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LATE

SENATE COMMITTEE ON HUMAN SERVICES & PUBLIC HOUSING

**TESTIMONY REGARDING HB 3059 HD 1
RELATING TO LOW-INCOME HOUSING CREDITS**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: MARCH 11, 2008

TIME: 2:30PM

ROOM: 016

This legislation modifies Hawaii's conformity to the federal Low-Income Housing Tax Credit provided by Section 42 of the Internal Revenue Code, by reducing the number of years over which the credit may be claimed.

The House Committee on Human Services & Housing passed this measure unamended.

The House Committee on Finance amended the effective date of the measure.

The House of Representatives passed this measure on third reading.

The Department **supports** this Lingle-Aiona Administration bill and encourages the Committee to **pass this measure with amendments.**

I. THE DEPARTMENT DEFERS TO THE HOUSING AGENCIES ON THE MERITS.

The Department defers to the various executive housing agencies on the merits of this bill in general. Hawaii is currently facing an affordable housing crisis. It will take meaningful initiatives in order to eliminate the shortage of affordable housing suitable for Hawaii residents.

II. THE ISSUE OF AFFORDABLE HOUSING IS IMPORTANT AND MAKING HAWAII'S CREDIT MORE ATTRACTIVE IS CRITICAL.

The Department recognizes that affordable housing is an important issue. To properly eliminate the affordable housing crisis, sufficient incentives must also be available in order to

leverage public-private partnerships to construct additional housing in Hawaii. Through the use of the Low-Income Housing Tax Credit, partnerships between the state and private developers are leveraged through attractive tax incentives that subsidize investments in projects.

This legislation is a positive solution. This legislation effectively reduces the horizon of years over which the Low-Income Housing Tax Credit must be claimed. Currently, the Hawaii credit must be claimed over a 10-year period. This bill reduces that period to 5 years. The reduction in the claim period makes the credit far more attractive to investors. The reduction also makes the credit more useful to project partnerships because cash from the government is released in a much shorter time.

III. PREFERENCE FOR HHFDC AMENDMENTS.

After discussing this measure with the Hawaii Housing Finance & Development Corp., the Department finds that the text of the measure's Senate companion, SB 2981 SD 1, makes this measure more efficient to administer. The Department suggests that the Committee adopt the text of SB 2981 SD 1. The Department defers to HHFDC for further consideration of these amendments.

IV. REVENUE ESTIMATE.

This legislation will result in the following revenue loss:

- FY2009 (loss): none
- FY2010 (loss): \$1.25M
- FY2011 (loss): \$2.50M
- FY2012 (loss): \$3.13M
- FY2013 (loss): \$3.25M