

NEIL ABERCROMBIE  
GOVERNOR



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IN REPLY REFER TO:

**WRITTEN ONLY**

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

**SENATE COMMITTEE ON WAYS AND MEANS**

March 22, 2013 at 9:00 a.m.  
State Capitol, Room 211

In consideration of  
**H.B. 514, H.D. 2**  
**RELATING TO PUBLIC HOUSING.**

The HHFDC **supports** H.B. 514, H.D. 2.

The Tax Foundation's testimony on previous versions of this bill raised concerns that deleting the language currently contained in section 201H-37, HRS, and moving it to the Hawaii Public Housing Authority's HRS Chapter, Chapter 356D, HRS, may unintentionally affect the tax liability for non-profit or for-profit low income housing organizations who may meet the Federal definition of a "public housing agency." HHFDC has discussed this matter with the U.S. Department of Housing and Urban Development's local office and we have not been able to rule out these concerns entirely.

The H.D. 2 avoids the possibility of unintentional harm to any low income housing organizations. Therefore, HHFDC respectfully requests that the Committee pass H.B. 514, H.D. 2, in its current form.

Thank you for the opportunity to provide written testimony in support of this bill.

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SUBJECT: MISCELLANEOUS, Tax exemption for public housing

BILL NUMBER: HB 514, HD-2

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Adds a new section to HRS chapter 356D to add language delineating the state tax exemption on income and obligations for public housing agencies similar to that contained in HRS section 201H-37.

EFFECTIVE DATE: July 1, 2030

STAFF COMMENTS: This measure would insert the state income tax and obligation exemption for public housing agencies under the jurisdiction of the Hawaii public housing authority (HPHA). Act 196, SLH 2005, required the HHFDC to prepare an implementation plan to reorganize the state's housing functions and Act 180, SLH 2006, created two separate housing agencies - the HHFDC and the HPHA.

This proposal would add the income tax exemption and obligation exemption for "public housing agencies" and place it under the chapter establishing the state's public housing agency called the "Hawaii Public Housing Authority." It should be remembered that this exemption is established under federal law as part of Section 3(6) of the United States Housing Act of 1937. A review of that law and a discussion with local HUD officials revealed that a "public housing agency" does not necessarily have to be a state or local government agency that, in fact, a "public housing agency" can be an organization that meets the HUD guidelines in providing safe, decent, affordable housing to the low-income population of any community.

If this measure is adopted, the provisions governing the recognition of tax exemptions granted to such "public housing agencies" would be duplicated both under HRS chapter 201H - the affordable housing statute - and under HRS 356D - the Hawaii Public Housing Authority statute. Why it is necessary to have this provision in both chapters is questionable. Lawmakers should ask whether this is a jurisdictional dispute that is symptomatic of a dysfunctional relationship between the two agencies. If the location of this provision in HRS chapter 201H has not created any problems, then there is little reason to also have the provision inserted into HRS 356D.

Digested 3/7/13