

Honolulu, Hawaii

MAR 27 2009

RE: H.B. No. 1043
H.D. 1
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committee on Education and Housing, to which was referred H.B. No. 1043, H.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 address state low-income housing tax credits by:

- (1) Reducing the period over which credits may be claimed from ten years to five years; and
- (2) Addressing the election of a federal grant in lieu of a portion of the state tax credit allocation for 2009, as authorized by the American Recovery and Reinvestment Act of 2009.

Testimony in support of this measure was submitted by two state agencies and five private organizations. Comments were submitted by one private organization. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that section 235-110.8, Hawaii Revised Statutes, allows an eligible taxpayer to claim fifty per cent of the federal low income housing credit over a period of ten years.



This measure would reduce that period to five years, making the credit far more attractive to investors.

With regard to Part II of this measure, the American Recovery and Reinvestment Act of 2009 (the "Federal Stimulus Bill") allows states to elect to receive grants instead of tax credits to finance low-income housing for 2009. Your Committee understands that the Department of Taxation is currently reviewing how the Federal Stimulus Bill might affect this measure and whether additional amendments may be necessary.

In addition, your Committee has considered an amendment requested by the Department of Taxation to clarify that taxpayers may claim the Hawaii low-income housing tax credit in an amount equal to the federal low-income housing tax credit that may be claimed for the first five years of the ten-year federal credit period (not to be confused with the adjusted five year credit period defined in section 235-110.8(f), Hawaii Revised Statutes, as amended by this measure). Your Committee notes that the Department is concerned that without this clarification, taxpayers may mistakenly believe that the federal low-income housing tax credit is first recomputed over a five-year credit period, and then the provisions of section 235-110.8(b), Hawaii Revised Statutes, are applied, which would effectively result in doubling the cost of the credit to Hawaii.

Your Committee is strongly supportive of efforts to increase the development of low-income housing in Hawaii and believes this measure offers a practical means of doing so.

Your Committee has amended this measure by:

- (1) Further clarifying how the low-income housing tax credit is computed;
- (2) Amending the effective date to July 1, 2030, for the purposes of continued discussion; and
- (3) Making technical, nonsubstantive amendments for the purpose of style.

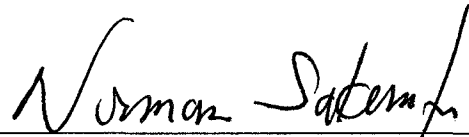
Your Committee regards this measure as a work in progress, and requests that the Department of Taxation keep both this Committee and the Committee on Ways and Means informed of any



additional changes that may be needed, particularly those that may be necessary to meet federal requirements.

As affirmed by the record of votes of the members of your Committee on Education and Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1043, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1043, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

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

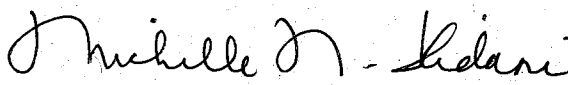


NORMAN SAKAMOTO, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Education and Housing
EDH

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1043 HDI	EDH, WAM	3-23-09		
<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
SAKAMOTO, Norman (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne				✓
GALUTERIA, Brickwood	✓			
TSUTSUI, Shan S.				✓
HEMMINGS, Fred	✓			
TOTAL	4			2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes