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LATE TESTIMONY

**HOUSE COMMITTEE ON HOUSING
TESTIMONY REGARDING SB 2575 SD 2
RELATING TO HOUSING**

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

DATE: MARCH 10, 2010

TIME: 9AM

ROOM: 325

This bill provides for an "anti speculation" capital gains tax on the sale of real property.

The Department of Taxation (Department) opposes this legislation as a tax increase.

LACK OF STUDY—The Department is concerned over the lack of analysis that has been conducted as to whether or not an increased tax actually deters speculative land sales.

THIS BILL WILL ONLY RESULT IN INCREASED HOUSING PRICES—The Department is also concerned over the fact that this bill will likely do little more than increase purchase prices of homes. Based on simple economics, it is likely that any seller subject to this tax will factor the tax into the purchase price, ultimately increasing the price and resulting in the opposite intended impact of this legislation. Sales prices will not be stabilized.

REVENUE IMPACT—It is estimated that this measure will result in a revenue gain to the Rental Housing Trust Fund of about \$240,000 annually, and about \$240,000 annually to the general fund starting FY2011.