



LATE

March 21, 2011

Senator Carol Fukunaga, Chair
Committee on Economic Development and Technology
State Capitol, Room 016
Honolulu, Hawaii 96813

RE: HB1307, HD1 "Relating to Taxation"

Dear Chair Fukunaga and Members of the Committee on Economic Development and Technology:

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 HB 1307, HD1 "Relating to Taxation", but wishes to amend the bill with a different effective date. The bill provides a temporary tax credit for residential construction and remodeling projects and requires a report to the legislature comparing the impact on jobs and the state budget for various tax credit applications. The effective date in the current draft is July 1, 2112. BIA-Hawaii wishes to amend the effective date to "**upon approval**" because, as we saw in a similar bill last year, prospective home buyers and those who were considering remodeling their homes, 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 or remodel a home. Please consider amend 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.

A handwritten signature in black ink that reads "Karen I. Nakamura". The signature is written in a cursive, flowing style.

Chief Executive Officer

BIA-Hawaii



Testimony of:
C. Mike Kido, External Affairs
The Pacific Resource Partnership

Before the Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

HB1307, HD1 - RELATING TO TAXATION

Monday, March 21, 2011
Conference Room 016
1:15 p.m.

Aloha Chair Fukunaga, Vice Chair Wakai, and Members of the Committee:

The Pacific Resource Partnership (PRP) is a joint partnership of the Hawaii Carpenters Union and their 240 signatory contractors. Our goal is to provide economic growth and jobs for our contractors and members of the Hawaii Carpenters Union.

PRP is in strong support of **HB 1307, HD1 – Relating to Taxation - Provides a temporary tax credit for residential construction and remodeling projects. The bill also requires a report to the legislature comparing the impact on jobs and the state budget for various tax credit applications.** On February 15th, PRP provided testimony in support of SB 769 - Relating to Economic Recovery, which was a Construction Industry Task Force bill, a Hotel/Timeshare Construction and Remodeling Tax Credit recommendation.

As stated in SCR132 Construction Industry Task Force report:

The effects of the September 11, 2001 terrorist attacks upon the U.S. had a devastating effect on Hawaii's economy. October, 2001 the legislature met in special session to approve emergency measures in response to the attacks. One response was the enactment of Act 10, Third Special Session Laws of Hawaii 2001, which increased the rate of the existing hotel construction and remodeling tax credit. Act 10 altered the tax credit from a 4% refundable tax credit to a 10% nonrefundable credit for costs incurred prior to July 1, 2003, to assist the tourism industry in its efforts to attract more visitors to Hawaii. Act 10 provided the stimulus needed to boost Hawaii's workforce and economy during the difficult economic times.

Hawaii needs a boost in the construction industry to help improve its economy. As the attached chart illustrates, the annual Private/Public construction dollar volume are divided. In 2010 the annual volume was \$2.6B -- \$1.6 B (62%) in Private construction and \$1 B (38%) in Public construction. Since 2005, the private sector has declined from a 75% private/25% public split.

While the amount of public works has increased over the years to help support our industry, private construction – which makes up nearly two-thirds of the total volume – continues to be hampered by our current economic conditions. The increase in public works is not a large enough impact to subside the significant losses felt within the private sector.

Hawaii is again facing hard times and we are in an economic recession. We need to create ways to stimulate the economy that will produce job creation and bolster Hawaii’s faltering construction industry.

PRP respectfully asks that this legislative proposal be given full consideration in the course of your legislative deliberations.

