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HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1307, HD 1 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR
DESIGNEE)
COMMITTEE: FIN
DATE: MARCH 2, 2011
TIME: 10:00AM
POSITION: SUPPORT INTENT

This measure provides a nonrefundable residential construction and remodeling tax credit. This measure also requires the Department to submit a report to the Legislature.

The Department of Taxation (Department) supports the intent of this measure.

SUPPORT FOR JOBS AND THE CONSTRUCTION INDUSTRY—The Department supports the construction industry and efforts to stimulate the economy. This measure targets tax incentives at the construction industry, which is a large segment of Hawaii's economy. With many construction workers and suppliers impacted by the economic downturn, this measure will encourage taxpayers to invest in their homes and put people back to work.

SUPPORT SUNSET—The Department also supports the bill's 2014 sunset. It is the Department's understanding that the bill's reporting requirement was inserted due to lack of understanding over whether past examples of this tax credit were ultimately worth their fiscal cost in terms of actual impact on the construction industry. The Department supports the bill's combination of an early sunset with the reporting requirement. It will give the legislature the opportunity to revisit this credit in a few years, armed with the necessary data to determine its worth to the State. However, the Department suggests the Department of Business, Economic Development and Tourism or the Department of Labor and Industrial Relations also participate in the report concerning the impact on jobs.

REVENUE IMPACT – The revenue impact of this bill is indeterminate due to the blank amount for the cap on costs eligible for the credit per taxpayer. However, in 2001, when the Legislature provided a nonrefundable tax credit equal to 4% of home construction costs up to a maximum of \$250,000 of costs incurred between January 1, 2001 and June 30, 2003, the following revenue impact occurred (note unused credits could be carried forward until exhausted):

Tax Year	No. of Returns	Credit Amount
2001	8,718	\$11.3 million
2002	17,481	\$13.5 million
2003	12,726	\$13.1 million
2004	12,726	\$5.1 million
2005	867	\$7.9 million
2006	519	\$1.8 million

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, Residential construction and remodeling tax credit

BILL NUMBER: HB 1307, HD-1

INTRODUCED BY: House Committee on Economic Revitalization and Business

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow taxpayers who own residential real property to claim a residential construction and remodeling tax credit of 4% for the construction or renovation costs incurred during a taxable year; provided that the costs do not exceed \$ _____ in the aggregate for each residential unit and the costs are incurred before July 1, _____.

A husband and wife filing separately, or multiple owners of a property filing separately, may apportion the credit among themselves; provided the credit may be claimed only once for a single residential property. If a deduction is taken under IRC section 179 (with respect to election to expense depreciable business assets), no tax credit shall be allowed for that portion of the construction or remodeling cost for which the deduction is taken.

Credits in excess of tax liability shall be applied to tax liability in subsequent years until exhausted. Requires all claims for the credit to be filed before the end of the twelfth month following the tax year. The director of taxation shall prepare forms as may be necessary to claim the credit and may adopt rules pursuant to chapter 91.

Defines "construction or remodeling cost" and "net income tax liability" for purposes of the measure.

Requires the department of taxation to submit a report to the 2012 legislature that compares the impact on jobs and on the state budget that is produced by four separate tax credits for: (1) new construction to residential apartment units and houses; (2) renovations to residential apartment units and houses; (3) new construction to hotels and resorts; and (4) renovations to hotels and resorts.

This act shall be applicable to tax years beginning after 12/31/10 and ending prior to 1/1/14.

EFFECTIVE DATE: July 1, 2012

STAFF COMMENTS: The legislature by Act 10, Third Special Session of 2001, established a nonrefundable tax credit equal to 4% of residential construction and remodeling costs up to \$250,000 to spur private sector construction activity. Since the credit was scheduled to expire on July 1, 2002, the legislature by Act 174, SLH 2002, extended the credit to July 1, 2003. This measure proposes a similar credit of 4%.

Although some may claim that the previous tax credit incentive "jump started" construction activity especially in the wake of 9/11, looking back there is general agreement that the tax credit created artificial dislocations in the economy, creating demand that exceeded the industry's ability to respond,

sending labor and material costs beyond reasonable limits. The result is that in the years following the termination of the credit, the cost of construction exceeded reason. As a result, when the credit crisis occurred, the cost of construction was so high that there was insufficient latitude in the availability of credit to meet the demand. Thus, construction activity came to a screeching halt that is now being experienced. Instead of the spike that the tax credit created, recovery in the construction industry should have been stimulated with public works projects that allowed government to take advantage of a skilled workforce available at reasonable rates. It would have allowed recovery with moderation. As many homeowners rushed to take advantage of the last tax credit boom, they found that workers became scarce and the added cost was only mitigated by the tax credit. Thus, care should be exercised in jumping on this bandwagon again.

It should be remembered that the tax system is an inefficient means to accomplish this goal as the proposed measure would grant a credit regardless of a taxpayer's need for tax relief. This would merely result in a subsidy by government and plunge the state further into the red financially. While the adoption of this measure may alleviate some of the costs to entice homeowners to renovate their homes, it comes at a price to the state who is asked to provide public services with what little resources are available. The state cannot afford the enactment of this measure which will put it further in debt.

In addition, it is doubtful that a tax credit of this magnitude will spur the construction of new housing as long as the credit markets remain frozen. Home buyers are reporting the slow pace of financing as financial institutions exercise increased caution in making home loans in the wake of the subprime debacle which brought the financial industry to its knees along with the national economy. While there is indeed demand for more housing, getting the financing to secure that home is proving to be a challenge. Until the credit markets thaw, financing a home purchase, let alone a new home purchase, will be challenging.

Digested 3/1/11



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March 2, 2011

Representative Marcus Oshiro, Chair and Representative Marilyn B. Lee, Vice Chair
House Committee on Finance

Recommended Amendments to HB 1307, HD1 Relating to Taxation (Provides a temporary tax credit for residential construction and remodeling projects. Requires report to the legislature comparing impact on jobs and the state budget for various tax credit applications)

Wednesday, March 2, 2011 at 10:00 a.m. in CR 308

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide testimony **generally supporting the intent of HB 1307, HD1**, which provides for a residential construction and remodeling tax credit to individual taxpayers who own real property, and to provide **comments, concerns and recommendations to amend HB 1307, HD1 to include the text of HB 369**, which would further specify and define terms, as well as add provisions in order to limit the application of the proposed tax credit to Hawaii's residents and workforce, and to avoid issues otherwise anticipated with respect to the eligibility requirements thereunder.

HB 1307, HD1. This bill establishes a residential construction and remodeling tax credit for individual taxpayers who own real property and who incur construction and remodeling costs, performed by a licensed contractor, related to new construction, alterations, or modifications of a residential apartment unit or house. HB 1307, HD1 further specifies that tax credit shall be limited to four percent of the residential construction and remodeling costs paid by the taxpayer. HB 1307, H1 shall apply to taxable years beginning after December 31, 2010, and ending prior to January 1, 2014. HB 1307, HD1 has a defective approval date of July 1, 2112 to further encourage discussion.

Background. The bill is consistent with State actions proposed by the Construction Industry Task Force. In 2009, the Construction Industry Task Force ("CITF") was established pursuant to Senate Concurrent Resolution No. 132, S.D. 1 (2009) ("SCR 132") to determine the direct economic contributions of the local construction industry to the local economy, including the industry's impact on related industries such as housing. As directed in SCR 132, the CITF was tasked with developing a series of proposals for State actions to preserve and create new jobs in the local construction industry, thereby promoting overall economic growth. In doing so, the CITF's Tax & Incentives Committee made several recommendations to establish or increase tax credits to encourage continued development. Since that time, a

number of bills proposing tax credits relating to the construction, development, or purchase of property, including the subject bill, have been introduced with the intent to implement the recommendations made and State actions proposed by the CITF.

If HB 1307, HD1 is amended to be consistent with HB 369, it would conform to the recommendations made by the Governor's Task Force on Affordable Housing Barriers. Over the past years, LURF also participated in the Governor's Affordable Housing Regulatory Barriers Task Force, a statewide task force comprised of representatives from all four counties, business, labor, developers, architects, nonprofit providers of services, the State, and the legislature, whose purpose was to identify, address and propose regulatory reform and solutions to remove the barriers to the production of affordable housing ("Governor's Task Force"). After finding that Hawaii's regulatory system has created a housing development environment that severely restricts the State's housing supply and impacts the cost of homes, the Governor's Task Force recognized the need for **incentives** for affordable housing development. Unfortunately, the current version of HB 1307, HD1 proposes tax credits that could easily be used up by millionaires as an incentive to build or remodel their luxury homes luxury kitchens, bathrooms or swimming pools. If, however, the text of HB 369 and its income restrictions are added to HB 1307, HD1, this legislation would truly become an incentive to help address Hawaii's affordable housing problem.

If HB 1307, HD1 is amended to include the provisions of HB 369, that portion of the bill will be analogous to tax credit legislation enacted in California. HB 369 is conceptually analogous to legislation enacted by the State of California effective May 1, 2010 (which allocated \$100 million for state tax credits to buyers of new, unoccupied homes), in that the intent of both measures is to utilize tax credits as part of the State's effort to revitalize the economy by stimulating the local construction industry. (See attached article entitled, "Schwarzenegger Expected to Sign New \$10,000 California Homebuyer Tax Credit" which appeared in the March 24, 2010 edition of the *Sacramento Bee*.)

In the *Bee* article, California Assemblywoman, Anna Caballero stated that "[t]his tax credit has a proven track record. California's construction industry reported a 39 percent increase in building permits after the first round of tax credits began in March 2009 and proved even more popular than expected." The article also pointed to the fact that the housing stimulus was proposed by Governor Schwarzenegger in his January 2010 State of the State Address, to help revive the California economy.

Thus, if HB 1307, HD1 is amended in a HD2 version to include the provisions of HB 369 added to HB 1307, HD1, then HB 1307, HD2 will become, in essence, the Hawaii counterpart of the California legislation, intended to stimulate residential construction and could move residential projects and Hawaii's economy forward.

LURF'S POSITION

- **LURF generally supports the intent and purpose of HB 1307, HD1 but strongly recommends amendment of the present form of the bill to add the text of HB 369, which will limit its application to the target group it is intended to help.**

LURF supports the intent and purpose of this bill, which is to create a construction and renovation tax credit for residential construction and remodeling projects, thereby stimulating the construction industry and creating jobs in Hawaii. However, if the text of HB 369 were added to HB 1307, HD1, the bill would provide much-needed affordable housing and more benefit the construction industry, as well as the overall economy.

- **Should HB 1307, HD1 be amended to include the provisions of HB 369, it will provide incentive for developers and property owners to construct, improve or expand affordable housing , thereby revitalizing the local construction industry.**

The lack of affordable housing remains a significant problem affecting Hawaii and Hawaii's families. Finding ways to provide sufficient affordable housing and market housing for Hawaii's residents has been a major objective for our elected officials, state and county agencies, and members of the housing industry and business community. If the provisions in HB 369 are added to HB 1307, HD1, this bill could incentivize the construction of affordable housing, and the expansion and renovation of residences, thereby addressing the need for affordable housing, and in turn, boosting the local construction industry.

- **If HB 1307, HD1 is amended to include the provisions of HB 369, which encourages new affordable housing, it could help to revive the construction industry, and also aid in stimulating the State's economy.**

Should HB 1307, HD1 be amended to include the text of HB 369, it could help provide much-needed affordable and market housing, and HB 1307, HD1 could stimulate the economy and assist in getting people back to work. This measure will increase construction jobs, and in doing so, bring relief to the State's unemployment rate. Hawaii is presently in need of economic stimulus and other initiatives to counteract the negative impact that the world and national economies has had on the State's fiscal condition. According to recent economic forecasts by First Hawaiian Bank and the University of Hawaii Economic Research Organization, the local construction industry will continue to be impacted for some time before a gradual recovery ensues. LURF understands further that while the amount of public works has increased over the years to help support the local construction industry, private construction makes up nearly two-thirds of the industry's total volume and continues to be hindered by the current economic conditions.

Back in 2001, in response to the effects of the September 11th terrorist attacks on the United States which had a devastating effect on Hawaii's economy, the Legislature met in special session to approve certain emergency measures. One such response was the enactment of Act 10, Third Special Session Laws of Hawaii (2001), which enhanced the then-existing hotel construction and remodeling tax credit. Act 10 raised the tax credit from four to ten percent for costs incurred prior to July 1, 2003 in order to assist the tourism industry in its efforts to attract more visitors to Hawaii, and to spark the local construction industry. Act 10 provided the stimulus needed to boost Hawaii's workforce and economy during past difficult economic times.

If the provisions of HB 369 are added to HB 1307, HD1, LURF believes that the tax credit proposed by HB 1307, HD1 would be an effective mechanism to assist in current efforts being made by the Legislature to revitalize Hawaii's workforce and economy.

With the provisions of HB 369 included in HB 1307, HD1, the bill could implement the legislative recommendations of that task force, the findings of the Discussion Group, as well as the State actions proposed by the CITF, by addressing the immense need to provide affordable housing in Hawaii, and thereby effectively furthering the public interest and general welfare of the State.

- **LURF has concerns regarding the form of HB 1307, HD1, and strongly recommends that HB 1307, HD1 be amended by adding the text of HB 369;** particularly the need to further specify and define terms, as well as add provisions in order

to direct application of the bill to taxpayers to which the measure is intended to apply, and to avoid issues relating to eligibility requirements.

As presently drafted, HB 1307, HD1 lacks the specificity necessary to limit application of the tax credit as intended, to amongst other things, the following:

- o “newly constructed principal residences” (new structure built from ground up);
- o taxpayers whose “principal residence” is located in this State (lives in Hawaii more than 270 calendar days per calendar year);
- o “qualified principal residences” (used by taxpayer as principal residence for the two years immediately following the date of receipt of certificate of completion; non-residency or sale should result in recapture of the previously claimed tax credit);
- o “qualified taxpayers” (who meet adjusted gross income limitations); and
- o “qualified purchase price” (\$625,000 or less).

To demonstrate the problems with HB 1307, HD1 as currently drafted, the bill would hypothetically enable a foreign, non-resident millionaire who invests in Hawaii property to claim and collect the proposed tax credit for remodeling a bathroom in one of his many multi-million dollar luxury vacation homes before putting it up for sale.

It is thus recommendable for supporters of HB 1307, HD1 to incorporate the text of HB 369 and its definitions/provisions to appropriately support the purported intent of the bill, and to avoid misapplication of the measure to, and misuse of the proposed credit by non-resident millionaires.

Below is a chart comparing the provisions of HB 1307, HD1 with HB 369 (proposing to establish an ohana residential housing tax credit), which LURF believes more appropriately defines eligibility requirements for the tax credit proposed therein.

COMPARISON OF HB 369 and HB 1307, HD1

	HB 369 Ohana Residential Housing Tax Credit	HB 1307, HD1 Residential Construction and Remodeling Tax Credit
Eligible structures	“Newly constructed principal residence” New structure built from ground up, includes single-family home, duplex, condominium, manufactured home or townhouse.	NO REQUIREMENT that construction or remodel must be on a principal residence of taxpayer. Any construction, remodeling, or equipment permanently affixed to a building or structure related to new construction, alterations of a residential apartment unit or house.

Taxpayer Residency Requirement	Residency requirement: Applies only to “principal residence,” which means an individual’s principal residence, located in the state where the individual lives for more than two hundred seventy calendar days per calendar year.	NO DEFINITION; No requirement that taxpayer must be a Hawaii resident, or have a principal residence in Hawaii; Tax credit can be for a vacation home or income-producing rental apartment units.
“Qualified principal residence”	Received certificate of completion on or after April 1, 2011; Residence must be used by taxpayer as taxpayer’s principal residence for the immediately following two years; and is eligible for homeowner’s exemption	NO DEFINITION: No requirement that tax payer must live in the structure. Tax credit can be for a vacation home or income-producing rental apartment units.
“Qualified Taxpayer”	Intent to help “Workforce Housing” buyers: Must meet adjusted gross income limitations: Individual with AGI of \$75,000 or less; Couple with AGI of \$150,000 or less; or grantor of any trust with AGI of \$75,000 or less. Must sign a binding contract to purchase a qualified principal residence between 4/1/11 and 1/1/13; provided that closing is on or after 4/1/11 and before 3/1/13.	NO DEFINITION; NO INCOME LIMIT FOR TAXPAYERS. Can be used by local workers for an affordable home, but can also be used by millionaires and other high-income people to renovate their kitchens, bathrooms, pools, residential income-producing properties, etc. Tax credit will be available to anyone who owns residential real property in Hawaii and pays Hawaii taxes.
Purchase Price	Limited to qualified principal residences of \$625,000 or less	NO DEFINITION, NO LIMIT: Tax credit could be used for multi-million dollar luxury vacation homes or income-producing residential units and any multi-million dollar renovation of a kitchen, bathroom, pool, etc.
Recapture of tax credit if residence is sold or not living in qualified principal residence	If Taxpayer sells, or no longer uses the qualified principal residence as taxpayer’s principal residence, within 730 days after closing, then the taxpayer shall be subject to recapture on the previously claimed tax credit on a pro-rata dollar-for-dollar basis.	NO DEFINITION, NO RECAPTURE OF TAX CREDIT: Taxpayer may sell or rent the residence at any time after receiving the tax credit, without having to repay the tax credit to the State.

It is LURF's position that **HB 1307, HD1 should be amended** to include, at the very least, those identical or similar definitions and provisions from **HB 369**, to assure that the proposed tax credit will be limited to providing affordable housing for working local residents.

CONCLUSION

LURF supports the general intent of **HB 1307, HD1**, as long as it includes the text of **HB 369**, because by including such revisions, the bill will be an attempt to implement the legislative recommendations of the Governor's Task Force, as well as the State actions proposed by the CITF, by addressing the immense need to provide affordable housing in Hawaii, and thereby promoting the local construction industry, stimulating the economy, and furthering the public interest and general welfare of the State.

Despite of our general support of the underlying intent of **HB 1307, HD1**, LURF respectfully urges that the current draft of the bill be reviewed and **amended** to incorporate the more specific language of **HB 369**, which is necessary to carry out the purported providing affordable housing for Hawaii's working residents and to avoid misapplication of the proposed tax credit to the most affluent of Hawaii's taxpayers.

Thank you for the opportunity to present testimony regarding this matter.

Attachment

THE SACRAMENTO BEE sacbee.com

More Information

- California homebuyer tax credit sought again
- Schwarzenegger proposes tax credit to spark new home building
- California Senate approves \$10,000 tax credit for new-home buyer
- California tax credit for new-home buyers bearing fruit

Schwarzenegger expected to sign new \$10,000 California homebuyer tax credit

By Jim Wasserman

jwasserman@sacbee.com

Published: Wednesday, Mar. 24, 2010 - 12:00 am | Page 1B

Last Modified: Wednesday, Mar. 24, 2010 - 10:48 am

Homebuyer tax credits are almost certainly returning.

Sacramento-area buyers can begin claiming \$10,000 tax credits starting May 1 under a bill expected to be signed soon by Gov. Arnold Schwarzenegger.

The legislation allocates \$200 million for more state tax credits – twice what was offered last year to 10,659 buyers of new, unoccupied homes. The state's newest housing stimulus will grant \$100 million in tax credits to first-time buyers of existing homes and \$100 million to anyone who buys a new, unoccupied home.

The state Franchise Tax Board on Tuesday estimated nearly 32,000 homeowners statewide might get the tax breaks. Buyers must close escrow or reserve a credit on or after May 1 and before or on Dec. 31 to qualify.

The bill, AB 183, passed both houses of the Legislature by near unanimous votes. But one local lawmaker, Assemblyman Roger Niello, R-Fair Oaks, voted against it.

"I think it's a lot of money in a deficit situation that doesn't have the desired benefit," Niello said Tuesday, noting that housing prices are still depressed despite earlier credits designed to stimulate the market.

Niello's view was clearly a minority one, however.

"This tax credit has a proven track record," said Assemblywoman Anna Caballero, D-Salinas, who authored the bill along with Sen. Roy Ashburn, R-Bakersfield. Caballero said California's construction industry reported a 39 percent increase in building permits after the first round of tax credits began in March 2009 and proved more popular than expected. It ran out last July 2.

Schwarzenegger spokesman Mike Naple said Tuesday the governor supports the bill "and is expected to sign it."

The governor signaled his intent Monday while signing two other budget bills. In a signing message, he commended the Legislature for approving the tax credit bill, saying it will stimulate "the housing industry, creating jobs for thousands of Californians."

Schwarzenegger proposed the housing stimulus in his January State of the State Address to help revive the

Schwarzenegger expected to sign new \$10,000 California homebuyer tax credit - Sacramento Business, ... Page 2 of California economy. The new state tax credit would take effect one day after expiration of a federal \$8,000 tax credit for first-time homebuyers.

As was the case last year, buyers won't be eligible for the full \$10,000 credit if they owe the state less than that amount over a three-year period. Buyers can get up to \$3,333 off their tax obligation in each of the three years after buying a house.

Buyers must be at least 18 years old and be unrelated to the seller. They must live in the home they buy. First-time buyers are defined as those who have not owned a home in the past three years.

The Franchise Tax Board estimates the tax credit will cost the state \$6 million for the fiscal year ending June 30 and \$69 million next year. For three years after that, it will cost the state treasury \$67 million, \$54 million and \$4 million.

This year's legislation is different in that it allows buyers of new homes to reserve a tax credit in advance. A buyer signing a sales contract in June can claim the credit in November when the house is completed, a capital-area building industry official said Tuesday.

"In our parlance, that allows dirt sales," said Dennis Rogers, a vice president at the Roseville-based North State Building Industry Association. "We'll be able to build new houses now and get jobs going."

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March 2, 2011

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 1307, H.D. 1, Relating to Taxation

HEARING: Wednesday, March 2, 2011 at 10:00 a.m.

Aloha Chair Oshiro, Vice Chair Lee, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, here to testify on behalf of the Hawaii Association of REALTORS® ("HAR"), the voice of real estate in Hawaii, and its 8,500 members. HAR supports S.B. 654, H.D. 1, which provides for a temporary tax credit on residential construction and remodeling projects.

This measure provides for the availability of a tax credit deduction for Hawaii taxpayers, limited 4 percent of the residential construction or remodeling costs paid by the taxpayer. Also, this important tax credit includes expenses incurred for the plans, design, construction, and equipment that are permanently affixed to the building or structure related to new construction, alterations, or modifications to a residential apartment unit or home.

HAR believes that this measure will not only help stimulate pockets of the real estate industry but allow homeowners to make improvements to their homes thereby adding value.

Mahalo for the opportunity to testify.



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GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

March 1, 2011

TO: THE HONORABLE REPRESENTATIVE MARCUS R. OSHIRO, CHAIR AND
MEMBERS OF THE COMMITTEE ON FINANCE

SUBJECT: H.B.1307, HD1 RELATING TO TAXATION.

NOTICE OF HEARING

DATE: Wednesday, March 02, 2011
TIME: 10:00 A.M.
PLACE: Conference Room 308

Dear Chair Oshiro and Members of the Committee:

The General Contractors Association (GCA), an organization comprised of over five hundred and seventy (570) general contractors, subcontractors, and construction related firms, **supports** H.B.1307, HD1 Relating To Taxation

H.B. 1307, HD1 provides a temporary tax credit for residential construction and remodeling projects of not more than four (4) per cent incurred before July 1, _____.

Under the HD1 of the bill, the owner is required to use a licensed contractor to obtain the credit, which should provide an incentive to use a licensed contractor and thereby help our industry and Hawaii's economy.

In this period of high unemployment and economic stagnation in Hawaii's construction industry, the proposed tax credit will provide additional stimulus to spur additional residential construction and remodeling that may not otherwise be undertaken.

The GCA believes that any vehicle to stimulate Hawaii's economy and provide additional jobs will be helpful in this time of slow growth.

The GCA **supports** the passage of H.B. 1307, HD1 and recommends its passage.

Thank you for the opportunity to comment on this measure.

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938

Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

March 2, 2011

Testimony To: House Committee on Finance
Representative Marcus R. Oshiro, Chair

Presented By: Tim Lyons
President

Subject: H.B. 1307, HD 1 – RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we support this bill.

The Subcontractors Association of Hawaii is composed of the following nine separate and distinct subcontracting organizations which include:

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

We support this bill.

We support this bill because we know that taxpayers are particularly excited anytime they can get a tax credit instead of paying the government; they are taking a credit for themselves. We all know that this kind of credit will help spur economic activity and employment.

We suggest you retain the amendment to include in the bill a proviso that the taxpayer for residential construction and remodeling must have used a licensed contractor as specified under Chapter 444 HRS. We don't think it would be proper to reward taxpayers that use illegal, unlicensed contractors to get their tax credit. Additionally, since licensed contractors must show a tax clearance in order to prove that they paid all their taxes, we think it is particularly appropriate that the tax credit should only apply if homeowners use licensed contractors.

Based on the above and with that amendment, we support this bill and thank you for your consideration.

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Tuesday, March 01, 2011 6:18 AM
To: FINTestimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for HB1307 on 3/2/2011 10:00:00 AM

Testimony for FIN 3/2/2011 10:00:00 AM HB1307

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
E-mail: swartzg001@hawaii.rr.com
Submitted on: 3/1/2011

Comments:

You can keep shaking the Piggy Bank, but it's empty. Eliminate tax credits. Don't add new ones.