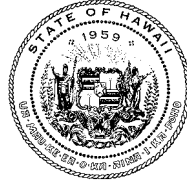


NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Rosalyn H. Baker, Chair,
and Members of the Senate Committee on Commerce and Consumer Protection

Date: Thursday, February 9, 2012

Time: 9:00 a.m.

Place: Conference Room 229, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 2112 Relating to Leasehold Conversion

The Department of Taxation (Department) appreciates the intent of S.B. 2112. The Department's assessment of the fiscal impact of S.B. 2112 differs from that of the Department of Budget and Finance.

S.B. 2112 extends the sunset date of Act 166, Session Laws of Hawaii 2007. Act 166 exempts from income tax 100% of the gain realized on the sale of a leased fee interest to the association of apartment owners or the residential cooperative corporation of the leasehold units. Act 166 applies to taxable years ending before January 1, 2013. This bill would extend Act 166 to apply to taxable years ending before January 1, 2017.

Thank you for the opportunity to provide comments.