 2.

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

  
\_\_\_\_\_  
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:
<i>SB 2981, SD1</i>	<i>HSP, EDT, WAM</i>	<i>2/14/08</i>

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>	<i>5</i>			<i>1</i>

Recommendation:  Adopted     Not Adopted

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

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\*Only one measure per Record of Votes