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# A BILL FOR AN ACT

RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT  
CORPORATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that section 237-29,  
2 Hawaii Revised Statutes, authorizes the Hawaii housing finance  
3 and development corporation (HHFDC) to certify or approve  
4 housing projects in the state for a general excise tax  
5 exemption. The legislature further finds that HHFDC has adopted  
6 administrative rules to set eligibility criteria and application  
7 procedures for general excise tax exemptions and to require  
8 documentation from claimants showing that the housing projects  
9 meet criteria necessary for an exemption. However, upon  
10 certification of housing projects by the corporation, the  
11 legislature finds that periodic reviews are necessary to ensure  
12 that a claimant's housing projects are actually meeting or  
13 continuing to meet all eligibility criteria to receive or  
14 retain, respectively, the claimant's general excise tax  
15 exemption.



1           The purpose of this Act is to require the department of  
2 taxation to perform periodic reviews of rental housing projects  
3 certified for a general excise tax exemption.

4           SECTION 2. Section 201H-36, Hawaii Revised Statutes, is  
5 amended to read as follows:

6           "[+]§201H-36[+] Exemption from general excise taxes. (a)  
7 In accordance with section 237-29, the corporation may approve  
8 and certify for exemption from general excise taxes any  
9 qualified person or firm involved with a newly constructed, or  
10 moderately or substantially rehabilitated project:

- 11           (1) Developed under this part;
- 12           (2) Developed under a government assistance program  
13 approved by the corporation, including but not limited  
14 to the United States Department of Agriculture 502  
15 program and Federal Housing Administration 235  
16 program;
- 17           (3) Developed under the sponsorship of a private nonprofit  
18 organization providing home rehabilitation or new  
19 homes for qualified families in need of decent, low-  
20 cost housing; or
- 21           (4) Developed by a qualified person or firm to provide  
22 affordable rental housing where at least fifty per



1 cent of the available units are for households with  
2 incomes at or below eighty per cent of the area median  
3 family income as determined by the United States  
4 Department of Housing and Urban Development, of which  
5 at least twenty per cent of the available units are  
6 for households with incomes at or below sixty per cent  
7 of the area median family income as determined by the  
8 United States Department of Housing and Urban  
9 Development.

10 (b) All claims for exemption under this section shall be  
11 filed with and certified by the corporation and forwarded to the  
12 department of taxation. Any claim for exemption that is filed  
13 and approved, shall not be considered a subsidy for the purpose  
14 of this part.

15 (c) The department of taxation shall conduct periodic  
16 reviews of all housing projects for which a claimant has  
17 received a general excise tax exemption. Each periodic review  
18 shall occur not less than once every three years following the  
19 close of the taxable year for which a claimant received a  
20 general excise tax exemption. Each periodic review shall  
21 determine whether the housing project has met eligibility  
22 criteria under section 201H-36 and other applicable laws and



1 rules for each taxable year for which a claimant received a  
2 general excise tax exemption.

3 [~~e~~] (d) For the purposes of this section:

4 "Moderate rehabilitation" means rehabilitation to upgrade a  
5 dwelling unit to a decent, safe, and sanitary condition, or to  
6 repair or replace major building systems or components in danger  
7 of failure.

8 "Substantial rehabilitation":

9 (1) Means the improvement of a property to a decent, safe,  
10 and sanitary condition that requires more than routine  
11 or minor repairs or improvements. It may include but  
12 is not limited to the gutting and extensive  
13 reconstruction of a dwelling unit, or cosmetic  
14 improvements coupled with the curing of a substantial  
15 accumulation of deferred maintenance; and

16 (2) Includes renovation, alteration, or remodeling to  
17 convert or adapt structurally sound property to the  
18 design and condition required for a specific use, such  
19 as conversion of a hotel to housing for elders.

20 [~~d~~] (e) The corporation may establish, revise, charge,  
21 and collect a reasonable service fee, as necessary, in  
22 connection with its approvals and certifications under this



1 section. The fees shall be deposited into the dwelling unit  
2 revolving fund.

3 (f) The corporation shall adopt rules, pursuant to  
4 chapter 91, for the purposes of this section. The rules shall  
5 include penalties for claimants who have received a general  
6 excise tax exemption without meeting or continuing to meet the  
7 appropriate eligibility criteria in every taxable year during  
8 which the claimant has received a general excise tax exemption."

9 SECTION 3. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 4. This Act shall take effect on July 1, 2050.



**Report Title:**

Housing Projects; GET Exemptions; Period Review

**Description:**

Requires the Department of Taxation to conduct periodic reviews of housing projects certified for a general excise tax exemption to determine whether the housing projects have met eligibility criteria. Requires the Hawaii Housing Finance and Development Corporation to adopt rules, including penalties for non-compliance, related to the exemption. Effective July 1, 2010.  
(SB2593 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

