

NEIL ABERCROMBIE
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

**HOUSE COMMITTEE ON WATER, LAND & OCEAN RESOURCES
HOUSE COMMITTEE ON HOUSING**

March 23, 2011 at 10:30 a.m.
Room 325, State Capitol

In consideration of
S.B. 1241, S.D. 1
RELATING TO CONVEYANCE TAX.

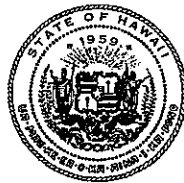
The HHFDC ***strongly supports*** S.B. 1241, S.D. 1, which is part of the Administration's legislative package. S.B. 1241, S.D. 1 repeals the exemption from conveyance tax for the sale or transfer of land for low-income housing projects that have been certified by the HHFDC. The bill aligns with the New Day in Hawaii Recovery and Reinvestment Plan by ensuring that government programs are efficient and cost-effective, and that State revenues are preserved for other important State priorities.

The conveyance tax is paid by the property seller, not the purchaser -- the entity that actually will be developing the low-income housing project. There is no requirement for the seller to pass on any of the savings realized from the exemption to the low-income housing project. As 25 percent of conveyance tax revenues are deposited into the Rental Housing Trust Fund, we believe that this exemption should be repealed.

Thank you for the opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

HOUSE COMMITTEES ON WATER, LAND & OCEAN RESOURCES AND HOUSING

**TESTIMONY OF THE DEPARTMENT OF TAXATION
REGARDING SB 1241, SD 1
RELATING TO CONVEYANCE TAX**

TESTIFIER: **FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR
DESIGNEE)**

COMMITTEE: **WLO/HSG**

DATE: **MARCH 23, 2011**

TIME: **10:30AM**

POSITION: **DEFER TO HHFDC**

This measure repeals the conveyance tax exemption for low-income housing projects certified by the Hawaii housing finance and development corporation.

The Department of Taxation defers to the Hawaii Housing Finance and Development Corporation on the merits of this legislation.

The estimated revenue impact is minimal.

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126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Repeal exemption for low-income housing projects

BILL NUMBER: SB 1241, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 247-3 to repeal the exemption from the conveyance tax any conveyance of real property to any nonprofit organization that has been certified by the Hawaii housing finance and development corporation (HHFDC) for low-income housing development.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: This is an administration measure submitted by the department of business, economic development and tourism BED-02 (11). The legislature by Act 196, SLH 2005, adopted an exemption from the conveyance tax for conveyances of real property to a nonprofit organization for the development of low-income housing. While the HHFDC has determined that this exemption has not help to increase the inventory of low-income housing, it is recommending that this exemption be repealed. Unfortunately, this measure reflects the lack of understanding of what goes into the development of affordable housing and how every cost has to be recovered through either the sales price or the amount of rent charged. With the recent substantial increases in the conveyance tax and in particular on non owner-occupied residential housing, the conveyance tax will impose a substantial burden on the nonprofit trying to provide affordable housing.

Inasmuch as HHFDC relies on the proceeds of the conveyance tax to fund the affordable rental housing trust fund, those developers of affordable housing who do not get those funds are getting the short end of the stick. To a large degree, this measure is self-serving and lacks an understanding of the preciseness of the financing of such housing projects. Adoption of this measure would run counter to the efforts to provide "affordable" housing.

Digested 3/22/11