
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 HHFDC, the legislature
11 finds that periodic reviews are necessary to ensure that a
12 claimant's housing projects actually meet, or continue to meet
13 all eligibility criteria to receive or retain a general excise
14 tax exemption.

15 The purpose of this Act is to require the department of
16 taxation to perform periodic reviews of housing projects
17 certified for a general excise tax exemption.



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

3 "[+]§201H-36[+] Exemption from general excise taxes. (a)

4 In accordance with section 237-29, the corporation may approve
5 and certify for exemption from general excise taxes any
6 qualified person or firm involved with a newly constructed, or
7 moderately or substantially rehabilitated project:

8 (1) Developed under this part;

9 (2) Developed under a government assistance program
10 approved by the corporation, including but not limited
11 to the United States Department of Agriculture 502
12 program and Federal Housing Administration 235
13 program;

14 (3) Developed under the sponsorship of a private nonprofit
15 organization providing home rehabilitation or new
16 homes for qualified families in need of decent, low-
17 cost housing; or

18 (4) Developed by a qualified person or firm to provide
19 affordable rental housing where at least fifty per
20 cent of the available units are for households with
21 incomes at or below eighty per cent of the area median
22 family income as determined by the United States



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

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

12 (c) The department of taxation shall conduct periodic
13 reviews of all housing projects for which a claimant has
14 received a general excise tax exemption under this section.

15 Each periodic review shall:

16 (1) Occur not less than once every three years following
17 the close of the taxable year for which the claimant
18 received a general excise tax exemption; and

19 (2) For each taxable year for which the claimant received
20 a general excise tax exemption, determine whether the
21 housing project met eligibility criteria under this
22 section and other applicable laws and rules.



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

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

6 "Substantial rehabilitation":

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

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

18 [~~(d)~~] (e) The corporation may establish, revise, charge,
19 and collect a reasonable service fee, as necessary, in
20 connection with its approvals and certifications under this
21 section. The fees shall be deposited into the dwelling unit
22 revolving fund.



1 (f) The corporation shall adopt rules pursuant to
2 chapter 91 that include penalties for every taxable year in
3 which a claimant receives a general excise tax exemption under
4 this section without meeting or continuing to meet the
5 appropriate eligibility criteria."

6 SECTION 3. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 4. This Act shall take effect on July 1, 2020.



Report Title:

Housing Projects; GET Exemptions; Period Review

Description:

Requires Department of Taxation to periodically review housing projects certified for a general excise tax exemption to determine whether the projects met eligibility criteria. Requires Hawaii Housing Finance and Development Corporation to adopt rules including penalties for non-compliance with exemption criteria. Effective July 1, 2020. (SB2593 HD2)

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