

SB 1241

NEIL ABERCROMBIE
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO:

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

SENATE COMMITTEE ON WAYS AND MEANS

February 24, 2011 at 9:00 a.m.
Room 211, State Capitol

In consideration of
S.B. 1241 RELATING TO CONVEYANCE TAX.

The HHFDC ***strongly supports*** S.B. 1241, which is part of the Administration's legislative package. S.B. 1241 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of conveyance tax revenues are deposited into the Rental Housing Trust Fund, we believe that this exemption should be repealed.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 provide written comments on this bill.

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

BILL NUMBER: SB 1241; HB 1014 (Identical)

INTRODUCED BY: SB by Tsutsui by request; HB by Say by request

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: Upon approval

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 2/14/11

COMMITTEE ON WAYS AND MEANS
Senator David Y. Ige, Chair
Senator Michelle Kidani, Vice Chair

RE:
SB 1241 & SB 1269

Chair Ige,

My name is Michael Kaho'ohanohano and I have been a police officer for 28 years. When hired we were all promised the prospects of having our benefits provided after 25 years of service, which included the final compensation package to include overtime, differentials as well as regular wages for retirement benefit.

Over the years the legislature and the governor of this state took it upon themselves to take funding for the retirement system because of investments being over a certain amount. Now because government has not made the necessary contributions into the system, the employees have to suffer the fate of making "ends meet".

We as police officers are mandated to contribute into the system, we did not have the opportunity to take our contributions out in the late 80's as many in the retirement system at the time did. While we cannot control any new laws for future hires, we believe that the Constitution of the State of Hawaii protects members currently in the system, as to not "diminish" the benefits promised upon retirement.

I believe that the State Attorney General's Office has made a legal interpretation based on previous challenges for retiree's health benefits, and I believe that if these laws are passed as written additional legal challenges will be made further tying the hands of the State.

As for recruitment of police officers for the future, raising the retirement age for maximum benefits will further hinder efforts to recruit those police officers who will provide many years of public service in good standing. Further that all employees of the State and Counties will now have their contribution rates increased to offset the cost or to make whole the retirement system is just another way of penalizing the employees.

Thank you for the time to submit this testimony with hope that your Senate Committee will do the right thing.

Sincerely,

Michael Kaho'ohanohano



CATHOLIC CHARITIES HAWAII

COMMENTS -- IN SUPPORT OF SB 1241: Relating to Conveyance Tax

TO: Senator David Ige, Chair, Senator Michelle Kidani, Vice Chair, and Members, Committee on Ways and Means

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

Hearing: Thursday, 2/24/11; 9:00 a.m.; CR 211

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways and Means:

Thank you for the opportunity provide comments on SB 1241. I am Betty Lou Larson, Legislative Liaison for housing and homelessness issues at Catholic Charities Hawaii. Catholic Charities Hawaii supports this bill.

This bill would repeal the conveyance tax exemption for properties that are sold to any non-profit or for-profit organization that is certified by the state's Hawaii Housing Finance and Development Corporation (HHFDC) for low-income housing development. As we understand it, these sellers usually are selling properties at market prices. It is the buyers who are going to use the property to create or retain affordable rental housing units. The seller reaps any profit from the sale, just as if they had sold it to any other entity. This seems to be a loophole in the law. It would seem fair for the seller to pay the conveyance tax.

In these tough economic times, any additional funds going to the conveyance tax would also have a percentage allocated to create more affordable rental housing. The 25% of the conveyance tax that currently goes to the Rental Housing Trust Fund is a very important tool for the State to facilitate the development of affordable housing.

We urge you to support this bill. Thank you for the opportunity to testify on SB 1241.

