

HB514, HD2

Measure Title: RELATING TO PUBLIC HOUSING.

Report Title: Hawaii Public Housing Authority; Public Housing Agency; Tax Exemption

Description: Establishes the state income tax and obligations exemption for public housing agencies among the laws governing the Hawaii Public Housing Authority. Effective 7/1/2030. (HD2)

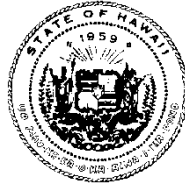
Companion:

Package: Housing and Homeless

Current Referral: HMS, WAM

Introducer(s): JORDAN, ITO, OSHIRO, SAY, YAMASHITA

NEIL ABERCROMBIE
GOVERNOR



HAKIM OUANSAFI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
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Honolulu, Hawaii 96817

BARBARA E. ARASHIRO
EXECUTIVE ASSISTANT

Statement of
Hakim Ouansafi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON HUMAN SERVICES

March 9, 2013 3:00 P.M.
Room 229, Hawaii State Capitol

In consideration of

House Bill 514, House Draft 2
Relating to Public Housing

Honorable Chair Chun Oakland and Members of the Senate Committee on Human Services, thank you for the opportunity to provide you with comments regarding House Bill (H.B.) 514, House Draft (HD) 2, relating to public housing.

The Hawaii Public Housing Authority (HPHA) supports the enactment of this measure, with amendments, which would create the State income tax and obligations exemption for public housing agencies in the Hawaii Revised Statutes (HRS) chapter governing the HPHA.

Section 11 of the Housing Act of 1937, as amended (42 U.S.C. § 1437i) provides for public housing agencies (PHAs) to issue obligations secured by a variety of U.S. Department of Housing and Urban Development (HUD) funds to finance the development of low-income housing projects. It further provides that any such obligations, including interest thereon, that are issued by a PHA, and any income derived by the PHA from such projects, are exempt from all taxation imposed by the United States. Section 201H-37, Hawaii Revised Statutes (HRS), provides that such obligations and income should also be exempt from all taxation imposed by the State.

However, the statute is misplaced and was left in chapter 201H when the HHFDC and HPHA bifurcated on July 5, 2005 with Act 196. As the sole PHA in the State of Hawaii, any such statutory provision relating to PHA financing obligations should be provided in the HPHA's chapter 356D, HRS. This proposal is a housekeeping measure to move this statute to the correct chapter, and even after hearing the concerns of the HHFDC

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and the Tax Foundation, the HPHA would like to respectfully request to have the original language of HB 514 reinserted into the bill.

The HPHA appreciates the opportunity to provide the Senate Committee on Human Services with the agency's position regarding H.B. 514 HD2. We respectfully request the Committee to pass this measure with amendments favorably, and we thank you very much for your dedicated support.

NEIL ABERCROMBIE
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

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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 HUMAN SERVICES

March 9, 2013 at 3:00 p.m.
State Capitol, Room 229

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 testify.

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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