

LATE TESTIMONY

BIA-HAWAII
BUILDING INDUSTRY ASSOCIATION

March 23, 2011

Representative Rida Cabanilla, Chair
Committee on Housing
State Capitol, Room 32t
Honolulu, Hawaii 96813

RE: SB654, SD1 "Relating to Taxation"

Dear Chair Cabanilla and Members of the Committee on Housing:

I am Karen Nakamura, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii strongly supports SB654, SD1 "Relating to Taxation", but wishes to amend the bill with a different effective date. The bill establishes a refundable ohana residential housing income tax credit for qualified taxpayers that purchase a qualified principal residence on or after 04/01/2011, and before 01/01/2013, that is payable to the qualified taxpayer in 2 equal installments over the immediately following 2 taxable years. Effective 7/1/2050. (SD1). We request that the effective date be "upon approval"..

The effective date in the current draft is July 1, 2050 BIA-Hawaii wishes to amend the effective date to **"upon approval"** because, as we saw in a similar bill last year, prospective home buyers postponed their decisions and many jobs were put on hold.. This had a chilling effect on our industry and we do not wish to have a recurrence of the same anticipation of a tax credit next year cancelling or postponing decisions to buy a home. Please consider amending the bill to make the effective date "upon approval".

In December, 2010, BIA-Hawaaii sponsored a presentation on "The Local Impact of Home Building in Honolulu County" by Dr. Elliot Eisenberg, Senior Economist of the National Association of Home Builders Dr. Eisenberg's presentation focused on income, jobs and taxes generated by the building of 890 single family homes in the City & County of Honolulu. Using a national model and local statistics, the study indicated that in a one-year period, the building of 890 homes in the City & County of Honolulu would result in \$356 million in local income, \$17.9 million in taxes and other revenue for local governments, and 4,933 local jobs.

The study also projected annually recurring impacts of building 890 single-family homes in Honolulu which include \$41.2 million in local income, \$5.3 million in taxes, and 643 local jobs.

BIA-Hawaii has provided copies of the two-part report to the Legislature via email and would be willing to provide input on the report that is required by the bill. We would urge the Committee to amend the bill by making the effective date "upon approval". **To leave the effective date any later than upon approval would have a negative effect on our industry, just as the prospect of a tax credit in the future caused the postponement of jobs last year. If the effective date for a tax credit is left for a later year, we would want the bill to be held.**

During these extremely difficult economic times for the construction industry, we would welcome this type of incentive to get projects started and put people back to work. The unemployment statistics in our industry are staggering and it is anticipated that it will take many years to get back to the era when we couldn't find enough skilled workers in the construction industry.

Thank you for the opportunity to share our views with you.



Chief Executive Officer

BIA-Hawaii

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