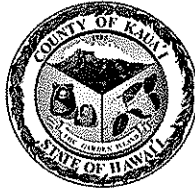


SB189

**Bernard P. Carvalho, Jr.**  
Mayor

**Gary K. Heu**  
Administrative Assistant



**Eugene K. Jimenez**  
Housing Director

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Executive Assistant

**KAUAI COUNTY HOUSING AGENCY**  
Pi'ikoi Building 4444 Rice Street Suite 330  
Lihu'e, Hawai'i 96766

February 3, 2009

Senator Norman Sakamoto, Chair  
Senator Michelle Kidani, Vice Chair  
and Committee Members  
Committee on Education and Housing  
The Senate, State of Hawai'i  
The Twenty-Fifth Legislature  
Regular Session of 2009

**SUBJECT: Testimony Supporting Senate Bill 189, Relating to Taxation**  
**Committee: EDH**  
**Hearing: February 4, 2009 1:15 PM Conference Room 225**

The Kaua'i County Housing Agency (KCHA) strongly supports Senate Bill 189. The bill would increase income tax deductions for contributions to individual housing accounts of up to \$10,000 per year, \$20,000 per year for married couples, and \$100,000 per all taxable years, towards the purchase of a first residence. We believe the legislation will strongly encourage saving towards a down payment, and enable first time buyers to be better prepared for home ownership.

Thank you for the opportunity to provide testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene K. Jimenez".

**EUGENE K. JIMENEZ**  
Housing Director



# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Individual housing account limit increase

BILL NUMBER: SB 189

INTRODUCED BY: Chun Oakland and 5 Democrats

BRIEF SUMMARY: Amends HRS section 235-5.5 to increase the amount that may be deposited into an individual housing account from \$5,000 to \$10,000 for individual taxpayers and from \$10,000 to \$20,000 for joint taxpayers. Also increases the maximum amount that may be deposited into an individual housing account from \$25,000 to \$100,000.

EFFECTIVE DATE: Tax years beginning after December 31, 2008

STAFF COMMENTS: The legislature by Act 285, SLH 1982, provided for the establishment of individual housing accounts to encourage individuals to save toward the purchase of a home. Currently, up to \$5,000 per year may be deposited in such an account, up to a maximum of \$25,000 over a 10-year period. Deposits made to individual housing accounts may be taken as a deduction against state income taxes.

The proposed measure merely increases the amounts that may be deposited into an individual housing account to reflect an increase in the price of a home. However, before lawmakers exacerbate a festering problem, they should ask for an analysis of the current statute and the problems that have been engendered. Of primary concern is the fact that there is no similar provision at the federal level. Although during the 1980's proponents of the individual housing account concept promised that the federal government was about to adopt a similar provision, no action was taken. As a result, those who participated in the state program found that they were caught in limbo as they tried to use their proceeds for the purpose of buying a new home. The tax treatment of the contributions and disbursements encountered different treatment for state and federal tax purposes. What that experience did underscore is that where there are dissimilar treatments of income, taxpayers may engender unanticipated tax consequences. So before lawmakers expand the program, they may want to ask for an analysis of those taxpayers who participated in the program.

Digested 2/3/09